ANALYTICAL PERSPECTIVES

BUDGET OF THE UNITED STATES GOVERNMENT

Fiscal Year 2000

THE BUDGET DOCUMENTS

Budget of the United States Government, Fiscal Year 2000 contains the Budget Message of the President and information on the President's 2000 budget proposals. In addition, the *Budget* includes the Nation's second comprehensive Government-wide Performance Plan.

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GENERAL NOTES

1. All years referred to are fiscal years, unless otherwise noted.
2. Detail in this document may not add to the totals due to rounding.

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON 1999

For sale by the U.S. Government Printing Office
Superintendent of Documents, Mail Stop: SSOP, Washington, D.C. 20402–9328

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ECONOMIC AND ACCOUNTING ANALYSES

1. ECONOMIC ASSUMPTIONS

Introduction

The economy begins this year in excellent condition. Budget surpluses have replaced soaring deficits; fiscal policy is now augmenting national saving, investment and growth, rather than restraining them. Monetary policy has successfully pursued the goals of supporting economic growth while at the same time wringing out inflation.

These sound policies have contributed to another year of outstanding economic achievement. Data for the first three quarters of 1998 and partial data for the fourth indicate that real Gross Domestic Product (GDP) rose about 4 percent over the four quarters of 1998, almost one percentage point faster than the average pace set during the prior five years. The Nation's payrolls increased by 2.9 million jobs during 1998, bringing the total number of new jobs created since this Administration took office to 17.7 million—93 percent of which were in the private sector. Healthy job growth pulled the unemployment rate down further last year. By December, the rate was 4.3 percent, the lowest level in nearly three decades and 3.0 percentage points lower than in January 1993. The unemployment rate averaged 4.5 percent last year, the lowest it has been since 1969.

Despite robust growth and low unemployment, inflation remained low. The Consumer Price Index (CPI) rose just 1.6 percent last year, aided by a sharp fall in energy prices. Even excluding the volatile food and energy components, the CPI rose only 2.4 percent. The GDP chain-weighted price index, the broadest measure of prices paid by consumers, business, and government, rose by around 1 percent. Not since the early 1960s has inflation been this low. The combination of a low unemployment rate and a low inflation rate pulled the "Misery Index"—the sum of the two rates—to its lowest level since the 1960s.

Both households and businesses have prospered in this environment of strong growth and low inflation. For the second year in a row, hourly earnings after adjustment for inflation increased faster than at any time in the past two decades, while the share of profits in GDP reached 10 percent during the last three years, the highest it has been since 1968.

Effective policy actions and the fundamental health of the American economy have enabled it to weather an extraordinary buffeting from economic turmoil abroad. Imports, adjusted for inflation, rose last year, while exports shrank; but robust growth of domestic demand by consumers and businesses more than offset this source of restraint. The sound fiscal policies of this Administration, which produced the first Federal budget surplus since 1969, lowered interest rates and reduced the government's demands in credit markets, thereby providing needed resources for private-sector spending. During the summer and fall, financial crises in foreign lands sent tremors through stock and bond markets. Beginning in September, the Federal Reserve responded by cutting the Federal funds rate in three successive steps, actions that restored confidence to financial markets. As 1999 began, financial and nonfinancial market indicators were signaling that the economic outlook remains healthy.

The economy has outperformed the consensus forecast during the past six years, and the Administration believes that it can continue to do so if sound fiscal policies are maintained. However, for purposes of budget planning, it is prudent to rely on mainstream projections. The Administration assumes that the economy will continue to expand, while unemployment, inflation and interest rates will remain low. Real growth in the next few years is expected to moderate to 2.0 percent per year, followed by somewhat faster, but sustainable, growth thereafter averaging 2.4 percent per year.

Even with more moderate growth than recently, the economy will generate millions of new jobs. The unemployment rate, which by mainstream estimates is below the level consistent with stable inflation, is projected to edge up slightly until mid-2001. Thereafter, it is projected to average a relatively low 5.3 percent, the middle of the range that the Administration estimates is consistent with stable inflation. Inflation is expected to rise slightly as the restraining influence of temporary factors wanes, but then to average just above 2 percent per year. Short-term interest rates are expected to remain in the neighborhood of levels reached at the end of 1998. Long-term rates are projected to move up by about 0.6 percentage point, the same amount as the rise in inflation, leaving inflation-adjusted long-term rates not much different than in December.

Most private sector forecasts have a similarly favorable view of the outlook. The most recent *Blue Chip* consensus, an average of 50 private forecasts, calls for real growth of 2.1 percent this year, and 2.4 percent, on average, through 2004. Unemployment and inflation projections are also close to the Administration's economic assumptions, while interest rates are projected to be slightly higher in the outyears of the budget horizon. The similarity with private-sector projections indicates that the Administration's assumptions provide a reasonable, prudent basis for projecting the budget.

In December, this business cycle expansion (which began in April 1991) set the record for the longest period of continuous growth during peacetime—surpassing the expansion of the 1980s. Last month marked the 94th consecutive month of growth. If the expansion continues through February 2000, it will exceed the longevity record of 106 months set during the Vietnam War expansion of the 1960s. The Administration expects, as do most private sector forecasters, that this expansion will surpass that record.

This chapter begins with a review of recent developments, and then discusses two statistical issues: the growing statistical discrepancy (the difference between the aggregate measures of output and income); and recent methodological improvements in the calculation of the Consumer Price Index. The chapter then presents the Administration's economic projections, followed by a comparison with the Congressional Budget Office's projections. The following sections present the impact of changes in economic assumptions since last year on the projected budget surplus, and the cyclical and structural components of the surplus. The chapter concludes with estimates of the sensitivity of the budget to changes in economic assumptions.

Fiscal and Monetary Policy

Fiscal Policy: When this Administration took office in January 1993, it vowed to restore sound fiscal discipline. That goal has been amply achieved. In contrast to 1992, when the deficit reached a postwar record of $290 billion, representing 4.7 percent of GDP, the budget last year recorded a surplus of $69 billion, or 0.8 percent of GDP. The last time the budget was in surplus was in 1969; the last time the surplus was a larger share of GDP was in 1956. This year, the surplus is projected to rise to $79 billion, or 0.9 percent of GDP. The dramatic shift in the Nation's fiscal position in the last six years from huge deficits to surpluses is unprecedented since the demobilization just after World War II.

The historic improvement in the Nation's fiscal position during this Administration is due to two landmark pieces of legislation, the Omnibus Budget Reconciliation Act of 1993 (OBRA) and the Balanced Budget Act of 1997 (BBA). OBRA, based on proposals made by the Administration soon after it came into office and signed into law in August of that year, set budget deficits on a downward path. The deficit reductions following OBRA have far exceeded predictions made at the time of its passage. OBRA was projected to reduce pre-Act deficits by $505 billion over the five years 1994–98. The total deficit reduction has been more than twice this—$1.2 trillion. In other words, OBRA and subsequent developments have enabled the Treasury to issue $1.2 trillion less debt than would have been required under previous estimates.

While OBRA fundamentally altered the course of fiscal policy towards lower deficits, it was not projected to eliminate the deficit. Without further action, deficits were expected to begin to climb once again. To prevent this and bring the budget into permanent surplus, the Administration negotiated the Balanced Budget Act with the Congress in the summer of 1997. The BBA was not expected to produce surpluses until 2002, but like OBRA, the results of pursuing a policy of fiscal discipline far exceeded expectations. The budget moved into surplus in 1998, four years ahead of schedule. OBRA and the BBA together are estimated to have improved the budget balance compared with the pre-OBRA baseline by a cumulative total of $4.4 trillion over 1993–2002.

Like the budget, the economy in recent years has far outperformed expectations. This is more than a coincidence. Lower deficits contribute to a healthy, sustainable expansion by reducing interest rates and boosting interest-sensitive spending in the economy. Rapid growth of business capital spending expands industrial capacity and boosts productivity growth. The additional capacity, in turn, prevents shortages and bottlenecks that might otherwise threaten to ignite inflation.

Lower interest rates also raise equity prices, which increases household wealth, optimism, and spending. The added impetus to consumer spending creates new jobs and business opportunities. While the benefits of fiscal discipline have been widely recognized, the surprise in recent years has been the magnitude of the positive impact on the economy. Growth of production, jobs, income, and capital gains have all exceeded expectations. Consequently, Federal revenues in the past three years have been larger than projected—the so-called "revenue surprise." Deficits have been smaller than expected and surpluses have occurred sooner. The outstanding economic performance during this Administration is proof positive of the lasting benefits of prudent fiscal policies.

Monetary Policy: Monetary policy shares the credit for the economy's excellent performance. During this expansion, the Federal Reserve appropriately tightened policy when inflation threatened to pick up, but eased when the expansion risked stalling out. In 1994 and early 1995, interest rates were raised when rapid growth threatened to cause inflationary pressures. During 1995 and early 1996, however, the Federal Reserve reduced interest rates because the expansion appeared to be slowing unduly at a time when higher inflation no longer threatened. From January 1996 until this past fall, monetary policy remained essentially unchanged; the sole adjustment was a one-quarter percentage point increase in the federal funds rate target in March 1997 to $5\frac{1}{2}$ percent.

Last year, the spread of financial turmoil from foreign markets to our own threatened to undermine the hard-won health of the U.S. economy. The Russian government's default on its debt in August led to a near-panic in credit markets and a sell-off of equities here and abroad. Almost instantly there was a drastic revaluation of potential risks—not just for foreign loans, but for domestic credit as well. At the height of the flight to quality in early October, the spreads between yields on Treasury and private sector bonds widened dramatically. Market participants shunned all but the most liquid of credit instruments. The drying up of normal credit channels intensified with the near-failure of a large, highly leveraged U.S. hedge fund that had borrowed heavily from major banks.

In response to these challenges, the Federal Reserve quickly shifted policy once more. It cut the Federal funds rate by one-quarter percentage point in September, followed by a cut of similar magnitude in both the funds rate and the discount rate in October and again in November. The drop in the funds rate target from 5½ to 4¾ percent in just seven weeks, accompanied by a one-half percentage point cut in the discount rate to 4½ percent, was the swiftest easing since 1991, when the economy was just emerging from recession.

Market sentiment responded quickly to these actions. U.S. stock markets, which endured a short but sharp decline in late summer and early fall, rallied during the winter, reaching record levels in January, 1999. The S&P 500 was up 27 percent during 1998, a remarkable achievement after having more than doubled during the prior three years. Other market indexes staged impressive gains as well. During the last four years, the S&P and the narrower Dow-Jones Industrial Average have risen by 2½ times. This is the best four-year performance in the postwar period.

By December, the Federal Reserve's actions had restored normal relationships in most credit markets. Rates on short-term Treasury bills and commercial paper were about 70 basis points lower than in December 1997. The yield on 30-year Treasury bonds was about 90 basis points lower than a year earlier while yields on high-grade AAA-rated corporate bonds were 55 basis points lower. New bond and equity issuance, which had plummeted in the panic-ridden market atmosphere of October, recovered—even for less creditworthy companies.

Some signs of heightened risk aversion remained, however. Interest rate spreads between highly rated instruments and more risky ones were still unusually large, although not as large as in October. The yield spread between below-investment grade corporate bonds and equivalent maturity Treasury bonds, for example, finished the year three percentage points higher than at the end of 1997.

Although there were still strains in some markets, credit, so essential to a healthy economy, was generally widely available—and at favorable interest rates by historical standards. Consequently, at its December meeting, the Federal Reserve decided that no further easing was needed. The actions taken during the prior three months had accomplished its goal of restoring confidence.

Recent Developments

Real Growth: The economy expanded at a 3.7 percent annual rate over the first three quarters of 1998, and is estimated to have grown at a somewhat faster pace during the fourth quarter. This is the third year in a row of robust growth of around 4 percent annually. In each of these years, most forecasters had expected growth to slow to about 2¼ percent per year, around the pace that the economy is generally believed capable of sustaining on a long-run basis.

The fastest growing sector last year was again business spending on new equipment: up at a 16 percent annual rate during the first three quarters of the year, it is estimated to have risen at a double-digit rate in the fourth quarter as well. The biggest gains continued to be for information processing and related equipment, but businesses invested heavily in other forms of equipment as well. Investment in new structures, in contrast, edged down during 1998.

This exceptionally strong growth of spending for new equipment boosted productivity and expanded industrial capacity to meet current and future demands. Overall industrial capacity rose by more than 5 percent in each of the past four years; the last time capacity grew this rapidly was in the late 1960s. The extra capacity has helped keep inflation low by easing the bottlenecks that might otherwise have developed. In the fourth quarter of 1998, the manufacturing operating rate was below its long-term average, even though labor markets were much tighter than usual.

Growth last year was also supported by robust household spending. Low unemployment, low interest rates, rising real incomes, extraordinary capital gains, and record levels of consumer optimism have provided households with the resources and willingness to spend heavily, especially on discretionary, postponable purchases. Overall consumer spending after adjustment for inflation rose at a 5.4 percent annual rate during the first three quarters of the year, and continued at a brisk pace in the fourth quarter. Growth of consumer spending last year was the fastest in 15 years.

The surge in consumer spending last year outstripped even the robust growth of disposable personal income. As a result, the saving rate edged down during the year, and entered negative territory in the fourth quarter. Not since the 1930s has the household saving rate been negative. Then, however, it was sign of extreme stress: incomes were shrinking faster than spending. Now, it is the result of economic success: soaring stock market wealth has enabled households to feel confident boosting spending knowing they have made unexpectedly large capital gains.

The same factors spurring consumption pushed new and existing home sales during 1998 to their highest level since record-keeping began. The homeownership rate reached a record 66.8 percent in the third quarter. Buoyant sales and low inventories of unsold homes provided a strong incentive for builders to start new construction. Housing starts rose last year to the highest level since 1987. Residential investment, after adjustment for inflation, increased at a 13.5 percent annual rate during the first three quarters of the year, and is estimated to have risen at a double-digit pace in the fourth quarter. The growth of residential investment last year was the strongest since 1992, when homebuilding was just emerging from recession.

Government purchases, on balance, made very little contribution to GDP growth last year. Federal government spending in GDP after adjustment for inflation edged down at a 1.2 percent annual rate during the first three quarters, about the same contraction as during 1997. By the third quarter of last year, Federal government spending in GDP was 12 percent lower than when the Administration took office. State and local spending in GDP rose at a moderate 2.3 percent rate during the first three quarters of 1998, offsetting the restraint on growth from the Federal sector. In recent years, States and localities have increased their spending only modestly, despite the availability of unexpectedly large budget surpluses resulting from stronger-than-expected revenues.

The foreign sector was the primary restraint on growth last year, as it was the year before. Exports of goods and services after adjustment for inflation shrank last year (the first time that has occurred since 1985) as several economies abroad contracted—including Japan, the world's second largest economy. In addition, the 21 percent rise in the dollar from the end of 1996 to October 1998 stimulated imports into the United States. The widening of the net export deficit during the first three quarters of the year trimmed $1\frac{3}{4}$ percentage point off of real GDP growth. The negative contribution from the trade sector was less pronounced during the second half of the year than the first, suggesting that the worst of the adverse trade impact may be over.

Labor Markets: The performance of the labor market last year far exceeded most predictions. At the start of the year, most forecasters had expected growth to slow and the unemployment rate to rise slightly. Instead, the economy expanded at about the same rapid pace as during 1997, driving the unemployment rate down to 4.3 percent by December. When this Administration took office, the unemployment rate was 7.3 percent. All demographic groups, and especially minorities, have experienced a large decline in unemployment. Forty states had unemployment rates of 5.0 percent or less in November; only two had rates above 6.0 percent.

The Nation's payrolls expanded by a sizeable 2.9 million jobs last year. Unlike previous years, employment gains were not widespread across industries. Mining and manufacturing, especially vulnerable to developments in international trade, lost jobs. This was more than offset numerically by job growth by the private service sector, construction, state and local government, and even the Federal Government (because of its temporary hiring in preparation for the decennial census). The abundance of employment opportunities pushed the labor force participation rate and employment/population ratio up the highest levels on record.

Inflation: Despite rapid growth and the low unemployment rate, inflation remained low last year, and even declined by some measures. The Consumer Price Index (CPI) and the CPI excluding food and energy increased about the same rate in 1998 as in 1997. The core CPI excluding food and energy rose just 2.4 percent last year, nearly matching 1997's 2.2 percent, which was the slowest rise since 1965. Because of falling energy prices, the total CPI rose even less, 1.6 percent, about the same as the 1.7 percent of 1997.

Progress in reducing inflation is even more impressive measured by the broadest indicator, the GDP chain-weighted price index. It rose just 0.9 percent at an annual rate during the first three quarters of 1998, 0.8 percentage point less than during the four quarters of 1997. The last time aggregate inflation was this low was in 1961.

The favorable inflation performance was the result of several factors: intense foreign competition, low unit labor costs, and perhaps structural changes in the link between unemployment and inflation. The rise in the dollar has reduced the costs of imported materials and intensified price competition from imports. Non-oil import prices fell 3.1 percent last year, while imported oil prices tumbled 40 percent. Export prices of goods (a component of the GDP price index) fell 3.5 percent, as American exporters trimmed prices to remain competitive abroad.

Despite low unemployment, the increase in hourly earnings and the broader measures of compensation were not much different during 1998 than the prior year. Moreover, robust investment in new equipment contributed to unusually strong productivity growth for this stage of an expansion, helping to restrain inflation by offsetting the gains in labor compensation. Unit labor costs rose at only a 1.8 percent annual rate during the first three quarters of 1998, down from 2.0 percent during 1997.

The absence of inflationary pressures has implications for the estimate of the level of unemployment that is consistent with stable inflation. This threshold has been called the NAIRU, or "nonaccelerating inflation rate of unemployment." Economists have been lowering their estimates of NAIRU in recent years in keeping with the accumulating experience that lower unemployment has not led to higher inflation, even after taking into account the influence of temporary factors. The economic projections for this Budget assume that NAIRU is in a range centered on 5.3 percent. That is 0.1 percentage point less than estimated in the 1999 Budget assumptions and 0.4 percentage point less than in the 1997 Budget. Most private forecasters have also reduced their estimates of NAIRU in recent years.

By the end of 1998, the unemployment rate was about one percentage point below the current mainstream estimate of NAIRU. The Administration forecast for real growth over the next three years implies that unemployment will return to 5.3 percent by the middle of 2001.

Statistical Issues

The U.S. statistical agencies endeavor to measure accurately the economy's performance, but the U.S. economy is a moving target; statistical agencies must constantly improve their measurement tools just to keep up with rapid structural changes. It is not surprising, therefore, that concerns have been raised about possible mismeasurement in recent years, especially of real GDP growth and of inflation.

Real Growth: In a perfect statistical world, the value of output would equal the value of income generated in its production: GDP would match Gross Domestic Income (GDI). However, because the series are estimated from different source data, each with its own gaps and inconsistencies, the two measures are hardly ever identical. What is particularly unusual now is the wide and growing difference between product and income measures.

This "statistical discrepancy" (defined as aggregate output minus aggregate income) was –$102 billion in the third quarter of 1998, a record –1.2 percent of nominal GDP. By comparison, in the first quarter of 1995, the statistical discrepancy was nearly zero, and two years earlier, in the first quarter of 1993, it was a positive $71 billion, or 1.1 percent of GDP. A swing of this magnitude means that during the past five and a half years, the annual average real growth rate measured from the familiar GDP output side has been about 0.4 percentage point less than the growth rate measured from the income side. During the first three quarters of last year, the divergence between the two measures of real growth remained near this magnitude.

It is possible that the incorporation of more complete source data in the annual and benchmark revisions to the national accounts will eventually reduce the size of the statistical discrepancy. That is what happened last July, but even after that revision, the discrepancy in the third and fourth quarters of 1997 was still a sizeable –0.8 percent of GDP.

The absence of a clear picture of the economy's actual growth performance is a cause for some concern. Any estimate of potential growth depends on an estimate of trend productivity growth, which itself depends on recent data on actual growth. When there is a growing divergence between product and income measures, there is a comparable divergence in estimates of the productivity trend. For example, from the last cyclical real GDP peak in the second quarter of 1990 to the third quarter of 1998, labor productivity growth has increased at a 1.3 percent annual rate according to the official productivity statistics which measure output growth from the product side. Productivity growth measured from the income side, however, is at a 1.5 percent rate.

While faster growth of trend productivity and potential GDP of 0.2 percentage point per year may seem trivial, cumulated over the 10-year budget horizon—or more significantly over the 75 years of the long-run projections made in Chapter 2 of this *Analytical Perspectives* volume—the additional output made possible by higher productivity growth can imply tens or even hundreds of billions of dollars of additional income in the economy.

It is unclear whether the product or the income side provides the more accurate measure of growth. The Bureau of Economic Analysis (BEA) recognizes the shortcomings of both measures but believes that GDP is a more reliable measure than GDI (see the *Survey of Current Business,* August 1997, page 19). Other experts believe that some figure between the two measures may be more accurate.

There is circumstantial evidence to suggest that growth may be faster than shown by the traditional GDP output measure. The recent combination of low inflation and high profits suggests that productivity growth may be stronger than reported from the output side. Moreover, the unexpected strength of Treasury receipts in the last three years suggests that the output measure, and even the income measure, may be too low. While some of the higher receipts are from capital gains generated by the booming stock market, which are not included in the national income accounts (because they arise from asset price revaluations rather than from current production), capital gains do not fully account for the surge.

The Administration's budget assumptions project trend productivity growth of 1.3 percent per year, the average measured pace since GDP reached its last peak in the second quarter of 1990. It is possible that trend productivity growth may be somewhat faster, not only because of the faster growth of gross domestic income than gross domestic product in recent years, but also because the next benchmark GDP revision to the national accounts may incorporate improvements to the measurement of consumer prices that would lower GDP inflation slightly during the first half of the 1990s and raise real GDP growth by a comparable amount.

In last July's annual revision covering the years 1995–1998, the Bureau of Economic Analysis took a step in this direction by switching to a geometric mean formula for the calculation of the consumer price measures used to deflate personal consumption expenditures. This lowered overall GDP inflation by almost 0.2 percentage points per year, and thereby boosted measured nonfarm output and productivity growth by 0.2 percentage points annually. The next benchmark GDP revisions, which will be published in October 1999, will incorporate this methodological change going back at least to 1990. All other things equal, this would be expected to raise slightly productivity growth measured from the last cyclical peak. However, because the benchmark revisions will include many other methodological and source data improvements, it is not possible to know how much and in what direction the currently measured productivity trend will be altered. Therefore, the budget projections are based on the prudent course of assuming a continuation of the productivity trend as measured by the statistics now available.

The uncertainty surrounding actual growth and its trend makes it more difficult to determine appropriate monetary policy. From a budgetary perspective, estimates of receipts and expenditures are more uncertain because they are dependent on the forecast for growth. As shown in Table 1–6, "Sensitivity of the Budget to Economic Assumptions," even small errors in projecting real GDP growth can have a significant effect on the budget balance cumulated over several years.

Inflation: Accurate measurement of inflation has become increasingly important in recent years, even as inflation has been brought under control. Eliminating biases of even a few tenths of a percentage point a year can be important relative to a goal of price stability when inflation is low, while it may have less significance when inflation is higher.

A few years ago, questions were raised about the magnitude of bias in the Consumer Price Index (CPI). In December 1996, the Advisory Commission to Study the Consumer Price Index, appointed by the Senate Finance Committee, reported that the index overstated the actual cost of living by 1.1 percentage points per year; other experts believed that the magnitude of empirically demonstrated biases was less.

The Bureau of Labor Statistics (BLS) has made important methodological improvements beginning in 1995 that have significantly reduced any overstatement of inflation as measured by the CPI. Taken together, these changes are estimated to result in a 0.7 percentage point slower annual rise in the CPI by 1999 compared with the methodologies used in 1994. The changes instituted from 1995–1998 are estimated to have slowed the growth of the CPI by 0.5 percentage point per year. These improvements include correction of a problem in rotating new stores into the survey, a better measure of prices for hospital services and computers, and a more accurate estimate of the equivalent rent attributed to owner-occupied housing. In addition, the BLS updated the expenditure weights used in the CPI from a 1982–84 basis to 1993–95 weights, introduced a more accurate geographic sample based on the 1990 decennial census, and redefined the groupings of items. (For a fuller description of these changes, see pages 7–8 in last year's *Analytical Perspectives*.) The changes introduced this year are expected to reduce CPI growth by another 0.2 percentage point per year.

Two methodological improvements are being instituted this year. Beginning with the January CPI, items will be sampled on a product rather than a geographical basis. This switch will allow more frequent sampling of categories with rapidly changing product lines, such as consumer electronics.

An even more important change is the replacement of the fixed-weighted Laspeyres formula that has been used in the CPI by a geometric mean formula for combining individual price quotations within certain components of the index. BLS is applying this improvement to categories where there are deemed to be substantial possibilities for substitution among items within the category—for example, different varieties of apples. In total, the categories using geometric means account for about 60 percent of the overall weight of the CPI. A CPI calculated using geometric means more closely approximates a cost-of-living index. Unlike the fixed-weighted aggregation, the geometric mean formula allows for some shifts in consumer spending patterns in response to changes in relative prices within categories of goods and services.

Because the CPI is used to deflate some nominal spending components of GDP, a slower rise in the CPI translates directly into a faster measured rise in real GDP and productivity growth. As noted in the discussion of real GDP in the prior section, the BEA recently applied the geometric mean formula to the prices used to deflate nominal personal consumption expenditures. As a result, measured productivity growth and real GDP growth in recent years were raised by almost 0.2 percentage point per year.

The improved measurement of inflation, both in the CPI and the national income accounts, has important implications for the budget. Slower growth of the CPI means that outlays for programs with cost-of-living adjustments tied to this index or its components—such as Social Security, Supplemental Security Income (SSI), retirement payments for railroad and Federal employees, and Food Stamps—will rise at a slower pace more in keeping with true inflation than they would have without these improvements. In addition, slower growth of the CPI will raise the growth of receipts: personal income tax brackets, the size of the personal exemptions, and eligibility thresholds for the Earned Income Tax Credit (EITC) will rise more slowly because they are also indexed to the CPI. Hence, the methodological improvements made in recent years act on both the outlays and receipts sides of the budget to increase the size of budget surpluses.

Economic Projections

The economy's strong performance last year—and, indeed, over the last six years—and the maintenance of sound fiscal and monetary policies raise the possibility that actual economic developments may even be better than assumed—as has been the case in recent years. Nonetheless, it is prudent to base budget estimates on a conservative set of economic assumptions close to the consensus of private-sector forecasts.

The economic assumptions summarized in Table 1–1 are predicated on the adoption of the policies proposed in this budget. The swing in the fiscal position from deficit to surplus is expected to contribute to continued favorable economic performance. Federal Government surpluses reduce interest rates, stimulate private sector investment in new plant and equipment, and help keep inflation under control. The Federal Reserve is assumed to continue to pursue successfully the twin goals of keeping inflation low while promoting growth.

The economy is likely to continue to grow during the next few years, although at a more moderate pace than during 1998. While job opportunities are expected to remain plentiful, the unemployment rate is likely to rise gradually to a level consistent with stable inflation over the longer horizon. New job creation will boost incomes and consumer spending and keep confidence at a high level. Continued low inflation will enable monetary policy to support economic growth. Growth, in turn, will further improve the budget balance.

Table 1–1. ECONOMIC ASSUMPTIONS[1]

(Calendar years; dollar amounts in billions)

	Actual 1997	Projections						
		1998	1999	2000	2001	2002	2003	2004
Gross Domestic Product (GDP):								
Levels, dollar amounts in billions:								
Current dollars	8,111	8,497	8,833	9,199	9,582	10,004	10,456	10,930
Real, chained (1992) dollars	7,270	7,539	7,717	7,872	8,029	8,208	8,404	8,606
Chained price index (1992 = 100), annual average	111.6	112.7	114.4	116.8	119.3	121.8	124.4	127.0
Percent change, fourth quarter over fourth quarter:								
Current dollars	5.6	4.5	4.0	4.2	4.1	4.5	4.5	4.5
Real, chained (1992) dollars	3.8	3.5	2.0	2.0	2.0	2.4	2.4	2.4
Chained price index (1992 = 100)	1.7	0.9	1.9	2.1	2.1	2.1	2.1	2.1
Percent change, year over year:								
Current dollars	5.9	4.8	4.0	4.1	4.2	4.4	4.5	4.5
Real, chained (1992) dollars	3.9	3.7	2.4	2.0	2.0	2.2	2.4	2.4
Chained price index (1992 = 100)	1.9	1.0	1.5	2.1	2.1	2.1	2.1	2.1
Incomes, billions of current dollars:								
Corporate profits before tax	734	721	724	739	765	787	826	867
Wages and salaries	3,890	4,146	4,349	4,526	4,701	4,892	5,106	5,331
Other taxable income[2]	1,717	1,763	1,815	1,863	1,921	1,980	2,051	2,126
Consumer Price Index (all urban):[3]								
Level (1982–84 = 100), annual average	160.6	163.1	166.7	170.6	174.5	178.5	182.6	186.8
Percent change, fourth quarter over fourth quarter	1.9	1.6	2.3	2.3	2.3	2.3	2.3	2.3
Percent change, year over year	2.3	1.6	2.2	2.3	2.3	2.3	2.3	2.3
Unemployment rate, civilian, percent:								
Fourth quarter level	4.7	4.6	4.9	5.1	5.3	5.3	5.3	5.3
Annual average	5.0	4.6	4.8	5.0	5.3	5.3	5.3	5.3
Federal pay raises, January, percent:								
Military[4]	3.0	2.8	3.6	4.4	3.9	3.9	3.9	3.9
Civilian[5]	3.0	2.8	3.6	4.4	3.9	3.9	3.9	3.9
Interest rates, percent:								
91-day Treasury bills[6]	5.1	4.8	4.2	4.3	4.3	4.4	4.4	4.4
10-year Treasury notes	6.4	5.3	4.9	5.0	5.2	5.3	5.4	5.4

[1] Based on information available as of early December 1998.
[2] Rent, interest, dividend and proprietors components of personal income.
[3] Seasonally adjusted CPI for all urban consumers. Two versions of the CPI are now published. The index shown here is that currently used, as required by law, in calculating automatic adjustments to individual income tax brackets. Projections reflect scheduled changes in methodology.
[4] Beginning with the 1999 increase, percentages apply to basic pay only; adjustments for housing and subsistence allowances will be determined by the Secretary of Defense.
[5] Overall average increase, including locality pay adjustments.
[6] Average rate (bank discount basis) on new issues within period.

Real GDP, Potential GDP and Unemployment: Over the next three years, real GDP is expected to rise 2.0 percent per year. This shift to more moderate growth recognizes that by mainstream assumptions, growth has exceeded the pace that can be maintained on a sustained basis, and that this could eventually result in upward pressures on inflation. More moderate growth has been expected for this reason. Also, recessions in Asia and slow growth elsewhere are expected to restrain U.S. growth again this year, albeit not as much as during 1998. From 2001–2007, growth is expected to average a slightly faster 2.4 percent per year—the Administration's estimate of the economy's potential growth rate. In 2008, potential growth is projected to slow to 2.3 percent to reflect the foreseeable demographic trend toward slower growth of the workforce as the baby-boomers begin to retire.

The net export component of GDP is expected to restrain real growth by about half as much as during 1998. Exports are expected to rise, rather than contract as they did in 1998, and import growth is likely to be somewhat slower than last year as our domestic demand slows. Beginning with 2000, the foreign sector is not expected to make a large contribution, positive or negative, to overall growth.

As has been the case throughout this expansion, during the next six years business fixed investment is expected to be the fastest growing component of GDP. Although residential investment is also expected to benefit from low mortgage rates and strong demand for second homes for vacation or retirement, the high level of housing starts in recent years and underlying demographic trends may tend to reduce future growth somewhat. Consumer spending, especially on durable goods, is also likely to moderate from the rapid pace of 1998. The fundamental factors supporting consumer spending are likely to remain favorable, although not quite to the same extent as during 1998. The government component of GDP will grow slowly through 2004. A decline in Federal consumption and gross investment is projected to be offset by moderate growth in State and local spending.

Potential GDP growth of 2.4 percent on average through 2007 can be decomposed into the trend growth of productivity, 1.3 percent per year, plus the growth of the labor force, estimated at 1.1 percent annually. The Administration's labor force projection assumes that the population of working age will grow 1.0 percent per year and that the labor force participation rate will edge up 0.1 percent per year.

Both the labor force and participation rate assumptions are lower than recent experience. The participation rate has risen 0.2 percent per year since 1993, as falling unemployment and rapidly expanding job opportunities have induced job-seeking. With the labor force participation rate and employment/population ratio already at post-World War II highs last year, it is prudent to project a slower rise in coming years. In addition, the female participation rate, which had risen sharply during much of the postwar period, grew much more slowly during the 1990s, and this is forecast to be reflected in future growth rates.

The real GDP growth projection of 2.0 percent through 2001 is consistent with a gradual rise in the unemployment rate to 5.3 percent. Unemployment is then projected to average 5.3 percent from 2001 onward, when real GDP growth reverts on average to the Administration's estimate of the economy's potential growth rate.

Inflation: With unemployment expected to be slightly below the NAIRU during the next three years, inflation is projected to creep up. The CPI is projected to increase 2.3 percent during this and the subsequent years of the forecast; the GDP chain-weighted price index is projected to increase 2.1 percent annually beginning in 2000. The 0.2 percentage point difference between the two inflation measures is narrower than the 0.5 percentage point of 1998, in part because BLS will introduce the geometric means formula into the CPI this year, which will slow the growth in the index by about 0.2 percentage point annually. As discussed above, this change will not affect the GDP price index because BEA has already incorporated this improvement.

Despite the relatively tight labor market in the next few years, the inflation rate is projected to remain low, partly because of two temporary factors. The rise in the dollar is expected to hold down import prices and intensify price competition from imported goods and services. In addition, wide profit margins provide a cushion that will enable firms to absorb cost increases without having to pass them on fully into higher prices. Moreover, the methodological improvements to the CPI introduced this year also will slow the rise in the CPI.

Interest Rates: The assumptions, which were finalized in early December, project stable short-term rates and a slight rise in long-term interest rates. The rise at the long end of the maturity spectrum is about the same as the increase in the CPI. By 2002, the 91-day Treasury bill rate is expected to be 4.4 percent, close to December's average; the yield on the 10-year Treasury bond is projected to be 5.3 percent, compared with 4.7 percent in December.

Incomes: The moderating of real growth during the projection horizon is expected to shift the distribution of national income slightly, augmenting somewhat the share going to compensation, while trimming the unusually high profits share in GDP. The personal interest income share is also projected to decline as interest rates remain historically low and as households hold less Federal government debt because of the projected budget surpluses. On balance, total taxable income is projected to decline gradually as a share of GDP.

Comparison with CBO

The Congressional Budget Office (CBO) prepares the economic projections used by Congress in formulating budget policy. In the executive branch, this function is performed jointly by the Treasury, the Council of Economic Advisers (CEA), and the Office of Management and Budget (OMB). It is natural that the two sets of economic projections be compared with one another, but there are several important differences, along with the similarities, that should be kept in mind:

The Administration's projections always assume that the President's policy proposals in the budget will be adopted in full. In contrast, CBO normally assumes that current law will continue to hold; thus, it makes a "pre-policy" projection. In recent years, and currently, CBO has made economic projections based on a fiscal policy similar to the budget's.

Both CBO and the Administration assume that maintaining budget surpluses would have significant macroeconomic effects, especially for interest rates and the distribution of income.

The two sets of projections are often prepared at different times. The Administration's projections must be prepared in early December, months ahead of the release of the budget. Some of the differences in the Administration's and CBO's near-term forecasts, therefore, may be due to the availability of more recent data to CBO. Timing differences are much less likely to play an important role in any differences in outyear projections, however.

Table 1–2 presents a summary comparison of the two sets of projections. Briefly, the Administration and CBO projections are very similar for all the major variables affecting the budget outlook:

Real GDP: The projections of real GDP growth are quite similar; both the Administration and CBO project that real GDP will grow at an average annual rate of 2.2 percent over the 1999–2004 period.

Inflation: Both the Administration and CBO expect inflation to continue at a slow, steady rate over the next several years. For the chain-weighted GDP price index, both predict that inflation will be 2.1 percent yearly; CBO expects the annual rate of change in the CPI to be about 0.3 percentage point higher than the Administration.

Unemployment: CBO projects unemployment to rise from its current level to 5.7 percent. The Administra-

Table 1–2. COMPARISON OF ADMINISTRATION AND CBO ECONOMIC ASSUMPTIONS

(Calendar years; percent)

	Projections					
	1999	2000	2001	2002	2003	2004
Real GDP (chain-weighted): [1]						
CBO January	1.8	1.9	2.3	2.4	2.5	2.4
2000 Budget	2.0	2.0	2.0	2.4	2.4	2.4
Chain-weighted GDP Price Index: [1]						
CBO January	2.1	2.0	2.2	2.1	2.1	2.1
2000 Budget	1.9	2.1	2.1	2.1	2.1	2.1
Consumer Price Index (all-urban): [1]						
CBO January	2.7	2.6	2.6	2.6	2.6	2.6
2000 Budget	2.3	2.3	2.3	2.3	2.3	2.3
Unemployment rate: [2]						
CBO January	4.6	5.1	5.4	5.6	5.7	5.7
2000 Budget	4.8	5.0	5.3	5.3	5.3	5.3
Interest rates: [2]						
91-day Treasury bills:						
CBO January	4.5	4.5	4.5	4.5	4.5	4.5
2000 Budget	4.2	4.3	4.3	4.4	4.4	4.4
10-year Treasury notes:						
CBO January	5.1	5.3	5.4	5.4	5.4	5.4
2000 Budget	4.9	5.0	5.2	5.3	5.4	5.4
Taxable income (share of GDP): [3]						
CBO January	77.8	77.1	76.9	76.6	76.5	76.3
2000 Budget	78.0	77.5	77.1	76.6	76.4	76.1

[1] Percent change, fourth quarter over fourth quarter.
[2] Annual averages, percent.
[3] Taxable personal income plus corporate profits before tax.

tion projects that the unemployment rate will average a slightly lower 5.3 percent.

Interest rates: The Administration and CBO have very similar paths for long- and short-term interest rates.

Income distribution: The Administration and CBO have similar projections for total taxable income shares of GDP. Both CBO and the Administration expect a shift of income from interest to corporate profits as a result of the sustained lower interest rates resulting from continued budget surpluses. Both project a similar secular decline in the total taxable income share.

Impact of Changes in the Economic Assumptions

The economic assumptions underlying this budget are similar to those of last year. Both budgets anticipated that achieving a fundamental shift in fiscal posture from large deficits to surpluses would result in a significant decline in interest rates, which would serve to extend the economic expansion at a moderate pace while helping to maintain low, steady rates of inflation and unemployment. The shift to budget surpluses and the ensuing lower interest rates were also expected to shift the composition of income from interest to profits. This would have favorable effect on receipts and the budget balance, because profits are on average taxed more heavily than interest income.

The changes in the economic assumptions since last year's budget have been relatively modest, as Table 1–3 shows. The differences are primarily the result of economic performance in 1998 that has, once again, proven more favorable than was anticipated at the beginning of last year. Economic growth was stronger than expected in 1998, while inflation and unemployment were lower. Because of this favorable performance, the projected annual averages for the unemployment rate and GDP price index have again been reduced slightly this year. At the same time, interest rates are assumed in this budget to remain near their current low levels. Interest rates are already lower than the levels to which they were assumed to decline eventually in last year's forecast.

Table 1–3. COMPARISON OF ECONOMIC ASSUMPTIONS IN THE 1999 AND 2000 BUDGETS

(Calendar years; dollar amounts in billions)

	1998	1999	2000	2001	2002	2003	2004
Nominal GDP:							
1999 Budget assumptions [1]	8,473	8,818	9,189	9,596	10,045	10,508	10,999
2000 Budget assumptions	8,497	8,833	9,199	9,582	10,004	10,456	10,930
Real GDP (percent change): [2]							
1999 Budget assumptions	2.0	2.0	2.0	2.3	2.4	2.4	2.4
2000 Budget assumptions	3.5	2.0	2.0	2.0	2.4	2.4	2.4
GDP price index (percent change): [2]							
1999 Budget assumptions	2.0	2.1	2.2	2.2	2.2	2.2	2.2
2000 Budget assumptions	0.9	1.9	2.1	2.1	2.1	2.1	2.1
Consumer Price Index (percent change): [2]							
1999 Budget assumptions	2.2	2.2	2.3	2.3	2.3	2.3	2.3
2000 Budget assumptions	1.6	2.3	2.3	2.3	2.3	2.3	2.3
Civilian unemployment rate (percent): [3]							
1999 Budget assumptions	4.9	5.1	5.3	5.4	5.4	5.4	5.4
2000 Budget assumptions	4.6	4.8	5.0	5.3	5.3	5.3	5.3
91-day Treasury bill rate (percent): [3]							
1999 Budget assumptions	5.0	4.9	4.8	4.7	4.7	4.7	4.7
2000 Budget assumptions	4.8	4.2	4.3	4.3	4.4	4.4	4.4
10-year Treasury note rate (percent): [3]							
1999 Budget assumptions	5.9	5.8	5.8	5.7	5.7	5.7	5.7
2000 Budget assumptions	5.3	4.9	5.0	5.2	5.3	5.4	5.4

[1] Adjusted for July 1998 NIPA revisions.
[2] Fourth quarter-to-fourth quarter.
[3] Calendar year average.

The net effects of these modifications in the economic assumptions on the budget are shown in Table 1–4. The largest effects come from higher receipts during 1999–2004. In all years through 2004, there are lower outlays for interest due to the unexpectedly large fall in interest rates, and lower outlays for cost-of-living adjustments to Federal programs due to lower 1998 inflation. The change in economic assumptions since last year increases budget surpluses by $40 billion to $50 billion a year.

Table 1–4. EFFECTS ON THE BUDGET OF CHANGES IN ECONOMIC ASSUMPTIONS SINCE LAST YEAR

(In billions of dollars)

	1999	2000	2001	2002	2003	2004
Budget totals under 1999 Budget economic assumptions and 2000 Budget policies:						
Receipts	1,778.4	1,857.0	1,909.0	1,988.9	2,060.2	2,154.5
Outlays	1,743.1	1,789.0	1,824.8	1,846.3	1,921.0	1,987.8
Surplus	35.4	68.1	84.1	142.6	139.2	166.8
Changes due to economic assumptions:						
Receipts	27.9	25.9	24.4	18.1	14.8	11.0
Outlays:						
Inflation	–4.9	–6.3	–6.6	–6.9	–7.3	–7.9
Unemployment	–3.5	–2.4	–1.6	–0.7	–0.9	–1.0
Interest rates	–6.4	–11.0	–11.4	–10.0	–9.2	–8.3
Interest on changes in borrowing	–1.2	–3.6	–6.1	–8.4	–10.6	–12.7
Total, outlay decreases (–)	–16.0	–23.3	–25.6	–26.0	–28.1	–29.9
Increase in surplus	43.9	49.2	50.0	44.1	42.9	40.9
Budget totals under 2000 Budget economic assumptions and policies:						
Receipts	1,806.3	1,883.0	1,933.3	2,007.1	2,075.0	2,165.5
Outlays	1,727.1	1,765.7	1,799.2	1,820.3	1,893.0	1,957.9
Surplus	79.3	117.3	134.1	186.7	182.0	207.6

Structural vs. Cyclical Balance

When the economy is operating above potential as it is currently estimated to be, receipts are higher than they would be if resources were less fully employed, and outlays for unemployment-sensitive programs (such as unemployment compensation and food stamps) are lower. As a result, the deficit is smaller or the surplus is larger than it would be if unemployment were at the NAIRU. The portion of the surplus or deficit that can be traced to this factor is called the cyclical surplus or deficit. The remainder, the portion that would remain with unemployment at the NAIRU (consistent with a 5.3 percent unemployment rate), is called the structural surplus or deficit.

Table 1–5. ADJUSTED STRUCTURAL BALANCE

(In billions of dollars)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Unadjusted deficit (–) or surplus	–290.4	–255.0	–203.1	–163.9	–107.4	–21.9	69.2	79.3	117.3	134.1	186.7	182.0	207.6
Cyclical component	–75.0	–66.2	–38.1	–16.5	–7.8	12.4	34.3	29.4	16.7	6.6	0.3	....	....
Structural deficit (–) or surplus	–215.4	–188.9	–165.0	–147.4	–99.6	–34.3	35.0	49.9	100.6	127.5	186.5	182.0	207.6
Deposit insurance outlays	–2.3	–28.0	–7.6	–17.9	–8.4	–14.4	–4.4	–5.0	–2.3	–1.8	–1.3	–*	0.8
Adjusted structural deficit (–) or surplus	–217.7	–216.9	–172.6	–165.3	–108.0	–48.7	30.6	44.8	98.3	125.7	185.1	182.0	208.5

Changes in the structural balance give a better picture of the impact of budget policy on the economy than does the unadjusted budget balance. The level of the structural balance also gives a clearer picture of the stance of fiscal policy, because this part of the surplus or deficit will persist even when the economy achieves permanently sustainable operating levels.

In the early 1990s, large swings in net outlays for deposit insurance (the S&L bailouts) had substantial impacts on deficits, but had little concurrent impact on economic performance. It therefore became customary to remove deposit insurance outlays as well as the cyclical component of the surplus or deficit from the actual surplus or deficit to compute the adjusted structural balance. This is shown in Table 1–5.

For the period 1998 through mid-2001, the unemployment rate is slightly below the estimated NAIRU of 5.3 percent, resulting in cyclical surpluses. Thereafter, unemployment is projected to equal the NAIRU, so the cyclical component of the surplus vanishes. Deposit insurance net outlays are relatively small and do not change greatly from year to year. The adjusted structural surplus or deficits in this budget display much the same pattern of year-to-year changes as the actual deficits. Two significant points are illustrated by this table. First, of the $360 billion swing in the actual budget balance between 1992 and 1998 (from a $290 billion deficit to a $69 billion surplus), 30 percent ($109 billion) resulted from cyclical improvement in the economy. The rest of the reduction stemmed primarily from policy actions—mainly those in the Omnibus Budget Reconciliation Act of 1993, which reversed a projected continued steep rise in the deficit and set the stage for the remarkable cyclical improvement that has occurred. Second, the structural surplus is expected to rise substantially over the projection horizon—in part due to the effects of the Balanced Budget Act of 1997.

Sensitivity of the Budget to Economic Assumptions

Both receipts and outlays are affected by changes in economic conditions. This sensitivity seriously complicates budget planning, because errors in economic assumptions lead to errors in the budget projections. It is therefore useful to examine the implications of alternative economic assumptions.

Many of the budgetary effects of changes in economic assumptions are fairly predictable, and a set of rules of thumb embodying these relationships can aid in estimating how changes in the economic assumptions would alter outlays, receipts, and the surplus.

Economic variables that affect the budget do not usually change independently of one another. Output and employment tend to move together in the short run: a high rate of real GDP growth is generally associated with a declining rate of unemployment, while moderate or negative growth is usually accompanied by rising unemployment. In the long run, however, changes in the average rate of growth of real GDP are mainly due to changes in the rates of growth of productivity and labor supply, and are not necessarily associated with changes in the average rate of unemployment. Inflation and interest rates are also closely interrelated: a higher expected rate of inflation increases interest rates, while lower expected inflation reduces rates.

Changes in real GDP growth or inflation have a much greater cumulative effect on the budget over time if they are sustained for several years than if they last for only one year.

Highlights of the budget effects of the above rules of thumb are shown in Table 1–6.

If real GDP growth is lower by one percentage point in calendar year 1999 only and the unemployment rate rises by one-half percentage point, the fiscal 1999 surplus would decrease by $9.8 billion; receipts in 1999 would be lower by about $8.0 billion, and outlays would be higher by about $1.8 billion, primarily for unemployment-sensitive programs. In fiscal year 2000, the receipts shortfall would grow further to about $17.2 billion, and outlays would increase by about $6.1 billion relative to the base, even though the growth rate in calendar 2000 equals the rate originally assumed. This is because the level of real (and nominal) GDP and taxable incomes would be permanently lower, and unemployment higher. The budget effects (including growing interest costs associated with higher deficits or smaller surpluses) would continue to grow slightly in later years.

The budget effects are much larger if the real growth rate is assumed to be one percentage point less in each year (1999–2004) and the unemployment rate to rise one-half percentage point in each year. With these assumptions, the levels of real and nominal GDP would be below the base case by a growing percentage. The budget balance would be worsened by $163.3 billion relative to the base case by 2004.

The effects of slower productivity growth are shown in a third example, where real growth is one percentage point lower per year while the unemployment rate is unchanged. In this case, the estimated budget effects mount steadily over the years, but more slowly, resulting in a $133.3 billion worsening of the budget balance by 2004.

Joint changes in interest rates and inflation have a smaller effect on the deficit than equal percentage point changes in real GDP growth, because their effects on receipts and outlays are substantially offsetting. An example is the effect of a one percentage point higher rate of inflation and one percentage point higher interest rates during calendar year 1999 only. In subsequent years, the price level and nominal GDP would be one percent higher than in the base case, but interest rates are assumed to return to their base levels. Outlays for 1999 rise by $5.6 billion and receipts by $9.2 billion, for a increase of $3.6 billion in the 1999 surplus. In 2000, outlays would be above the base by $12.9 billion, due in part to lagged cost-of-living adjustments; receipts would rise $18.4 billion above the base, however, resulting in a $5.6 billion improvement in the budget balance. In subsequent years, the amounts added to receipts would continue to be larger than the additions to outlays.

If the rate of inflation and the level of interest rates are higher by one percentage point in all years, the price level and nominal GDP would rise by a cumulatively growing percentage above their base levels. In this case, the effects on receipts and outlays mount steadily in successive years, adding $54.0 billion to outlays and $109.0 billion to receipts in 2004, for a net increase in the surplus of $55.0 billion.

The table shows the interest rate and the inflation effects separately. These separate effects for interest rates and inflation rates do not sum to the effects for simultaneous changes in both. This occurs because, when the budget is in surplus and some debt is being retired, the combined effects of two changes in assumptions affecting debt financing patterns and interest costs may differ from the sum of the separate effects, depending on assumptions about Treasury's selection of debt maturities to retire and the interest rates they bear. The last entry in the table shows rules of thumb for the added interest cost associated with changes in the budget surplus.

The effects of changes in economic assumptions in the opposite direction are approximately symmetric to those shown in the table. The impact of a one percentage point lower rate of inflation or higher real growth would have about the same magnitude as the effects shown in the table, but with the opposite sign.

These rules of thumb are computed while holding the income share composition of GDP constant. Because different income components are subject to different taxes and tax rates, estimates of total receipts can be affected significantly by changing income shares. However, the relationships between changes in income shares and changes in growth, inflation, and interest rates are too complex to be reduced to simple rules.

Table 1–6. SENSITIVITY OF THE BUDGET TO ECONOMIC ASSUMPTIONS

(In billions of dollars)

Budget effect	1999	2000	2001	2002	2003	2004
Real Growth and Employment						
Budgetary effects of 1 percent lower real GDP growth:						
For calendar year 1999 only: [1]						
Receipts	–8.0	–17.2	–20.1	–20.9	–21.8	–22.7
Outlays	1.8	6.1	6.6	8.0	9.7	11.5
Decrease in surplus (–)	–9.8	–23.3	–26.7	–28.9	–31.5	–34.2
Sustained during 1999–2004: [1]						
Receipts	–8.0	–25.4	–46.1	–68.3	–92.0	–117.5
Outlays	1.8	8.0	14.7	23.1	33.3	45.7
Decrease in surplus (–)	–9.8	–33.4	–60.9	–91.4	–125.4	–163.3
Sustained during 1999–2004, with no change in unemployment:						
Receipts	–8.0	–25.4	–46.2	–68.4	–92.1	–117.6
Outlays	0.2	1.0	2.8	5.7	10.0	15.7
Decrease in surplus (–)	–8.2	–26.4	–49.0	–74.2	–102.1	–133.3
Inflation and Interest Rates						
Budgetary effects of 1 percentage point higher rate of:						
Inflation and interest rates during calendar year 1999 only:						
Receipts	9.2	18.4	17.8	16.4	17.2	18.1
Outlays	5.6	12.9	10.3	9.2	9.0	8.3
Increase in surplus (+)	3.6	5.6	7.5	7.2	8.2	9.7
Inflation and interest rates, sustained during 1999–2004:						
Receipts	9.2	28.1	47.1	65.7	86.3	109.0
Outlays	5.6	18.6	29.3	38.1	46.4	54.0
Increase in surplus (+)	3.6	9.5	17.8	27.6	39.9	55.0
Interest rates only, sustained during 1999–2004:						
Receipts	1.3	3.3	4.1	4.4	4.8	5.1
Outlays	5.2	14.1	18.5	20.3	21.6	22.2
Decrease in surplus (–)	–3.9	–10.9	–14.4	–15.9	–16.9	–17.1
Inflation only, sustained during 1999–2004:						
Receipts	8.0	24.8	43.0	61.3	81.6	103.9
Outlays	0.5	4.7	11.3	18.7	26.4	34.1
Increase in surplus (+)	7.5	20.2	31.7	42.6	55.2	69.7
Interest Cost of Higher Federal Borrowing						
Outlay effect of a $50 billion reduction in the 1999 surplus	1.2	2.4	2.5	2.7	2.9	3.0

* $50 million or less.
[1] The unemployment rate is assumed to be 0.5 percentage point higher per 1.0 percent shortfall in the level of real GDP.

2. STEWARDSHIP: TOWARD A FEDERAL BALANCE SHEET

Introduction

A full evaluation of the Government's financial condition must consider a broader range of data than would usually be shown on a business balance sheet. A balanced assessment of the Government's financial condition requires several complementary perspectives. This chapter presents a framework for such analysis. No single table in this chapter is "*the* balance sheet" of the Federal Government. Rather, the chapter taken as a whole provides an overview of the Government's financial resources, the current and future claims on them, and what the taxpayer gets in exchange for these resources. This is the kind of assessment for which a financial analyst would turn to a business balance sheet, but this chapter is expanded to take into account the Government's unique roles and circumstances.

Because of the differences between Government and business, and because there are serious limitations in the available data, this chapter's findings should be interpreted with caution. The conclusions are tentative and subject to revision.

The presentation consists of three parts:

- The first part reports on what the Federal Government owns and what it owes. Table 2–1 summarizes this information. The assets and liabilities in this table are a useful starting point for analysis, but they are only a partial reflection of the full range of Government resources and responsibilities. Only those items actually owned by the Government are included in the table, but its resources extend beyond the assets defined in this narrow way. Government can also rely on taxes and other measures to meet future obligations. Similarly, while the table's liabilities include all of the binding commitments resulting from prior Government action, Government's responsibilities are much broader than this.
- The second part presents possible paths for the Federal budget extending well into the next century, beginning with an extension of the 2000 Budget. Table 2–2 summarizes this information. This part offers the clearest indication of the long-run financial demands that the Government faces and the resources that will be available to meet them. Some future claims on the Government deserve special emphasis because of their importance to individuals' retirement plans. Table 2–3 summarizes the condition of the Social Security and Medicare trust funds and how that condition has changed since 1997.
- The third part of the presentation features information on economic and social conditions which the Government affects by its actions. Table 2–4 presents summary data for national wealth while highlighting the Federal investments that have contributed to that wealth. Table 2–5 presents a small sample of economic and social indicators.

Relationship with FASAB Objectives

The framework presented here meets the stewardship objective[1] for Federal financial reporting recommended by the Federal Accounting Standards Advisory Board and adopted for use by the Federal Government in September 1993.

> Federal financial reporting should assist report users in assessing the impact on the country of the Government's operations and investments for the period and how, as a result, the Government's and the Nation's financial conditions have changed and may change in the future. Federal financial reporting should provide information that helps the reader to determine:
>
> 3a. Whether the Government's financial position improved or deteriorated over the period.
>
> 3b. Whether future budgetary resources will likely be sufficient to sustain public services and to meet obligations as they come due.
>
> 3c. Whether Government operations have contributed to the Nation's current and future well-being.

The presentation here explores an experimental approach for meeting this objective at the Government-wide level.

What Can Be Learned from a Balance Sheet Approach

The budget is an essential tool for allocating resources within the Federal Government and between the public and private sectors; but the standard budget presentation, with its focus on annual outlays, receipts, and the surplus/deficit, does not provide all the information needed for a full analysis of the Government's financial and investment decisions. A business may ultimately be judged by the bottom line in its balance sheet, but for the National Government, the ultimate test is how its actions affect the country.

[1] *Objectives of Federal Financial Reporting,* Statement of Federal Financial Accounting Concepts Number 1, September 2, 1993. The other objectives relate to budgetary integrity, operating performance, and systems and controls.

QUESTIONS AND ANSWERS ABOUT THE GOVERNMENT'S "BALANCE SHEET"

1. According to Table 2–1, the Government's liabilities exceed its assets. No business could operate in such a fashion. Why does the Government not manage its finances more like a business?

Because the Federal Government is not a business. It has fundamentally different objectives, and so must operate in different ways. The primary goal of every business is to earn a profit. But in our free market system, the Federal Government leaves almost all activities at which a profit could be earned to the private sector. In fact, the vast bulk of the Federal Government's operations are such that it would be difficult or impossible to charge prices for them—let alone prices that would cover expenses. The Government undertakes these activities not to improve its own balance sheet, but to benefit the Nation—to foster not only monetary but also nonmonetary values. No business would—or should—sacrifice its own balance sheet to bolster that of the rest of the country.

To illustrate, one of the Federal Government's most valuable assets is its holdings of gold. The price of gold generally fluctuates counter to the state of the economy—if inflation is rapid and out of control, the price of gold rises; but when inflation slows and steadies, the price of gold falls. One source of the deterioration of the Federal Government's balance sheet since the early 1980s has been a decline in the relative price of gold, which has reduced the real value of the Government's gold holdings. But that price decline—and the resulting deterioration of the Government's balance sheet—began as a direct consequence of Federal policies to reduce inflation, for the benefit of the people and businesses of the United States. No business would undertake such a policy of worsening its own balance sheet.

Similarly, the Federal Government invests in education and research. The Government earns no direct return from these investments; but the Nation and its people are made richer. A business's motives for investment are quite different; business invests to earn a profit for itself, not others. Because the Federal Government's objectives are different, its balance sheet behaves differently, and should be interpreted differently.

2. But Table 2–1 seems to imply that the Government is insolvent. Is it?

No. Just as the Federal Government's responsibilities are of a different nature than those of a private business, so are its resources. Government solvency must be evaluated in different terms.

What the table shows is that those Federal obligations that are most comparable to the liabilities of a business corporation exceed the estimated value of the assets the Federal Government actually owns. However, the Government has access to other resources through its sovereign powers, which include taxation. These powers give the Government the ability to meet present obligations and those that are anticipated from future operations.

The financial markets clearly recognize this reality. The Federal Government's implicit credit rating is the best in the United States; lenders are willing to lend it money at interest rates substantially below those charged to private borrowers. This would not be true if the Government were really insolvent or likely to become so. In countries where governments totter on the brink of insolvency, lenders are either unwilling to lend them money, or do so only in return for a substantial interest premium.

However, the Federal Government's balance sheet was clearly worsened by the budget policies of the 1980s. Under President Clinton, the deterioration in the balance sheet has been halted, and as the budget has moved from deficit to surplus, the excess of Government liabilities over assets has leveled off and begun to shrink relative to the size of the economy.

QUESTIONS AND ANSWERS ABOUT THE GOVERNMENT'S "BALANCE SHEET"—Continued

3. The Government does not comply with the accounting requirements imposed on private businesses. Why does the government not keep a proper set of books?

Because the Government is not a business, and its primary goal is not to earn profits or to enhance its own wealth. Accounting standards designed to illuminate how much a business earns and how much equity it has would not provide useful information if applied to the Government, and might even be misleading. In recent years, the Federal Accounting Standards Advisory Board has developed, and the Federal Government has adopted, a conceptual accounting framework that reflects the Government's functions and answers the questions for which Government should be accountable. This framework addresses budgetary integrity, operating performance, stewardship, and systems and controls. The Board has also developed, and the Government has adopted, a full set of accounting standards. Federal agencies are issuing audited financial reports that follow these standards; an audited Government-wide consolidated financial report was issued last year.

This chapter addresses the "stewardship objective"—assessing the interrelated condition of the Federal Government and of the Nation. The data in this chapter are intended to illuminate the trade-offs and connections between making the Federal Government "better off" and making the Nation "better off." There is no "bottom line" for the Government comparable to the net worth of a business corporation. Some analysts may find the absence of a bottom line to be frustrating. But pretending that there is such a number—when there clearly is not—does not advance the understanding of Government finances.

4. Why is Social Security not shown as a liability in Table 2–1?

Formally, construing Social Security as a liability would entail several conceptual contradictions. There are other Federal programs that are very similar to Social Security in the promises they make—Medicare, Medicaid, Veterans pensions, and Food Stamps, to name a few. Should the future benefits expected from these programs also be treated as liabilities? It would be difficult to justify a different accounting treatment for them if Social Security were classified as a liability of the Government. There is no bright dividing line separating Social Security from other income-maintenance programs.

Furthermore, if future Social Security benefits were to be treated as liabilities, logic would suggest that future Social Security payroll tax receipts that are earmarked to finance those benefits ought to be considered assets. However, other tax receipts are not counted as assets; and drawing a line between Social Security taxes and other taxes would be questionable.

QUESTIONS AND ANSWERS ABOUT THE GOVERNMENT'S "BALANCE SHEET"—Continued

5. It is all very well to run a budget surplus now, but can this be sustained? When the baby-boom generation retires beginning in 2008, will the deficit not return larger and meaner than ever before?

The aging of the U.S. population, which will become dramatically evident when the baby-boomers retire, poses serious long-term problems for the Federal budget and its major entitlement programs. However, the surplus in the budget means the country is better prepared to address these problems. If current projections prove correct and the surplus is preserved for some time to come, then there will be a significant decline in Federal net interest payments because of the decline in Federal debt resulting from the surpluses. This is a key step towards keeping the budget in balance when the baby-boomers retire.

The second part of this chapter and the charts that accompany it show how the budget is likely to fare under various possible alternative scenarios.

6. Would it be sensible for the Government to borrow to finance needed capital—permitting a deficit in the budget—so long as it was no larger than the amount spent on Federal investments?

First of all, the Government consumes capital each year in the process of providing goods and services to the public. The rationale for using Federal borrowing to finance investment really only applies to net investment, after depreciation is subtracted, because only net investment augments the Government's assets and offsets the increase in liabilities that result from borrowing. If the Government financed all new capital by borrowing, it should pay off the debt as the capital acquired in this way loses value. As discussed in Chapter 6 of Analytical Perspectives, net investment in physical capital owned by the Federal Government is estimated to have been negative in 1998 and to remain negative in 1999 and 2000, so no deficit spending would actually be justified by this borrowing-for-investment criterion.

The Federal Government also funds substantial amounts of physical capital that it does not own, such as highways and research facilities, and it funds investment in intangible "capital" such as education and training and the conduct of research and development. A private business would never borrow to spend on assets that would be owned by someone else. However, such spending is a principal function of Government. Chapter 6 shows that when these investments are also included, net investment is estimated to be slightly positive in 1999 and 2000. It is not clear whether this type of capital investment would satisfy the borrowing-for-investment criterion. Certainly, these investments do not create Federally owned assets, even though they are part of national wealth.

There is another hitch in the logic of borrowing to invest. Businesses expect investments to earn a profit from which to repay the financing costs. In contrast, the Federal Government does not generally expect to receive a direct payoff (in the form of higher tax receipts) from its investments, whether or not it owns them. In this sense, Government investments are no different from other Government expenditures, and the fact that they provide services over a longer period is no justification for excluding them when calculating the surplus/deficit.

Finally, the Federal Government must pursue policies that support the overall financial and economic well-being of the Nation. In this broader context, the Government may need to manage its fiscal policy to run a surplus, so as to augment private saving and investment, even if this means paying for its own investments from current revenues, instead of borrowing in the credit market and crowding out private investment. Other considerations than the size of Federal investment need to be weighed in choosing the appropriate level of the surplus or deficit.

QUESTIONS AND ANSWERS ABOUT THE GOVERNMENT'S "BALANCE SHEET"—Continued

7. Is it misleading to include the Social Security surplus when measuring the Government's budget surplus?

For many years, experts have said that the Federal budget has three purposes: to plan the Government's fiscal program; to impose financial discipline on the Government's activities; and to measure the Government's effect on the economy. It should not be surprising that, with more than one purpose, the budget is routinely presented in more than one way. For years, there have been several alternative measures of the budget, each with its appropriate use. None of these measures is always right, or always wrong; it depends upon the purpose to which the budget is put.

For the purpose of measuring the Government's effect on the economy, it would be misleading to omit any part of the budget; doing so would simply miss part of what we were trying to measure. For example, we would need to know all of the Federal Government's receipts and outlays to know whether it will have the wherewithal to meet its future obligations—such as Social Security. And for purposes of fiscal discipline, leaving out particular Government activities could be dangerous. In fact, the principle of a "unified," all-inclusive budget was established by President Johnson's Commission on Budget Concepts largely to forestall a trend toward moving favored programs off-budget—which had been done explicitly to shield those programs from scrutiny and funding discipline.

To plan the Government's program, however, alternative perspectives can sometimes be useful. In particular, the Congress has moved Social Security off-budget. The purpose was to stress the need to provide independent, sustainable funding of Social Security in the long term; and to show the extent to which the rest of budget had relied on annual Social Security surpluses to make up for its own shortfalls.

Policy under this Administration has been consistent with these goals. The non-Social Security deficit has been virtually eliminated—falling consistently from its record $340 billion in 1992 to only $30 billion, the lowest in more than a quarter of a century, in 1998. We anticipate that the non- Social Security budget will move solidly into surplus within the time horizon of this budget. And the President has made long-term Social Security soundness a key priority for this year.

In sum, the budget is like a toolbox that contains different tools to perform different functions. There is a right tool for each task, but no one tool is right for every task. If we choose the right tool for the job at hand, we can achieve our objectives.

8. What good does it do for the Federal Government to run a budget surplus, if the surplus is only used to retire Government debt? Is this just another way of pouring the money down the drain?

When the Government retires its debt, it is not pouring money down the drain. The Government contributes to the accumulation of national wealth by using a budget surplus to repay Government debt. Because of the large budget deficits of the 1980s, Federal debt measured relative to the size of the economy has risen to levels not seen since the early 1960s. Reducing this accumulated debt will have several desirable economic effects. It will help to hold down real interest rates, which is good for investment and home ownership. Lowering the debt will give the Government more flexibility should it face an unexpected need to borrow in the future. When the Government uses a budget surplus to reduce its debt, it adds to national saving. Even though the Government is simply repaying its debt, the resources represented by the surplus are available for private investment in new plant and equipment, new homes, and other durable assets.

The data needed to judge its performance go beyond a simple measure of net assets. Consider, for example, Federal investments in education or infrastructure whose returns flow mainly to the private sector and which are often owned by households, private businesses or other levels of government. From the standpoint of the Federal Government's "bottom line," these investments might appear to be unnecessary or even wasteful; but they make a real contribution to the economy and to people's lives. A framework for evaluating Federal finances needs to take Federal investments into account, even when the return they earn accrues to someone other than the Federal Government.

A good starting point to evaluate the Government's finances is to examine its assets and liabilities. An illustrative tabulation of net assets is presented below in Table 2–1, based on data from a variety of public and private sources. It has sometimes been suggested that the Federal Government's assets, if fully accounted for, would exceed its debts. Table 2–1 clearly shows that this is not correct. The Federal Government's assets are less than its debts; the deficits in the 1980s caused Government debts to increase far more than Government assets.

But that is not the end of the story. The Federal Government has resources that go beyond the assets that normally appear on a conventional balance sheet, including the Government's sovereign powers to tax, regulate commerce, and set monetary policy. However, these powers call for special treatment in financial analysis. The best way to incorporate them is to make a long-run projection of the Federal budget (as is done in the second part of this chapter). The budget provides a comprehensive measure of the Government's annual cash flows. Projecting it forward shows how the Government's sovereign powers are expected to generate cash flows in the future.

On the other side of the ledger are the Government's binding obligations such as Treasury debt, and the present discounted value of Federal obligations to pay pension benefits to Government retirees and current employees when they retire. These obligations have counterparts in the business world, and would appear on a business balance sheet. Accrued obligations for government insurance policies and the estimated present value of failed loan guarantees and deposit insurance claims are also analogous to private liabilities, and are included with the other Government liabilities. These formal obligations, however, form only a subset of the Government's financial responsibilities.

The Government has established a broad range of programs that dispense cash and other benefits to individual recipients. The Government is not constitutionally obligated to continue payments under these programs; the benefits can be modified or even ended at any time, subject to the decisions of the elected representatives in Congress. Such changes are a regular part of the legislative cycle. Allowing for such changes, however, it is likely that many of these programs will remain Federal obligations in some form for the foreseeable future. Again, the best way to see how future responsibilities line up with future resources is to project the Federal budget forward far enough in time to capture the long-run effects of current and past decisions. Projections of this sort are presented below.

The budget, even when projected far into the future, does not show whether the public is receiving value for its tax dollars. Information on that point requires performance measures for government programs supplemented by appropriate information about conditions in the U.S. economy and society. Such data are currently available, but much more need to be developed to obtain a full picture. Examples of what might be done are also shown below. (Performance measures are discussed more fully in Section VI of this year's Budget.)

The presentation that follows consists of a series of tables and charts. All of them taken together function as a Federal balance sheet. The schematic diagram, Chart 2.1, shows how they fit together. The tables and charts should be viewed as an ensemble, the main elements of which can be grouped together in two broad categories—assets/resources and liabilities/responsibilities.

- Reading down the left-hand side of the diagram shows the range of Federal resources, including assets the Government owns, tax receipts it can expect to collect, and national wealth that provides the base for Government revenues.
- Reading down the right-hand side reveals the full range of Federal obligations and responsibilities, beginning with Government's acknowledged liabilities based on past actions, such as the debt held by the public, and going on to include future budget outlays. This column ends with a set of indicators highlighting areas where Government activity affects society or the economy.

Chart 2-1. A BALANCE SHEET PRESENTATION FOR THE FEDERAL GOVERNMENT

ASSETS/RESOURCES

Federal Assets

Financial Assets
- Gold and Foreign Exchange
- Other Monetary Assets
- Mortgages and Other Loans
  - Less Expected Loan Losses
- Other Financial Assets

Physical Assets
- Fixed Reproducible Capital
  - Defense
  - Nondefense
- Inventories
- Non-reproducible Capital
  - Land
  - Mineral Rights

Resources/Receipts

Projected Receipts

National Assets/Resources

Federally Owned Physical Assets
State & Local Physical Assets
- Federal Contribution

Privately Owned Physical Assets
Education Capital
- Federal Contribution

R&D Capital
- Federal Contribution

Federal Governmental Assets and Liabilities (Table 2-1)

Long-Run Federal Budget Projections (Table 2-2)

Change in Trust Fund Balances (Table 2-3)

National Wealth (Table 2-4)

Social Indicators (Table 2-5)

LIABILITIES/RESPONSIBILITIES

Federal Liabilities

Financial Liabilities
- Currency and Bank Reserves
- Debt Held by the Public
- Miscellaneous
- Guarantees and Insurance
  - Deposit Insurance
  - Pension Benefit Guarantees
  - Loan Guarantees
  - Other Insurance
- Federal Pension Liabilities

Net Balance

Responsibilities/Outlays

Discretionary Outlays
Mandatory Outlays
- Social Security
- Health Programs
- Other Programs

Net Interest

Deficit

National Needs/Conditions

Indicators of economic, social, educational, and environmental conditions to be used as a guide to Government investment and management.

PART I—THE FEDERAL GOVERNMENT'S ASSETS AND LIABILITIES

Table 2–1 summarizes what the Government owes as a result of its past operations along with the value of what it owns, for a number of years beginning in 1960. The values of assets and liabilities are measured in terms of constant FY 1998 dollars. For most of this period, Government liabilities have exceeded the value of assets, but until the early 1980s the disparity was relatively small, and it was growing slowly (see chart 2–2).

In the late 1970s, a speculative run-up in the prices of oil, gold, and other real assets temporarily boosted the value of Federal holdings, but since then those prices have declined.[2] Currently, the total real value of Federal assets is estimated to be only about 12 percent greater than it was in 1960. Meanwhile, Federal liabilities have increased by 167 percent in real terms. The sharp decline in the Federal net asset position was principally due to large Federal budget deficits along with a drop in certain asset values. Currently, the net excess of liabilities over assets is about $3.2 trillion, or $12,000 per capita.

Assets

The assets in Table 2–1 are a comprehensive list of the financial and physical resources owned by the Federal Government. The list corresponds to items that would appear on a typical balance sheet.

Financial Assets: According to the Federal Reserve Board's Flow-of-Funds accounts, the Federal Government's holdings of financial assets amounted to about $0.2 trillion at the end of FY 1998. Government-held mortgages and other loans (measured in constant dollars) reached a peak in the mid-1980s. Since then, the value of Federal loans has declined. The holdings of mortgages, in particular, have declined sharply as holdings acquired from failed savings and loan institutions have been liquidated.

The face value of mortgages and other loans overstates their economic worth. OMB estimates that the discounted present value of future losses and interest subsidies on these loans is $45 billion as of 1998. These estimated losses are subtracted from the face value of outstanding loans to obtain a better estimate of their economic worth.

Over time, variations in the price of gold have accounted for major swings in this category. Since the end of FY 1980, gold prices have fallen and the real value of U.S. gold and foreign exchange holdings has dropped by 58 percent.

Reproducible Capital: The Federal Government is a major investor in physical capital. Government-owned stocks of fixed capital amounted to about $1.0 trillion in 1998 (OMB estimate). About two-thirds of this capital took the form of defense equipment or structures.

Non-reproducible Capital: The Government owns significant amounts of land and mineral deposits. There are no official estimates of the market value of these holdings (and of course, in a realistic sense, much of this land could or would never be sold). Researchers in the private sector have estimated what they are worth, and these estimates are extrapolated in Table 2–1. Private land values fell sharply in the early 1990s, although they have risen somewhat since 1993. It is assumed here that federal land shared in the decline and the subsequent recovery. Oil prices have declined sharply in recent years and are now lower in nominal terms than at any time since the late 1980s, reducing the value of Federal mineral deposits. (The estimates omit other types of valuable assets owned by the Government, such as works of art or historical artefacts, simply because the valuation of such assets would have little realistic basis in fact, and because most of these objects would never be sold.)

Total Assets: The total real value of Government assets is lower now than at the end of the 1980s, principally because of declines in the real value of gold, land, and minerals. Even so, the Government's holdings are vast. At the end of 1998, the value of Government assets is estimated to have been about $2.3 trillion.

Liabilities

Table 2–1 includes only those liabilities that would appear on a business balance sheet. These include various forms of Federal debt, Federal pension obligations to civilian and military employees, and liabilities for Federal insurance and loan guarantee programs.

Financial Liabilities: Financial liabilities amounted to about $3.9 trillion at the end of 1998. The largest component was Federal debt held by the public, amounting to around $3.3 trillion. This measure of Federal debt is net of the holdings of the Federal Reserve System (about $0.4 trillion at the end of FY 1998). Although independent in its policy deliberations, the Federal Reserve is part of the Federal Government, and its assets and liabilities are included here in the Federal totals. In addition to debt held by the public, the Government's financial liabilities include approximately $0.5 trillion in currency and bank reserves, which are mainly obligations of the Federal Reserve System, and about $0.1 trillion in miscellaneous liabilities.

Guarantees and Insurance Liabilities: The Federal Government has contingent liabilities arising from loan guarantees and insurance programs. When the Government guarantees a loan or offers insurance, cash disbursements may initially be small or, if a fee is charged, the Government may even collect money; but the risk of future cash payments associated with such commitments can be very large. The figures reported in Table 2–1 are prospective estimates showing the current discounted value of expected future losses. The

[2] This temportary improvement highlights the importance of the othr tables in this presentation. What is good for the Federal Government as an asset holder is not necessary favorable to the economy. The decline in inflation in the early 1980s reversed the speculative runnup in gold and other commodity prices. This reduced the balance of Federal net assets, but it was good for the economy and the nation as a whole.

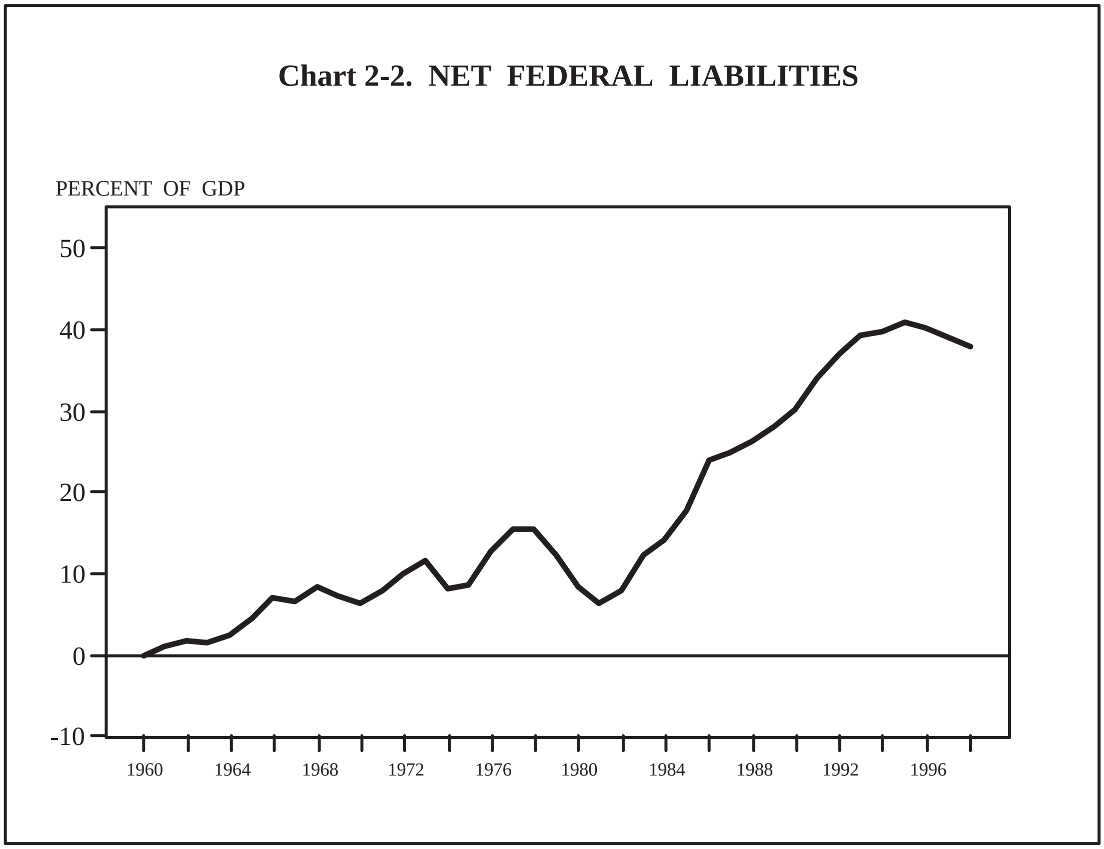
Table 2–1. GOVERNMENT ASSETS AND LIABILITIES *

(As of the end of the fiscal year, in billions of 1998 dollars)

	1960	1965	1970	1975	1980	1985	1990	1991	1992	1993	1994	1995	1996	1997	1998
ASSETS															
Financial Assets:															
Gold and Foreign Exchange	103	72	61	136	336	161	202	181	178	178	178	185	170	142	140
Other Monetary Assets	39	55	33	15	39	25	32	23	41	41	32	32	44	45	46
Mortgages and Other Loans	127	163	211	211	290	356	289	293	270	240	225	213	202	200	211
less Expected Loan and Losses	–1	–3	–4	–9	–17	–17	–19	–21	–23	–25	–27	–23	–23	–41	–45
Other Financial Assets	61	81	65	66	82	106	159	190	222	201	188	186	187	185	179
Subtotal	329	370	365	419	731	631	663	665	688	636	596	592	580	530	531
Physical Assets:															
Fixed Reproducible Capital:															
Defense	932	911	887	724	628	789	818	831	828	815	803	779	754	712	695
Nondefense	138	212	249	273	296	319	337	340	342	343	346	351	352	345	348
Inventories	264	228	212	189	230	263	229	208	202	186	177	158	141	130	121
Nonreproducible Capital:.															
Land	91	126	157	243	309	332	328	299	267	251	247	248	251	261	277
Mineral Rights	329	304	250	348	632	712	476	451	425	404	374	351	398	418	351
Subtotal	1,753	1,782	1,755	1,776	2,095	2,415	2,188	2,129	2,065	2,000	1,948	1,887	1,895	1,867	1,792
Total Assets	**2,082**	**2,152**	**2,120**	**2,196**	**2,826**	**3,047**	**2,851**	**2,795**	**2,753**	**2,636**	**2,544**	**2,479**	**2,475**	**2,397**	**2,323**
LIABILITIES															
Financial Liabilities:															
Currency and Bank Reserves	230	253	279	284	285	302	360	365	383	413	439	447	458	478	514
Debt held by the Public	999	986	836	822	1,063	1,887	2,590	2,793	3,050	3,201	3,287	3,381	3,438	3,390	3,274
Miscellaneous	26	28	30	43	67	93	139	127	119	118	115	111	112	105	106
Subtotal	1,254	1,265	1,145	1,149	1,415	2,283	3,089	3,286	3,552	3,732	3,840	3,940	4,008	3,974	3,894
Insurance Liabilities:															
Deposit Insurance	0	0	0	0	2	9	69	76	39	13	9	5	2	1	1
Pension Benefit Guarantee [1]	0	0	0	43	31	43	42	46	51	66	32	20	54	30	40
Loan Guarantees	0	0	2	6	12	10	15	24	27	30	32	28	32	30	22
Other Insurance	31	28	22	20	27	17	19	19	19	18	17	17	16	16	16
Subtotal	31	29	24	70	72	79	146	165	135	127	90	69	105	77	78
Federal Pension Liabilities	794	1,006	1,194	1,355	1,781	1,766	1,694	1,683	1,694	1,629	1,603	1,619	1,579	1,588	1,587
Total Liabilities	**2,080**	**3,301**	**2,363**	**2,574**	**3,269**	**4,127**	**4,929**	**5,133**	**5,381**	**5,488**	**5,534**	**5,628**	**5,691**	**5,640**	**5,559**
Balance	**2**	**–149**	**–243**	**–378**	**–443**	**–1,080**	**–2,077**	**–2,339**	**–2,629**	**–2,851**	**–2,989**	**–3,149**	**–3,216**	**–3,243**	**–3,235**
Addenda:															
Balance Per Capita (in 1998 dollars)	**12**	**–766**	**–1,184**	**–1,752**	**–1,938**	**–4,519**	**–8,288**	**–9,231**	**–10,262**	**–11,016**	**–11,438**	**–11,936**	**–12,081**	**–12,077**	**–11,947**
Ratio to GDP (in percent)	**0.1**	**–4.6**	**–6.3**	**–8.7**	**–8.5**	**–17.8**	**–30.1**	**–33.9**	**–37.0**	**–39.2**	**–39.7**	**–41.0**	**–40.3**	**–39.1**	**–37.7**

* This table shows assets and liabilites for the Government as a whole, including the Federal Reserve System. Therefore, it does not break out separately the assets held in Government accounts, such as Social Security, that are the obligation of specific Government agencies. Estimates for FY 1998 are extrapolated in some cases.

[1] The model and data used to calculate this liability were revised for 1996–1997.



present value of all such losses taken together is about $0.1 trillion. The resolution of the many failures in the savings and loan and banking industries has helped to reduce the liabilities in this category by more than half since 1990.

Federal Pension Liabilities: The Federal Government owes pension benefits to its retired workers and to current employees who will eventually retire. The amount of these liabilities is large. The discounted present value of the benefits is estimated to have been around $1.6 trillion at the end of FY 1998.[3]

The Balance of Net Liabilities

Because of its sovereign powers, the Government need not maintain a positive balance of net assets, and the rapid buildup in liabilities since 1980 has not damaged Federal creditworthiness. However, from 1980 to 1992, the balance between Federal liabilities and Federal assets did deteriorate at a very rapid rate. In 1980, the negative balance was less than 10 percent of GDP; by 1995 it was 41 percent of GDP. Since then, the net balance as a percentage of GDP has improved for three straight years. If a budget surplus is maintained, the net balance will continue to improve.

PART II—THE BALANCE OF RESOURCES AND RESPONSIBILITIES

As noted in the preceding section, a business-type accounting of assets and liabilities misses the role of the Government's unique sovereign powers, including taxation. Therefore, the best way to examine the balance between future Government obligations and resources is by projecting the budget over the long run. The budget offers a comprehensive measure of the Government's annual financial burdens and resources. By projecting annual receipts and outlays, it is possible to examine whether there will be sufficient resources to support all of the Government's ongoing obligations.

This part of the presentation describes long-run projections of the Federal budget extending beyond the normal budget horizon. Forecasting the economy and the budget over such a long period is highly uncertain. Future budget outcomes depend on a host of unknowns—constantly changing economic conditions, unforeseen international developments, unexpected demographic shifts, the unpredictable forces of technological advance, and evolving political preferences. Those uncertainties increase the further into the future the projections are pushed. Even so, long-run budget projections are needed to assess the full implications of cur-

[3] These pension liabilities are expressed as the actuarial present value of benefits accrued-to-date based on past and projected salaries. The cost of retiree health benefits is not included. The 1998 liability is extrapolated from recent trends.

rent action or inaction, and to sound warnings about future problems that could be avoided by timely action. The Federal Government's responsibilities extend well beyond the next decade. There is no time limit on Government's constitutional responsibilities, and programs like Social Security are intended to continue indefinitely.

It is evident even now that there will be mounting challenges to the budget early in the next century. By 2008, the first of the huge baby-boom generation born after World War II will become eligible for early retirement under Social Security. In the years that follow there will be serious strains on the budget because of increased expenditures for Social Security, Medicare, and Medicaid. Long-range projections can help indicate how serious these strains might become and what is needed to withstand them.

The retirement of the baby-boomers dictates the timing of the problem, but the underlying cause is deeper. The growth of the U.S. population has been slowing down, and because of that and because people are living longer, a change is inevitably coming in the ratio of retirees to workers given current retirement patterns. The budgetary pressure from these trends is temporarily in abeyance. In the 1990s, the large baby-boom cohort has been moving into its prime earning years, while the retirement of the much smaller cohort born during the Great Depression has been holding down the rate of growth in the retired population. The suppressed budgetary pressures are likely to burst forth when the baby-boomers begin to retire. However, even after the baby-boomers have passed from the scene later in the century, a higher ratio of retirees to workers is expected to persist because of the underlying pattern of low fertility and improving longevity, with concomitant problems for the retirement programs. These same problems are gripping other developed nations, even those that never experienced a baby-boom; in fact, those nations that did not have baby-booms are facing their demographic pressures already.

The Improvement in the Long-Range Outlook.— Since this Administration first took office, there have been major changes in the long-run budget outlook. In January 1993, the deficit was clearly on an unstable trajectory. Had the policies then in place continued unchanged, the deficit would have steadily mounted not only in dollar terms, but relative to the size of the economy.[4] At that time, the deficit was projected to rise to over 10 percent of GDP by 2010—a level unprecedented for peacetime—and to continue sharply upward thereafter. This would have driven Federal debt held by the public to unsustainable levels.

The Omnibus Budget Reconciliation Act of 1993 (OBRA) changed that. Not only did it reduce the near-term deficit, but, aided by the strong economy that it helped to create, it also reduced the long-term deficit. Prior to enactment of the Balanced Budget Agreement in 1997, however, the deficit was expected to persist, though at a more moderate level. In the absence of further policy changes, it was projected to remain at around 1.5 percent of GDP through 2010, and afterwards to begin an unsustainable rise that would eventually exceed 20 percent of GDP.

The Balanced Budget Agreement (BBA) took the next major step. With the strength of the economy over the last three years, the budget reached balance ahead of schedule; and thanks to the BBA, it is now projected to remain in surplus throughout the next decade. Extending the policies in this budget beyond the usual budget window, a surplus may be sustained for many years, although a deficit is projected to reemerge in the long run absent further policy changes. How long the surplus can be preserved depends on certain key factors, some of the most important of which are illustrated in Chart 2–3.

Fiscal discipline is crucial for long-run budget stability. The rate of growth in discretionary spending helps determine the margin of resources available to devote to other purposes, such as debt reduction. Chart 2–3 illustrates how the surplus varies depending on assumptions about future growth in discretionary spending. Another key factor is the expected growth of Federal health care costs. The usual forecasting convention in past budgets was to adopt the long-range projections of the Medicare actuaries. Those projections include a slowdown in the rate of growth in real per capita spending under Medicare beginning in about 15 years. More rapid growth of Medicare, closer to the historical trend for the program, would result in a faster return to deficits, as shown in Chart 2–3.

Under most reasonable alternatives, the long-run budget outlook contrasts favorably with the generally prevailing opinion among budget experts just a few years back. Then, it was held that the long-run outlook for the deficit was necessarily bleak. For some time, there has been a general consensus among demographers and economists that population trends in the next century will put strains on the budget, and it was thought that these strains must inevitably lead to large deficits. For example, the 1994 report of the Bipartisan Commission on Entitlement and Tax Reform found that there is a "long-term imbalance between the government's entitlement promises and the funds it will have available to pay for them." The Congressional Budget Office (CBO) has observed: "If the budgetary pressure from both demography and health care spending is not relieved by reducing the growth of expenditures or increasing taxes, deficits will mount and seriously erode future economic growth."[5] On a narrower front, the annual Trustees' reports for both Social Security and Medicare have for some time projected long-run actuarial deficiencies.

One sign that the consensus may have shifted somewhat as a result of recent policy actions is provided

[4] Over long periods when the rate of inflation is positive, comparisons of dollar values are meaningless. Even the low rate of inflation assumed in this budget will reduce the value of a 1998 dollar by 50 percent by 2030, and by almost 70 percent by the year 2050. For long-run comparisons, it is much more useful to examine the ratio of the deficit and other budget categories to the expected size of the economy as measured by GDP.

[5] *Long-Term Budgetary Pressures and Policy Options*, March 1997.

by the most recent of a series of reports from the General Accounting Office (GAO) on the long-run budget outlook.[6] GAO observes that, "Major progress has been made on deficit reduction ... While our 1995 simulations showed deficits exceeding 20 percent of GDP by 2024 ..., our updated model results show that this point would not be reached until nearly 2050." GAO continues to find that unsustainable deficits emerge in the long run absent major entitlement reforms, but the date at which the deficit starts to rise has been postponed significantly as a result of recent actions.

Another sign is provided by CBO's projection last August of how the surplus would evolve under the policies in place at that time. CBO foresaw a rising budget surplus through 2008, reaching almost 2 percent of GDP.[7] CBO's long-range projections envisioned continued surpluses that would bring debt held by the public close to zero by around 2020. Beyond that point, however, CBO projected a return of the deficit which would eventually drive up the level of Federal debt to unsustainable levels. The summary measure that CBO has used to indicate the magnitude of the long-run fiscal imbalance—the permanent change in taxes needed to stabilize the ratio of debt to GDP—declined to 1.2 percent of GDP from 5.4 percent of GDP in its original long-range projections from May 1996.

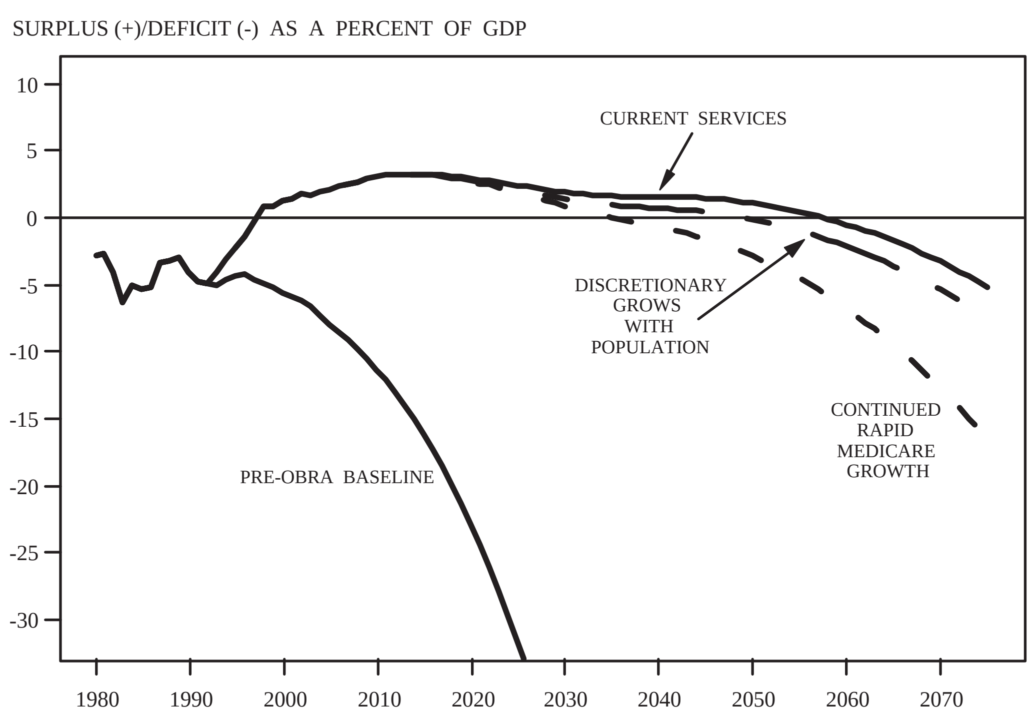
[6] *Analysis of Long-Term Fiscal Outlook*, October 1997.
[7] *The Economic and Budget Outlook: An Update*, August 1998.

The main reason for this improvement in the outlook has been the unexpected increase in the near-term budget surplus. Using the surpluses to retire Federal debt, as was done in 1998, will dramatically reduce debt held by the public and Federal net interest payments. Last year, net interest amounted to almost 3 percent of GDP. Under current estimates that would be cut to under 1 percent of GDP in 2009, assuming future surpluses are actually realized. This means that when the demographic pressures on Social Security and the Federal health programs begin to mount after 2008, there will be more budgetary resources available to meet the problem, and that postpones the date on which the deficit in the unified budget returns.

Economic and Demographic Assumptions.—Long-run budget projections require a long-run demographic and economic forecast even though any such forecast is highly uncertain and is likely to be at least partly wrong. The forecast used here extends the Administration's medium-term economic projections described in the first chapter of this volume, augmented by the long-run demographic projections from the most recent Social Security Trustees' Report.

- Inflation, unemployment and interest rates are assumed to hold stable at their values in the last year of the Administration budget projections, 2009: 2.3 percent per year for CPI inflation, 5.3

Chart 2-3. LONG RUN DEFICIT PROJECTIONS



percent for the unemployment rate, and 5.4 percent for the yield on 10-year Treasury notes.

- Productivity growth is assumed to continue at the same constant rate as it averages in the Administration's medium-term projections: 1.3 percent per year.
- In line with the most recent projections of the Social Security Trustees, population growth is expected to slow over the next several decades. This is consistent with recent trends in the birth rate. The slowdown is expected to lower the rate of population growth from over 1 percent per year in the early 1990s to about half that rate by 2025.
- Labor force participation is also expected to decline as the population ages and the proportion of retirees in the population increases. The Administration projects a higher rate of labor force participation over the next decade than is assumed in the latest Trustees' Report. That difference is preserved in the long-run projections below.
- The projected rate of economic growth is determined in the long run by growth of the labor force plus productivity growth. Because labor force growth is expected to slow and productivity growth is assumed to be constant, real GDP growth is expected to decline from around 2.4 percent per year to an average rate of 1.5 percent per year after 2020. This is a logical implication of the other assumptions which are based on reasonable forecasting conventions; however, it implies a marked departure from the historical rate of growth in the U.S. economy.

The economic projections described above are set by assumption and do not automatically change in response to changes in the budget outlook. This is unrealistic, but it simplifies comparisons of alternative policies. A more responsive (or dynamic) set of assumptions would serve mainly to strengthen the same conclusions reached by the current approach. Both CBO and GAO in their investigations of the long-run outlook have explored such feedback effects and found that they accelerate the destabilizing effects of sustained budget deficits. Similarly, but in the opposite direction, budget surpluses would be expected to lead to higher national saving, lower real interest rates, and more economic growth which would increase Federal receipts and lower outlays, further augmenting projected surpluses.

Alternative Budget Baselines.—Chart 2–3 shows four alternative budget projections: one based on the policies in place prior to enactment of OBRA; and three others showing current projections, including the mandatory spending proposals in this budget under alternative assumptions about discretionary spending and future Federal health care costs. The chart illustrates the dramatic improvement in the deficit that has already been achieved. Furthermore, it shows that if the budget remains in surplus throughout the next decade, as is now expected, it will substantially ease the task of maintaining fiscal stability when the demographic bulge begins to hit after 2008. Table 2–2 shows long-range projections for the major categories of spending under the three alternatives based on the current budget and shown in Chart 2–3.

The table shows that for all three alternatives the entitlement programs are expected to absorb an increasing share of budget resources.

- In all three alternatives, Social Security benefits, driven by the retirement of the baby-boom generation, rise from 4.5 percent of GDP in 2000 to 7.0 percent in 2030. They continue to rise after that but more gradually, eventually reaching 7.8 percent of GDP by 2075.
- In all three alternatives, Federal Medicaid spending goes up from 1.3 percent of GDP in 2000 to 3.1 percent in 2030 and almost 9 percent of GDP in 2075.
- Under the Medicare actuaries' long-range projections, Medicare rises from 2.3 percent of GDP in 2000 to 4.4 percent in 2030 and 5.0 percent by 2075. If the real per capita growth rate in Medicare does not slow as much as the actuaries have assumed, the program could expand even more rapidly. In the alternative with faster spending growth, Medicare outlays reach 5.1 percent of GDP in 2030, and 9.5 percent by 2075.
- Under current services assumptions, discretionary spending falls as a share of GDP, from 6.5 percent in 2000 to 4.3 percent in 2030 and 3.0 percent of GDP in 2075. The programs grow with inflation and Government wages keep pace with those paid in the private sector, but they do not keep up with population. Allowing discretionary spending to expand with both inflation and population would moderate the decline in spending as a share of GDP. Under this assumption, discretionary spending is 4.7 percent of GDP in 2030, and 3.6 percent of GDP in 2075.

The long-run budget outlook is much improved because of actions taken by this Administration in cooperation with the Congress. Eliminating the budget deficit has set the budget on a solid footing for many years to come. With a continuation of the Administration's economic assumptions, the budget could remain in surplus for several decades.

However, although receipts are higher and net interest outlays are lower in these projections than they were before, the underlying demographic problems have not been eliminated, and rising health care costs are also likely to continue to put pressure on the budget. Under current services assumptions, a primary, or non-interest, deficit reappears in 2033, after the retirement of the baby-boom generation is virtually completed. Although the underlying imbalance is small, and the unified budget remains in surplus for many more years, a sustained primary deficit is sufficient to begin a slow but irreversible spiral. The recurrence of the unified deficit is inevitable once this happens unless there are future changes in policy.[8] Under the alternative base-

[8] The primary or non-interest surplus is the difference between all outlays, excluding interest, and total receipts. It can be positive even when the total budget is in deficit.

Table 2–2. LONG–RUN BUDGET PROJECTIONS OF 2000 BUDGET POLICY

(Percent of GDP)

	1995	2000	2005	2010	2020	2030	2040	2050	2060	2070	2075
Current Services											
Receipts	18.8	20.7	20.0	20.1	20.6	20.9	21.2	21.4	21.5	21.6	21.6
Outlays	21.1	19.4	18.0	17.1	17.6	19.0	19.6	20.3	22.0	24.9	26.8
Discretionary	7.6	6.5	5.6	5.1	4.6	4.3	3.9	3.6	3.4	3.1	3.0
Mandatory	10.3	10.5	11.0	11.5	14.0	16.4	17.5	18.5	20.1	22.0	23.1
Social Security	4.6	4.5	4.5	4.7	6.0	7.0	7.2	7.2	7.5	7.7	7.8
Medicare	2.2	2.3	2.5	2.7	3.5	4.4	4.7	4.7	4.8	5.0	5.0
Medicaid	1.2	1.3	1.5	1.7	2.4	3.1	4.0	5.0	6.3	7.9	8.9
Other	2.2	2.5	2.5	2.4	2.1	1.9	1.7	1.5	1.4	1.4	1.4
Net Interest	3.2	2.4	1.4	0.5	–1.0	–1.7	–1.9	–1.9	–1.5	–0.2	0.8
Surplus(+)/Deficit(–)	–2.3	1.3	2.0	3.1	2.9	1.9	1.6	1.1	–0.5	–3.3	–5.2
Federal debt held by the public	50.1	39.2	24.0	7.0	–21.8	–35.2	–38.3	–38.5	–29.3	–3.4	17.9
Primary surplus/deficit (–)	0.9	3.7	3.5	3.6	1.9	0.2	–0.3	–0.8	–2.0	–3.5	–4.4
Discretionary Grows with Population											
Receipts	18.8	20.7	20.0	20.1	20.6	20.9	21.2	21.4	21.5	21.6	21.6
Outlays	21.1	19.4	18.0	17.1	17.8	19.6	20.5	21.5	23.6	27.0	29.2
Discretionary	7.6	6.5	5.6	5.1	4.8	4.7	4.4	4.2	3.9	3.7	3.6
Mandatory	10.3	10.5	11.0	11.5	14.0	16.4	17.5	18.5	20.1	22.0	23.1
Social Security	4.6	4.5	4.5	4.7	6.0	7.0	7.2	7.2	7.5	7.7	7.8
Medicare	2.2	2.3	2.5	2.7	3.5	4.4	4.7	4.7	4.8	5.0	5.0
Medicaid	1.2	1.3	1.5	1.7	2.4	3.1	4.0	5.0	6.3	7.9	8.9
Other	2.2	2.5	2.5	2.4	2.1	1.9	1.7	1.5	1.4	1.4	1.4
Net Interest	3.2	2.4	1.4	0.5	–1.0	–1.5	–1.5	–1.2	–0.4	1.3	2.5
Surplus(+)/Deficit(–)	–2.3	1.3	2.0	3.1	2.8	1.4	0.7	–0.1	–2.1	–5.4	–7.6
Federal debt held	50.1	39.2	24.0	7.0	–21.3	–31.7	–29.7	–23.3	–6.0	29.3	55.8
Primary surplus/deficit(–)	0.9	3.7	3.5	3.6	1.8	–0.1	–0.7	–1.3	–2.5	–4.1	–5.1
Continued Rapid Medicare Growth											
Receipts	18.8	20.7	20.0	20.1	20.6	20.9	21.2	21.4	21.5	21.6	21.6
Outlays	21.1	19.4	18.0	17.1	17.8	20.0	21.8	24.2	28.3	34.3	38.2
Discretionary	7.6	6.5	5.6	5.1	4.6	4.3	3.9	3.6	3.4	3.1	3.0
Mandatory	10.3	10.5	11.0	11.5	14.2	17.2	19.0	20.6	23.0	25.9	27.5
Social Security	4.6	4.5	4.5	4.7	6.0	7.0	7.2	7.2	7.5	7.7	7.8
Medicare	2.2	2.3	2.5	2.7	3.7	5.1	6.1	6.8	7.8	8.9	9.5
Medicaid	1.2	1.3	1.5	1.7	2.4	3.1	4.0	5.0	6.3	7.9	8.9
Other	2.2	2.5	2.5	2.4	2.1	1.9	1.7	1.5	1.4	1.4	1.4
Net Interest	3.2	2.4	1.4	0.5	–1.0	–1.4	–1.0	–0.1	1.9	5.3	7.6
Surplus(+)/Deficit(–)	–2.3	1.3	2.0	3.1	2.7	0.9	–0.7	–2.9	–6.8	–12.7	–16.6
Federal debt held by the public	50.1	39.2	24.0	7.0	–21.2	–29.4	–19.8	1.9	44.1	117.5	168.9
Primary surplus/deficit(–)	0.9	3.7	3.5	3.6	1.7	–0.5	–1.7	–2.9	–4.9	–7.5	–8.9

lines shown in Chart 2–3 and Table 2–2, the primary deficit reappears even sooner. When discretionary spending grows with both population and inflation, the primary deficit reappears in 2030, and when Medicare grows more rapidly, it recurs in 2028. In all cases, a unified deficit reappears before the end of the 75 year forecast period.

The Effects of Alternative Economic and Technical Assumptions. The results discussed above are highly sensitive to changes in underlying economic and technical assumptions. The three alternatives in Table 2–2 illustrate the impact of some of the key variables, but other scenarios are possible as well. There are also other policy choices that would make a large difference in the outlook. While the budget could remain under control for several decades before underlying problems reemerge, other assumptions can produce more pessimistic or more optimistic outcomes. Some of the most important of these alternative economic and technical assumptions and their effects on the budget outlook are described below. Each highlights one of the key uncertainties in the outlook. Generally, the negative possibilities receive more attention than the positive ones, because the dangers are greater in this direction.

1. *Discretionary Spending.* By convention, the current services estimates of discretionary spending are assumed to rise with the rate of inflation. This assumption, or any other, is essentially arbitrary, because discretionary spending is always determined annually through the legislative process, and no formula can dictate future spending in the absence of legislation. The current services assumption implies that the physical quantity of Federal services is unchanging over time. This requires, for example, that the Nation's future defense needs do not vary systematically from their current projected levels.

One alternative to this assumption has already been presented in Chart 2–3 and Table 2–2. The second alternative considered there allowed discretionary spending to increase with both population and inflation after

A relatively small primary surplus can stabilize the budget even when the total budget is in deficit, and similarly, even a small primary deficit can destabilize a budget. The mathematics are inexorable.

2014. This might be the appropriate assumption for such domestic activities as those of the FBI or the Social Security Administration which are sensitive to population trends.

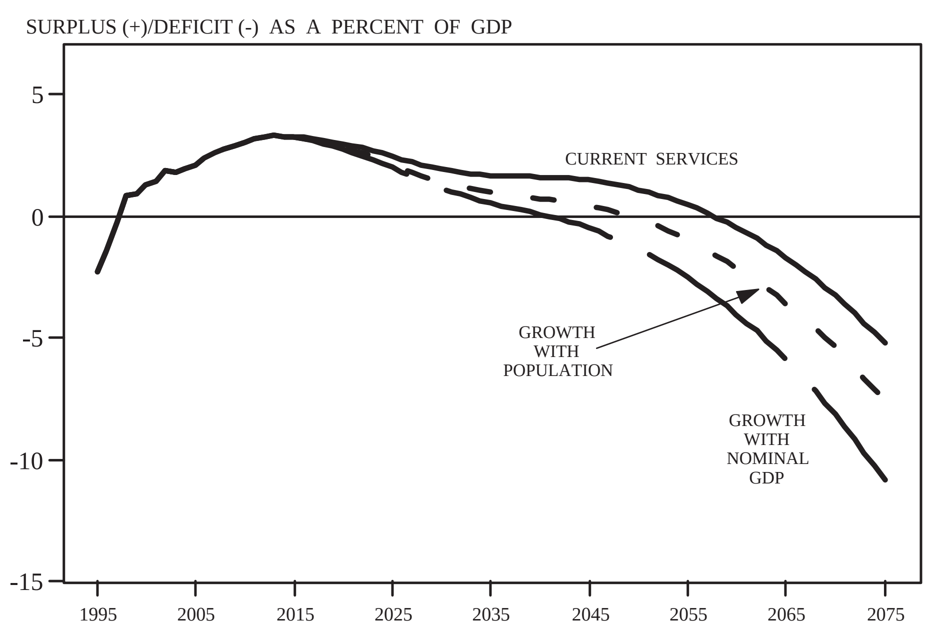
Some budget analysts have assumed alternatively that discretionary spending rises in proportion to GDP in the long run; this requires it to increase in real terms whenever there is positive real economic growth. That is a more generous assumption for Government spending than the assumption of constant real per capita spending. It might be argued that with rising real per capita incomes, the public demand for Government services—more national parks, better transportation, additional Federal support for scientific research—would increase as well. However, some of these demands might be met within fixed real spending limits through increased productivity in the Federal sector, such as has accompanied recent reductions of the Federal workforce. The assumption that discretionary spending will rise proportionately with GDP also flies in the face of recent experience; since its peak in 1968, the discretionary spending share of GDP has been cut in half—from 13.6 percent to 6.6 percent in 1998.

Thus, there are arguments on both sides. Chart 2–4 compares the baseline alternatives with a scenario in which discretionary spending rises in step with nominal GDP after 2014.

2. *Health Spending:* Some of the most volatile and unpredictable elements in recent budgets have been Medicare and Medicaid. Expenditures for these programs have grown much faster than those of other entitlements, including Social Security. After the last year of the standard budget estimates in 2009, real per capita growth rates for Medicare benefits are based on the actuarial projections in the latest report of the Medicare Trustees, which slow down markedly in the long run. Eventually, spending for Medicare is assumed to grow at approximately the same rate as GDP. Such a slowdown may occur, and eventually, the ever-rising trend in health care costs for both Government and the private sector will have to end, but it is hard to know when and how that will happen. Improved health and increased longevity are highly valued, and society may be willing to spend even more on them than it does now. As an alternative, one of the current policy baselines allows real per capita Medicare benefits to rise at an annual rate of 2.2 percent per year in the long run. This is about twice as fast as the actuarial assumption, and implies a rapidly rising level of Medicare spending for many years to come. Eventually, Medicare would exceed 10 percent of GDP on this assumption (see Table 2–2).

3. *Taxes:* In the absence of policy changes, the ratio of taxes to GDP is not assumed to vary much in these long-range projections. There is a tendency for individual income taxes to rise relative to income, because the assumed rate of real income growth implies some “real bracket creep.” The tax code is indexed for inflation, but not for increases in real income. Eventually, a larger percentage of taxpayers will be in higher tax brackets and this will raise the ratio of taxes to income. However, other Federal taxes tend to decline in real

Chart 2-4. ALTERNATIVE DISCRETIONARY SPENDING ASSUMPTIONS



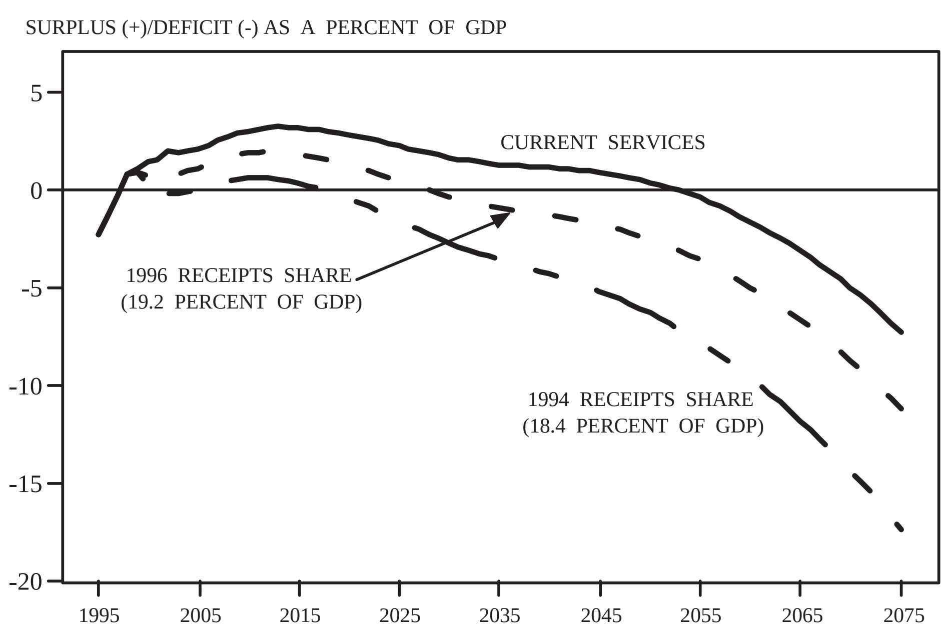
terms in the absence of policy changes. Many excise taxes are set in nominal terms, so collections decline as a share of GDP when there is inflation. Overall, Federal receipts are projected to rise by about 1 percentage point of GDP in the very long run.

The starting point for these projections is the current ratio of Federal receipts to GDP. That ratio reached 20.5 percent in 1998, the highest level since World War II. This was not the result of new Federal taxes. Tax rates have been essentially unchanged since 1994, when the changes enacted in OBRA took effect. Since then, however, tax collections as a share of GDP have risen by two percentage points. The reasons for this increase are not yet fully understood. The rapid rise in the stock market, which has generated large capital gains for investors and made possible lucrative stock options and bonuses for executives, is generally believed to be a major factor. This Budget assumes that there will be some moderation in the ratio of receipts to GDP over the next few years. The share of revenues in the medium term is below the peak levels recently experienced. Even so, receipts are projected to remain above their historical average relative to the economy. Should this assumption prove overoptimistic, it would have a strong effect on the long-range budget projections.

In Chart 2–5, the current services baseline is compared with two alternatives for receipts. In one, the share of receipts is assumed to return to the level posted in 1996, 19.2 percent of GDP; in the other, to the level in 1994, 18.4 percent of GDP. The return to these earlier levels is completed by 2001. Afterwards, taxes grow at the rates projected under current policies. The difference in the starting point for taxes can alter the outlook for the surplus/deficit quite dramatically. This is another example of how small differences in the primary surplus can eventually produce large effects on the total surplus/deficit because of mounting or falling interest expense.

4. *What To Do With the Budget Surpluses.* The current projections show the budget in surplus for several decades under a wide range of assumptions. These surpluses dramatically reduce debt held by the public, and therefore net interest outlays, which augments the surplus. In a sense, a budget surplus that is used to reduce debt feeds on itself by reducing future interest outlays. Thus, if these surpluses were limited by increased spending or reduced taxes, it would change the outlook. Chart 2–6 shows the budget's path if it were held exactly in balance rather than being allowed to run surpluses. This would require policy changes to increase spending or reduce taxes. These changes could take two general forms. The spending or tax changes made possible by the surpluses could be purely temporary. This would be the case for tax rebates or one-time grants. If such changes were made, program spending and receipts would eventually return to their original baseline paths, although interest spending would be permanently higher. Alternatively, the spending increases or tax reductions could be permanently built into the budget. This would be the case if they took the form of tax rate cuts or increases in entitlements. Such changes are assumed to alter the baselines for

Chart 2-5. ALTERNATIVE RECEIPTS ASSUMPTIONS



outlays or receipts permanently, and have a larger long-run effect on the projected surplus. In both cases, the deficit returns sooner than it would if the surplus were used to reduce debt.

5. *What Happens to the Debt?* A surplus means the Government takes in more receipts from the public than it pays out in the form of Government outlays. The extra receipts are used to retire debt. This is not unlike a family paying off its mortgage, and like a family with a mortgage, the Government may eventually be free from debt. This has only happened once before in the history of the United States, and then only briefly a century and a half ago, but with the current level of projected surpluses, such an eventuality has become a possibility. When the budget window closes in 2009, the Administration projects that debt held by the public will have fallen to around 10 percent of GDP, lower than at any time since before U.S. entry into World War I.

With surpluses running at around 2½ percent to 3 percent of GDP in the Administration's projections, it is obvious where the trend is headed. At this rate, within a few years after 2009, the entire debt held by the public would be repaid. At that point, further surpluses would no longer be used to retire Federal debt; instead, they would be accumulated in the form of Federal assets. As the Government accumulated financial reserves, these reserves would earn interest which would add to the surplus, further adding to the assets. In the long-run budget projections, the asset continues to build up until shifts in the underlying budgetary position cause the surplus gradually to unwind. Eventually, a deficit reappears and the asset is drawn down; ultimately, Federal debt is issued again. It is a measure of the severity of the impending demographic pressures that the national asset does not grow into the indefinite future—which it could, just as easily as did the national debt in the adverse projections of just a few years ago.

Such an outcome is unlikely to happen—certainly in the simple form sketched here—but it stems from a reasonable desire to avoid making policy judgments. The projections imply that with sufficient discipline, the Federal debt could be repaid under an extension of current budget policies. It would require a change in policy to avoid that outcome. Chart 2–7 compares the current services baseline with a scenario in which spending is permanently increased or taxes permanently cut when Federal debt held by the public reaches zero. Without the national asset, the deficit reappears much sooner. The interest earned by the asset is no longer available to fill the budgetary hole when the drain of future entitlement claims begins to mount.

6. *Productivity:* Productivity growth in the U.S. economy slowed down after 1973. This slowdown is responsible for the slower rise in U.S. real incomes since that time. Productivity growth is affected by changes in the budget surplus/deficit which influence national saving, but many other factors influence it as well. The surplus/deficit in turn is affected by changes in productivity growth which affect the size of the economy, and hence future receipts. Two alternative scenarios illustrate

Chart 2-6. ALTERNATIVE USES OF THE SURPLUS

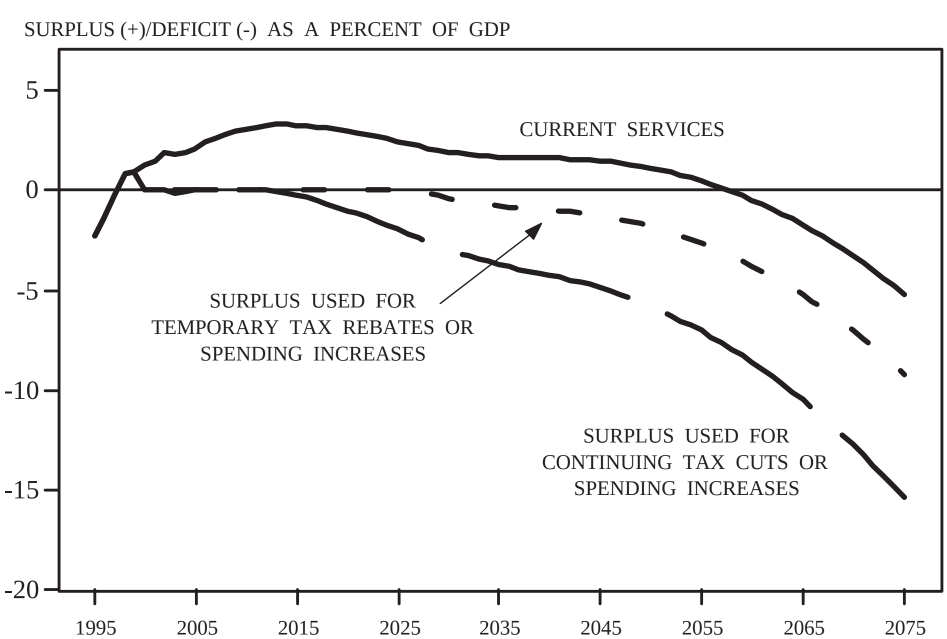


Chart 2-7. ALTERNATIVE ASSUMPTIONS ABOUT A FEDERAL ASSET

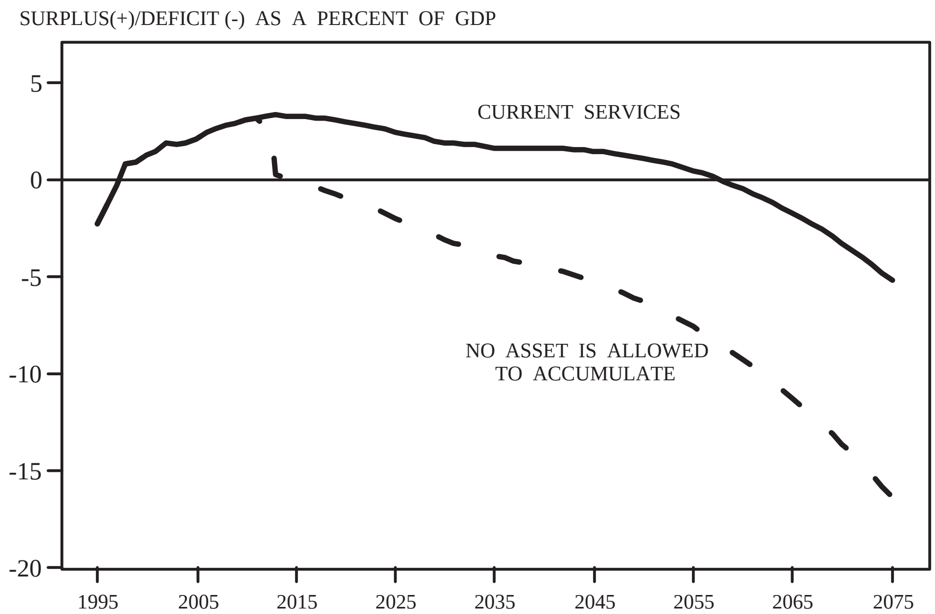
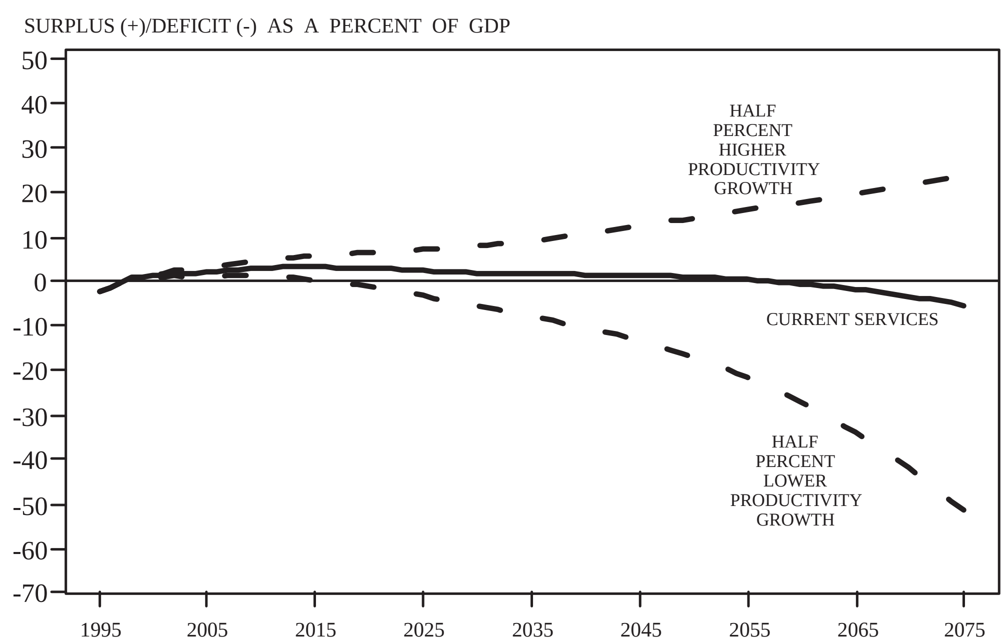


Chart 2-8. ALTERNATIVE PRODUCTIVITY ASSUMPTIONS



what would happen to the budget deficit if productivity growth were either higher or lower than assumed. A higher rate of growth would make the task of preserving a balanced budget much easier; indeed, it would permit expanded spending or reduced taxes without threatening to drive the budget back into deficit. A lower productivity growth rate would have the opposite effect. Chart 2–8 shows how the surplus/deficit varies with changes of one-half percentage point of average productivity growth in either direction.

7. *Population:* In the long run, shifting demographic patterns are the main source of change in these projections. The changing rate of population growth feeds into real economic growth through its effect on labor supply and employment. Changing demographic patterns also affect entitlement spending, contributing to the surge of spending expected for Social Security, Medicare, and Medicaid. The key assumptions underlying these demographic projections concern future fertility, mortality and immigration.

- The main reason for the projected slowdown in population growth is the expected continuation of a low fertility rate. Since 1990, the number of births per woman in the United States has averaged between 2.0 and 2.1—slightly below the replacement rate needed to maintain a constant population. The fertility rate was even lower than this in the 1970s and 1980s. The demographic projections assume that fertility will average around 1.9 births per woman in the future. Fertility is hard to predict. Both the baby boom in the 1940s and 1950s and the baby bust in the 1960s and 1970s surprised demographers. A return to higher fertility rates is possible, but so is another drop in fertility. The U.S. fertility rate has never fallen below 1.7, but such low rates have been observed recently in some European countries. Chart 2–9 shows the effects of alternative fertility assumptions on the surplus/deficit; higher fertility contributes to a larger labor force, increased aggregate incomes, and revenues; and hence increases the projected surplus. Lower fertility has the opposite effect.
- The increasing proportion of the elderly in the U.S. population is due to both lower fertility, which reduces the number of children per adult, and longer lifespans. Since 1970, the average lifespan for U.S. women has increased from 74.9 years to 79.4 years, and it is projected to rise to 80.4 years by 2010. Men do not live as long as women on average, but their lifespan has also increased, from 67.1 years in 1970 to 73.1 years in 1995, and it is expected to reach 74.9 years by 2010. Longer lifespans mean that more people will live to receive Social Security and Medicare benefits, and will receive them for a longer time. If, on the other hand, the U.S. population were to experience no further reductions in mortality from current levels, the shorter lifespans would help to improve the surplus/deficit. Conversely, if the population lives longer than now expected, the

Chart 2-9. ALTERNATIVE FERTILITY ASSUMPTIONS

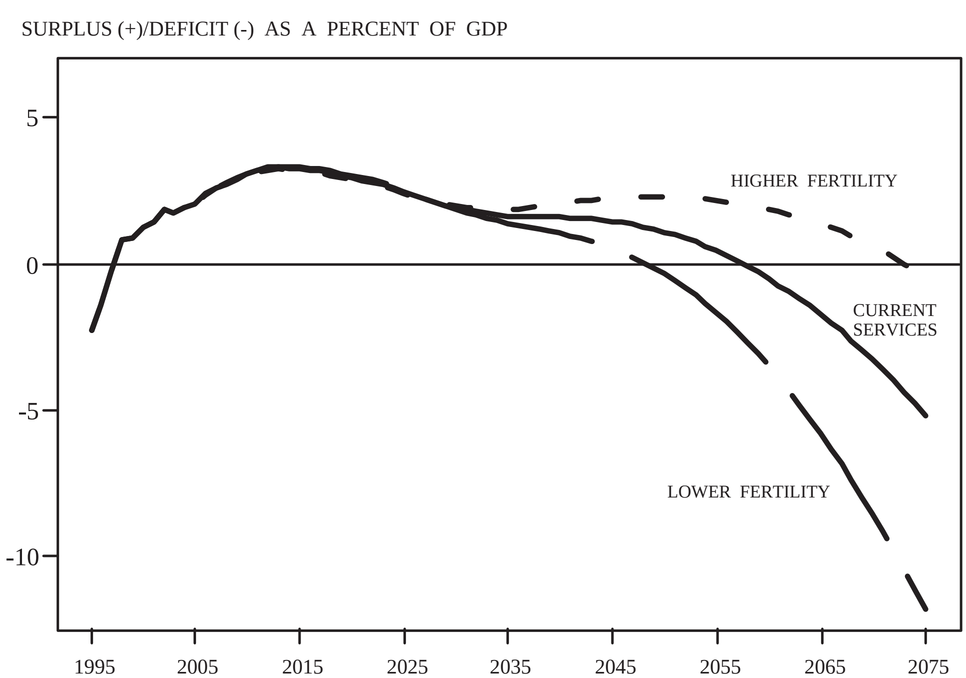
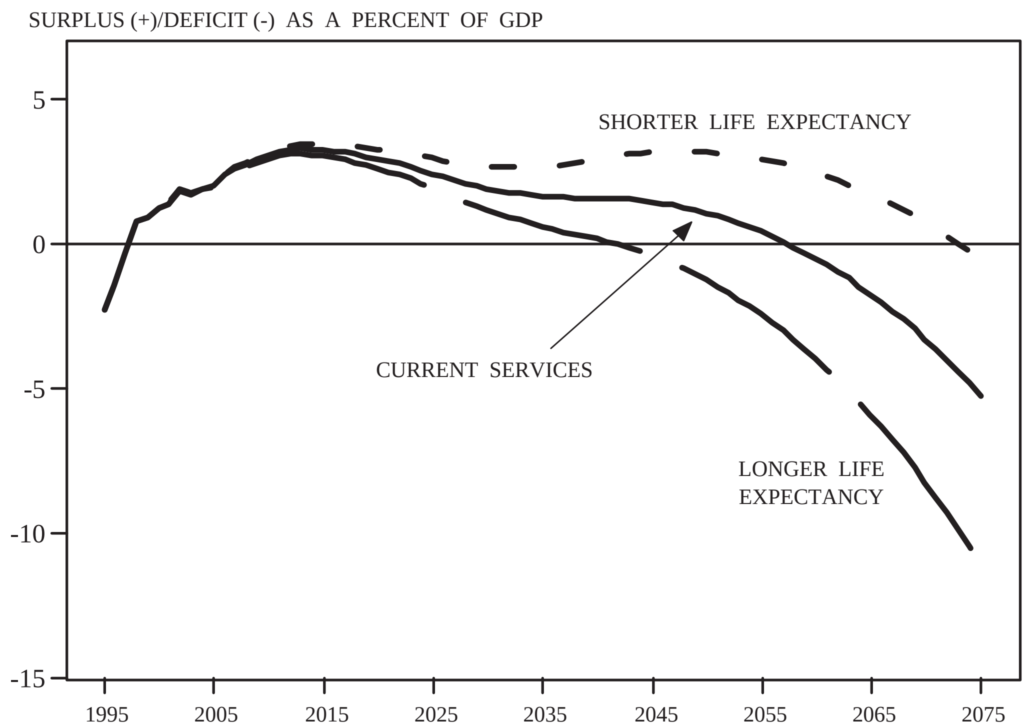


Chart 2-10. ALTERNATIVE MORTALITY ASSUMPTIONS



outlook for the surplus/deficit would worsen. This is illustrated in Chart 2–10.

- A final factor influencing long-run projections is the rate of immigration. The United States is an open society. In the 19th century, a huge wave of immigration helped build the country; the last two decades of the 20th century have witnessed another burst of immigration. The net flow of legal immigrants has been averaging around 850,000 per year since 1992, while illegal immigration adds to these figures. This is the highest absolute rate in U.S. history, but as a percentage of population it is only about a third as high as immigration was in 1901–1910. Chart 2–11 presents alternatives in which future immigration is held to zero and allowed to rise 50 percent above and 50 percent below the intermediate actuarial assumption in the Social Security Trustees' Report.

Conclusion.—Under President Clinton, the long-run budget outlook has improved significantly. When this Administration took office, the deficit was projected to spiral out of control early in the next century, reaching levels never seen before except temporarily during major wars. The outlook now is drastically different. Under current policy assumptions, last year's surplus marks the beginning of a period of sustained budget surpluses. Eventually, without further reforms to the entitlement programs, a return to budget deficits is projected. How soon that will occur is difficult to estimate. Avoiding a quick return to deficits will require budget discipline. Both Social Security and Medicare continue to confront long-run deficits in their respective Trust Funds, which must be addressed regardless of the prospects for the unified surplus. But the favorable outlook for the unified budget should make it easier to solve these difficult problems.

Actuarial Balance in the Social Security and Medicare Trust Funds

The Trustees for the Social Security and Hospital Insurance Trust Funds issue annual reports that include projections of income and outgo for these funds over a 75-year period. These projections are based on different methods and assumptions than the long-run budget projections presented above, although the projections do rely on a common set of assumptions for population growth and labor force growth after the year 2009. Even with these differences, the message is similar: the retirement of the baby-boom generation coupled with expected high rates of growth in per capita health care costs will exhaust the Trust Funds unless further remedial action is taken.

The Trustees' reports feature the 75-year actuarial balance of the Trust Funds as a summary measure of their financial status. For each Trust Fund, the balance is calculated as the change in receipts or program benefits (expressed as a percentage of taxable payroll) that would be needed to preserve a small positive balance in the Trust Fund at the end of 75 years.

Table 2–3 shows the changes in the 75-year actuarial balances of the Social Security and Medicare Trust Funds from 1997 to 1998. There were only relatively small changes in the projected balances last year for the OASDI Trust Funds, but there was a large improvement in the HI Trust Fund balance. This change incorporates the expected effects of the Balanced Budget Agreement enacted in 1997, which made numerous changes in Medicare. The reforms in the Agreement have extended the projected solvency of the Trust Fund from 2001 until 2008.

Chart 2-11. ALTERNATIVE IMMIGRATION ASSUMPTIONS

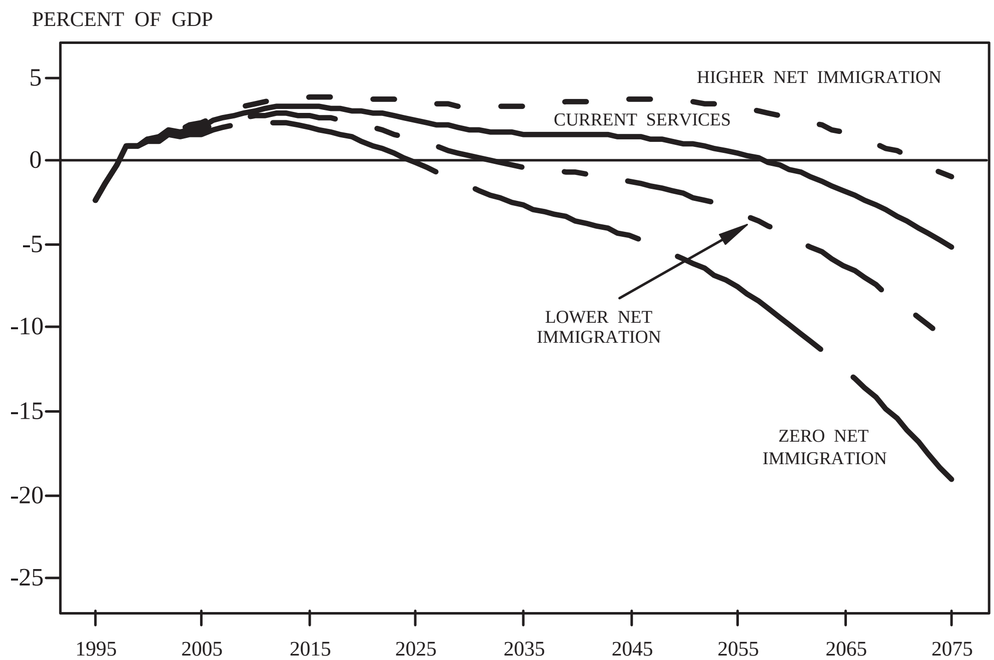


Table 2–3. CHANGE IN 75–YEAR ACTUARIAL BALANCE FOR OASDI AND HI TRUST FUNDS (INTERMEDIATE ASSUMPTIONS)

(As a percent of taxable payroll)

	OASI	DI	OASDI	HI
Actuarial balance in 1997 Trustees' Report	**–1.84**	**–0.39**	**–2.23**	**–4.32**
Changes in balance due to changes in:.				
Legislation	0.00	0.00	0.00	2.10
Valuation period	–0.07	–0.01	–0.08	–0.10
Economic and demographic assumptions	0.10	0.01	0.11	–0.08
Technical and other assumptions	0.00	0.01	0.01	0.30
Total changes	0.03	0.01	0.04	2.22
Actuarial balance in 1998 Trustees' Report	**–1.81**	**–0.38**	**–2.19**	**–2.10**

PART III—NATIONAL WEALTH AND WELFARE

Unlike a private corporation, the Federal Government routinely invests in ways that do not add directly to its assets. For example, Federal grants are frequently used to fund capital projects by State or local governments for highways and other purposes. Such investments are valuable to the public, which pays for them with taxes, but they are not owned by the Federal Government and would not show up on a conventional Federal balance sheet.

The Federal Government also invests in education and research and development (R&D). These outlays contribute to future productivity and are analogous to an investment in physical capital. Indeed, economists have computed stocks of human and knowledge capital to reflect the accumulation of such investments. Nonetheless, such hypothetical capital stocks are obviously not owned by the Federal Government, nor would they appear on a balance sheet.

To show the importance of these kinds of issues, Table 2–4 presents a national balance sheet. It includes estimates of national wealth classified into three categories: physical assets, education capital, and R&D capital. The Federal Government has made contributions to each of these categories of capital, and these contributions are shown separately in the table. Data in this table are especially uncertain, because of the strong assumptions needed to prepare the estimates.

The conclusion of the table is that Federal investments are responsible for about 7½ percent of total national wealth. This may seem like a small fraction, but it represents a large volume of capital $4.8 trillion. The Federal contribution is down from around 9 percent in the mid-1980s, and from around 12 percent in 1960. Much of this reflects the shrinking size of the defense capital stocks, which have gone from 12 percent of GDP to under 9 percent since the end of the Cold War.

Physical Assets:

The physical assets in the table include stocks of plant and equipment, office buildings, residential structures, land, and government's physical assets such as military hardware, office buildings, and highways. Automobiles and consumer appliances are also included in this category. The total amount of such capital is vast, around $27 trillion in 1998; by comparison, GDP was only about $8.5 trillion.

The Federal Government's contribution to this stock of capital includes its own physical assets plus $1.0 trillion in accumulated grants to State and local governments for capital projects. The Federal Government has financed about one-fourth of the physical capital held by other levels of government.

Education Capital:

Economists have developed the concept of human capital to reflect the notion that individuals and society invest in people as well as in physical assets. Investment in education is a good example of how human capital is accumulated.

This table includes an estimate of the stock of capital represented by the Nation's investment in education. The estimate is based on the cost of replacing the years of schooling embodied in the U.S. population aged 16 and over; in other words, the idea is to measure how much it would cost to reeducate the U.S. workforce at today's prices (rather than its original cost). This is more meaningful economically than the historical cost, and is comparable to the measures of physical capital presented earlier.

Although this is a relatively crude measure, it does provide a rough order of magnitude of the current value of the investment in education. According to this measure, the stock of education capital amounted to $31 trillion in 1998, of which about 3 percent was financed by the Federal Government. It exceeds the total value of the Nation's privately owned stock of physical capital. The main investors in education capital have been State and local governments, parents, and students themselves (who forgo earning opportunities in order to acquire education).

Even broader concepts of human capital have been suggested. Not all useful training occurs in a schoolroom or in formal training programs at work. Much informal learning occurs within families or on the job, but measuring its value is very difficult. However, labor compensation amounts to over two thirds of national income, and thinking of labor income as the product of human capital suggests that the total value of human capital might be two times the estimated value of physical capital. Thus, the estimates offered here are in a sense conservative, because they reflect only the costs of acquiring formal education and training.

Research and Development Capital:

Research and Development can also be thought of as an investment, because R&D represents a current expenditure that is made in the expectation of earning a future return. After adjusting for depreciation, the flow of R&D investment can be added up to provide an estimate of the current R&D stock.[10] That stock is estimated to have been about $2 trillion in 1998. Although this is a large amount of research, it is a relatively small portion of total National wealth. Of this stock, 43 percent was funded by the Federal Government.

Liabilities:

When considering how much the United States owes as a Nation, the debts that Americans owe to one another cancel out. This means they do not belong in Table 2–4, but it does not mean they are unimportant. (An unwise buildup in debt, most of which was owed to other Americans, was partly responsible for the recession of 1990–1991 and the sluggishness of the early stages of the recovery that followed.) The only debt

[10] R&D depreciates in the sense that the economic value of applied research and development tends to decline with the passage of time, as still newer ideas move the technological frontier.

Table 2–4. NATIONAL WEALTH

(As of the end of the fiscal year, in trillions of 1998 dollars)

	1960	1965	1970	1975	1980	1985	1990	1995	1996	1997	1998
ASSETS											
Publicly Owned Physical Assets:											
Structures and Equipment											
Publicly Owned Physical Assets:											
Structures and Equipment	2.1	2.4	2.9	3.5	3.7	3.9	4.2	4.6	4.7	4.8	4.8
Federally Owned or Financed	1.2	1.3	1.5	1.5	1.5	1.8	1.9	2.0	2.0	2.0	2.0
Federally Owned	1.1	1.1	1.1	1.0	0.9	1.1	1.2	1.1	1.1	1.1	1.0
Grants to State and Local Government	0.1	0.2	0.3	0.5	0.6	0.7	0.8	0.9	0.9	1.0	1.0
Funded by State and Local Governments	0.9	1.1	1.5	2.0	2.1	2.1	2.3	2.6	2.7	2.8	2.8
Other Federal Assets	0.8	0.7	0.7	0.9	1.5	1.5	1.2	0.9	1.0	1.0	0.9
Subtotal	2.9	3.2	3.6	4.4	5.2	5.4	5.5	5.5	5.7	5.7	5.7
Privately Owned Physical Assets:											
Reproducible Assets	6.8	7.8	9.6	12.2	15.7	16.5	18.5	20.0	20.5	21.1	21.9
Residential Structures	2.6	3.0	3.6	4.6	6.2	6.5	7.3	8.1	8.3	8.6	8.9
Nonresidential Plant and Equipment	2.7	3.1	3.9	5.1	6.4	7.1	7.7	8.2	8.4	8.7	9.1
Inventories	0.6	0.7	0.9	1.1	1.3	1.2	1.3	1.3	1.3	1.4	1.4
Consumer Durables	0.8	0.9	1.2	1.4	1.6	1.8	2.2	2.4	2.4	2.5	2.6
Land	2.0	2.4	2.8	3.8	5.6	6.2	6.0	4.7	4.7	5.0	5.3
Subtotal	8.8	10.2	12.4	16.0	21.2	22.7	24.5	24.7	25.3	26.1	27.2
Education Capital:											
Federally Financed	0.1	0.1	0.2	0.3	0.4	0.6	0.7	0.8	0.8	0.9	0.9
Financed from Other Sources	6.0	7.7	10.3	12.7	16.4	19.6	24.9	27.1	28.0	29.1	30.5
Subtotal	6.1	7.8	10.6	13.0	16.8	20.2	25.6	27.9	28.9	29.9	31.4
Research and Development Capital:											
Federally Financed R&D	0.2	0.3	0.5	0.5	0.6	0.7	0.8	0.9	0.9	0.9	0.9
R&D Financed from Other Sources	0.1	0.2	0.3	0.4	0.5	0.6	0.8	1.0	1.1	1.2	1.2
Subtotal	0.3	0.5	0.8	0.9	1.0	1.3	1.6	1.9	2.0	2.1	2.1
Total Assets	18.0	21.7	27.3	34.3	44.2	49.6	57.1	60.0	61.8	63.9	66.5
Net Claims of Foreigners on U.S.	–0.1	–0.2	–0.2	–0.1	–0.3	0.0	0.7	1.3	1.7	2.0	2.3
Balance	18.2	21.8	27.5	34.4	44.6	49.6	56.4	58.7	60.0	61.9	64.2
ADDENDA:											
Per Capita (thousands of dollars)	100.5	112.4	134.0	159.2	195.2	207.3	225.1	222.4	225.5	230.5	237.0
Ratio to GDP (percent)	709.1	673.0	714.0	786.7	856.0	816.3	817.8	763.6	753.1	746.2	748.1
Total Federally Funded Capital (trillions of 1998 dollars)	0.5	0.6	0.8	1.2	2.2	3.2	3.9	4.4	4.6	4.7	4.8
Percent of National Wealth	12.3	11.5	10.3	9.5	9.1	9.1	8.3	7.9	7.9	7.7	7.4

that appears in Table 2–4 is the debt that Americans owe to foreign investors. America's foreign debt has been increasing rapidly in recent years, because of the continuing deficit in the U.S. current account, but even so the size of this debt remains small compared with the total stock of U.S. assets. It amounted to 3.6 percent of net national wealth in 1998.

Most Federal debt does not appear in Table 2–4 because it is held by Americans; only that portion of the Federal debt held by foreigners is included. However, comparing the Federal Government's net liabilities with total national wealth gives another indication of the relative magnitude of the imbalance in the Government's accounts. Currently, the Federal net asset imbalance, as estimated in Table 2–1, amounts to 5.0 percent of total U.S. wealth as shown in Table 2–4.

Trends in National Wealth

The inflation-adjusted net stock of wealth in the United States at the end of 1998 was about $64 trillion. Since 1980, it has increased in real terms at an average annual rate of 2.0 percent per year—less than half the 4.6 percent real growth rate it averaged from 1960 to 1980. Public physical capital formation slowed down even more between the two periods. Since 1980, public physical capital has increased at an annual rate of only 0.6 percent, compared with 3.0 percent over the previous 20 years.

The net stock of private nonresidential plant and equipment grew 1.9 percent per year from 1980 to 1998, compared with 4.4 percent in the 1960s and 1970s; and the stock of business inventories increased less than 0.2 percent per year. However, private nonresidential fixed capital has increased more rapidly since

1992—2.8 percent per year—reflecting the recent investment boom.

The accumulation of education capital, as measured here, has also slowed down since 1980, but not as much. It grew at an average rate of 5.2 percent per year in the 1960s and 1970s, about 3/4 percentage point faster than the average rate of growth in private physical capital during the same period. Since 1980, education capital has grown at a 3.5 percent annual rate. This reflects the extra resources devoted to schooling in this period, and the fact that such resources were increasing in economic value. R&D stocks have grown at about 4.1 percent per year since 1980, the fastest growth rate for any major category of investment over this period, but slower than the growth of R&D in the 1960s and 1970s.

Other Federal Influences on Economic Growth

Federal policies contributed to the slowdown in capital formation that occurred after 1980. Federal investment decisions, as reflected in Table 2–4, obviously were important, but the Federal Government also contributes to wealth in ways that cannot be easily captured in a formal presentation. Monetary policy affects the rate and direction of capital formation in the short run, and regulatory and tax policies also affect how capital is invested, as do the Federal Government's policies on credit assistance and insurance.

One important channel of influence is the Federal budget surplus/deficit, which determines the size of Federal saving when it is positive or the Federal borrowing requirement when it is negative. Had deficits been smaller in the 1980s, there would have been a much smaller gap between Federal liabilities and assets than is shown in Table 2–1. It is also likely that, had the more than $3 trillion in added Federal debt since 1980 been avoided, a significant share of these funds would have gone into private investment. National wealth might have been 2 to 4 percent larger in 1998 had fiscal policy avoided the buildup in the debt.

Social Indicators

There are certain broad responsibilities that are unique to the Federal Government. Especially important are fostering healthy economic conditions, promoting health and social welfare, and protecting the environment. Table 2–5 offers a rough cut of information that can be useful in assessing how well the Federal Government has been doing in promoting these general objectives.

The indicators shown here are a limited subset drawn from the vast array of available data on conditions in the United States. In choosing indicators for this table, priority was given to measures that were consistently available over an extended period. Such indicators make it easier to draw valid comparisons and evaluate trends. In some cases, however, this meant choosing indicators with significant limitations.

The individual measures in this table are influenced to varying degrees by many Government policies and programs, as well as by external factors beyond the Government's control. They do not measure the outcomes of Government policies, because they do not show the direct results of Government activities, but they do provide a quantitative measure of the progress or lack of progress in reaching some of the ultimate values that government policy is intended to promote.

Such a table can serve two functions. First, it highlights areas where the Federal Government might need to modify its current practices or consider new approaches. Where there are clear signs of deteriorating conditions, corrective action might be appropriate. Second, the table provides a context for evaluating other data on Government activities. For example, Government actions that weaken its own financial position may be appropriate when they promote a broader social objective.

An example of this occurs during economic recessions, when reductions in tax collections lead to increased government borrowing that adds to Federal liabilities. This decline in Federal net assets, however, provides an automatic stabilizer for the private sector. State and local governments and private budgets are strengthened by allowing the Federal budget to go into deficit. More stringent Federal budgetary controls could be used to hold down Federal borrowing during such periods, but only at the risk of aggravating the downturn and weakening the other sectors.

The Government cannot avoid making such tradeoffs because of its size and the broad ranging effects of its actions. Monitoring these effects and incorporating them in the Government's policy making is a major challenge.

An Interactive Analytical Framework

No single framework can encompass all of the factors that affect the financial condition of the Federal Government. Nor can any framework serve as a substitute for actual analysis. Nevertheless, the framework presented here offers a useful way to examine the financial aspects of Federal policies. Increased Federal support for investment, the promotion of national saving through fiscal policy, and other Administration policies to enhance economic growth are expected to promote national wealth and improve the future financial condition of the Federal Government. As that occurs, the efforts will be revealed in these tables.

Table 2–5. ECONOMIC AND SOCIAL INDICATORS

General categories	Specific measures	1960	1965	1970	1975	1980	1985	1990	1995	1996	1997	1998
Economic:												
Living Standards	Real GDP per person (1992 dollars)	12,516	14,828	16,566	17,935	20,268	22,321	24,545	25,690	26,336	27,136	27,915
	average annual percent change	0.3	5.1	–1.1	–1.4	–1.5	2.7	0.2	1.3	2.5	3.0	2.9
	Median Income (1997 dollars):.											
	All Households	NA	NA	33,942	33,699	34,538	35,229	36,770	35,887	36,306	37,005	NA
	Married Couple Families	29,274	34,095	40,867	42,458	45,129	46,390	48,991	49,563	50,848	51,591	NA
	Female Householder, No Spouse Present	14,794	16,576	19,792	19,546	20,297	20,376	20,793	20,738	20,368	21,023	NA
	Income Share of Lower Three Quintiles (percent)	34.8	35.2	35.2	35.2	34.5	32.7	32.0	30.3	30.0	29.8	NA
	Poverty Rate (percent) [1]	22.2	17.3	12.6	12.3	13.0	14.0	13.5	13.8	13.7	13.3	NA
Economic Security	Civilian Unemployment (percent)	5.5	4.5	4.9	8.5	7.1	7.2	5.5	5.6	5.4	5.0	4.5
	CPI–U (percent Change)	1.7	1.6	5.8	9.1	13.5	3.5	5.4	2.8	2.9	2.3	1.6
Employment Prospects	Increase in Total Payroll Employment (millions)	–0.5	2.9	–0.5	0.4	0.2	2.5	0.3	2.2	2.8	3.4	2.9
	Managerial or Professional Jobs (percent of total)	NA	NA	NA	NA	NA	24.1	25.8	28.3	28.8	29.1	29.6
Wealth Creation	Net National Saving Rate (percent of GDP)	10.8	12.6	8.7	6.7	7.5	6.2	4.4	5.3	5.8	6.6	6.6
Innovation	Patents Issued to U.S. Residents (thousands)	42.1	53.9	49.8	40.2	40.5	43.2	52.6	64.2	69.2	69.7	NA
	Multifactor Productivity (average annual percent change)	1.0	3.1	1.0	1.2	0.7	0.6	0.2	0.2	0.6	NA	NA
Social:												
Families	Children Living with Female Householder, No Spouse Present (percent of all children)	9	10	12	16	19	20	22	24	23	23	NA
Safe Communities	Violent Crime Rate (per 100,000 population) [2]	160	199	364	482	597	557	732	685	634	611	NA
	Murder Rate (per 100,000 population) [2]	5	5	8	10	10	8	9	8	7	7	NA
	Juvenile Crime (murders and nonnegligent manslaughter per 100,000 persons age 14 to 17)	NA	NA	NA	11	13	10	24	24	20	NA	NA
Health and Illness	Infant Mortality (per 1000 Live Births)	26.0	24.7	20.0	16.1	12.6	10.6	9.2	7.6	7.3	NA	NA
	Low Birthweight [<2,500 gms] Babies (percent)	7.7	8.3	7.9	7.4	6.8	6.8	7.0	7.3	7.4	NA	NA
	Life Expectancy at birth (years)	69.7	70.2	70.8	72.6	73.7	74.7	75.4	75.8	76.1	NA	NA
	Cigarette Smokers (percent population 18 and older)	NA	42.4	39.5	36.4	33.2	30.1	25.5	24.7	NA	NA	NA
	Bed Disability Days (average days per person)	6.0	6.2	6.1	6.6	7.0	6.1	6.2	6.1	NA	NA	NA
Learning	High School Graduates (persent of population 25 and older)	44.6	49.0	55.2	62.5	68.6	73.9	77.6	81.7	81.7	82.1	NA
	College Graduates (percent of population 25 and older)	8.4	9.4	11.0	13.9	17.0	19.4	21.3	23.0	23.6	23.9	NA
	National Assessment of Educational Progress [3].											
	Mathematics High School Seniors	NA	NA	NA	302	300	301	305	307	307	NA	NA
	Science High School Seniors	NA	NA	305	293	286	288	290	295	296	NA	NA
Participation	Voting for President (percent eligible population)	62.8	NA	NA	NA	52.8	NA	NA	NA	49.0	NA	NA
	Voting for Congress (percent eligible population)	58.5	NA	43.5	NA	47.6	NA	33.1	NA	45.8	NA	33.4
	Individual Charitable Giving per Capita (1997 dollars)	213	255	306	325	354	373	455	456	470	NA	NA
Environment:												
Air Quality	Nitrogen Oxide Emissions (thousand short tons)	14,140	17,424	21,369	23,151	24,875	23,488	23,436	23,768	23,391	23,576	NA
	Sulfur Dioxide Emissions (thousand short tons)	22,245	26,380	31,161	28,011	25,905	23,230	23,678	19,189	19,836	NA	NA
	Lead Emissions (thousand short tons)	NA	NA	221	160	74	23	5	4	4	4	NA
Water Quality	Population Served by Secondary Treatment or Better (millions)	NA	NA	NA	NA	NA	134	155	166	165	NA	NA

[1] The poverty rate does not reflect noncash government transfers such as Medicaid or food stamps.
[2] Not all crimes are reported, and the fraction that go unreported may have varied over time.
[3] Some data from the national educational assessments have been interpolated.

TECHNICAL NOTE: SOURCES OF DATA AND METHOD OF ESTIMATING

Federally Owned Assets and Liabilities

Assets:

Financial Assets: The source of data is the Federal Reserve Board's Flow-of-Funds Accounts. Two adjustments were made to these data. First, U.S. Government holdings of financial assets were consolidated with the holdings of the monetary authority, i.e., the Federal Reserve System. Second, the gold stock was revalued using the market value for gold.

Physical Assets:

Fixed Reproducible Capital: Estimates were developed from the OMB historical data base for physical capital outlays. The data base extends back to 1940 and was supplemented by data from other selected sources for 1915–1939. The source data are in current dollars. To estimate investment flows in constant dollars, it is necessary to deflate the nominal investment series. This was done using price deflators for Federal purchases of durables and structures from the National Income and Product Accounts.

Fixed Nonreproducible Capital: Historical estimates for 1960–1985 were based on estimates in Michael J. Boskin, Marc S. Robinson, and Alan M. Huber, "Government Saving, Capital Formation and Wealth in the United States, 1947–1985," published in *The Measurement of Saving, Investment, and Wealth*, edited by Robert E. Lipsey and Helen Stone Tice (The University of Chicago Press, 1989).

Estimates were updated using changes in the value of private land from the Flow-of-Funds Balance Sheets and in the Producer Price Index for Crude Energy Materials.

Liabilities:

Financial Liabilities: The principal source of data is the Federal Reserve's Flow-of-Funds Accounts.

Insurance Liabilities: Sources of data are the OMB Deposit Insurance Model and the OMB Pension Guarantee Model. Historical data on liabilities for deposit insurance were also drawn from the CBO's study, *The Economic Effects of the Savings and Loan Crisis*, issued January 1992.

Pension Liabilities: For 1979–1997, the estimates are the actuarial accrued liabilities as reported in the annual reports for the Civil Service Retirement System, the Federal Employees Retirement System, and the Military Retirement System (adjusted for inflation). Estimates for the years before 1979 are extrapolations. The estimate for 1998 is a projection.

Long-Run Budget Projections

The long-run budget projections are based on long-run demographic and economic projections. A simplified model of the Federal budget developed at OMB computes the budgetary implications of this forecast.

Demographic and Economic Projections: For the years 1999–2009, the assumptions are identical to those used in the budget. These budget assumptions reflect the President's policy proposals. The long-run projections extend these budget assumptions by holding constant inflation, interest rates, and unemployment at the levels assumed in the final year of the budget. Population growth and labor force growth are extended using the intermediate assumptions from the 1998 Social Security Trustees' report. The projected rate of growth for real GDP is built up from the labor force assumptions and an assumed rate of productivity growth. The assumed rate of productivity growth is held constant at the average rate of growth implied by the budget's economic assumptions.

Budget Projections: For the budget period through 2009, the projections follow the budget. Beyond the budget horizon, receipts are projected using simple rules of thumb linking income taxes, payroll taxes, excise taxes, and other receipts to projected tax bases derived from the economic forecast. Outlays are computed in different ways. Discretionary spending is projected according to current services assumptions in which it grows at the rate of inflation. As an alternative, discretionary spending is also projected to grow at the rate of inflation plus population. Social Security, Medicare, and Federal pensions are projected using the most recent actuarial forecasts available at the time the budget was prepared. These projections are repriced using Administration inflation assumptions. Other entitlement programs are projected based on rules of thumb linking program spending to elements of the economic and demographic forecast such as the poverty rate.

National Balance Sheet Data

Publicly Owned Physical Assets: Basic sources of data for the federally owned or financed stocks of capital are the investment flows described in Chapter 6. Federal grants for State and local government capital were added, together with adjustments for inflation and depreciation in the same way as described above for direct Federal investment. Data for total State and local government capital come from the revised capital stock data prepared by the Bureau of Economic Analysis.

Privately Owned Physical Assets: Data are from the Flow-of-Funds national balance sheets and from the private net capital stock estimates prepared by the Bureau of Economic Analysis. Values for 1998 were extrapolated using investment data from the National Income and Product Accounts.

Education Capital: The stock of education capital is computed by valuing the cost of replacing the total years of education embodied in the U.S. population 16 years of age and older at the current cost of providing schooling. The estimated cost includes both direct expenditures in the private and public sectors and an estimate of students' forgone earnings, i.e., it reflects the opportunity cost of education.

The historical estimates of education capital presented in this section differ from previously published estimates because of the incorporation of revised estimates of students' forgone earnings. These are now based on the year-round, full-time earnings of 18–24 year olds with selected educational attainment levels. These year-round earnings are reduced by 25 percent because students are usually out of school three months of the year. For high school students, these adjusted earnings are further reduced by the unemployment rate for 16–17 year olds; for college students, by the unemployment rate for 20–24 year olds. Yearly earnings by age and educational attainment are from *Money Income in the United States*, series P60, published by the Bureau of the Census.

For this presentation, Federal investment in education capital is a portion of the Federal outlays included in the conduct of education and training. This portion includes direct Federal outlays and grants for elementary, secondary, and vocational education and for higher education. The data exclude Federal outlays for physical capital at educational institutions and for research and development conducted at colleges and universities because these outlays are classified elsewhere as investment in physical capital and investment in R&D capital. The data also exclude outlays under the GI Bill; outlays for graduate and post-graduate education spending in HHS, Defense and Agriculture; and most outlays for vocational training.

Data on investment in education financed from other sources come from educational institution reports on the sources of their funds, published in U.S. Department of Education, *Digest of Education Statistics*. Nominal expenditures were deflated by the GDP chain-weighted price index to convert them to constant dollar values. Education capital is assumed not to depreciate, but to be retired when a person dies. An education capital stock computed using this method with different source data can be found in Walter McMahon, "Relative Returns To Human and Physical Capital in the U.S.

and Efficient Investment Strategies," *Economics of Education Review*, Vol. 10, No. 4, 1991. The method is described in detail in Walter McMahon, *Investment in Higher Education*, Lexington Books, 1974.

Research and Development Capital: The stock of R&D capital financed by the Federal Government was developed from a data base that measures the conduct of R&D. The data exclude Federal outlays for physical capital used in R&D because such outlays are classified elsewhere as investment in federally financed physical capital. Nominal outlays were deflated using the GDP deflator to convert them to constant dollar values.

Federally funded capital stock estimates were prepared using the perpetual inventory method in which annual investment flows are cumulated to arrive at a capital stock. This stock was adjusted for depreciation by assuming an annual rate of depreciation of 10 percent on the outstanding balance for applied research and development. Basic research is assumed not to depreciate. The 1993 Budget contains additional details on the estimates of the total federally financed R&D stock, as well as its national defense and nondefense components (see *Budget for Fiscal Year 1993*, January 1992, Part Three, pages 39–40).

A similar method was used to estimate the stock of R&D capital financed from sources other than the Federal Government. The component financed by universities, colleges, and other nonprofit organizations is estimated based on data from the National Science Foundation, *Surveys of Science Resources*. The industry-financed R&D stock component is estimated from that source and from the U.S. Department of Labor, *The Impact of Research and Development on Productivity Growth*, Bulletin 2331, September 1989.

Experimental estimates of R&D capital stocks have recently been prepared by BEA. The results are described in "A Satellite Account for Research and Development," *Survey of Current Business*, November 1994. These BEA estimates are lower than those presented here primarily because BEA assumes that the stock of basic research depreciates, while the estimates in Table 2–4 assume that basic research does not depreciate. BEA also assumes a slightly higher rate of depreciation for applied research and development, 11 percent, compared with the 10 percent rate used here.

Social Indicators

The main sources for the data in this table are the Government statistical agencies. Generally, the data are publicly available in the annual *Economic Report of the President* and the *Statistical Abstract of the United States*.

FEDERAL RECEIPTS AND COLLECTIONS

3. FEDERAL RECEIPTS

Receipts (budget and off-budget) are taxes and other collections from the public that result from the exercise of the Government's sovereign or governmental powers. The difference between receipts and outlays determines the surplus or deficit.

Growth in receipts.—Total receipts in 2000 are estimated to be $1,883.0 billion, an increase of $76.7 billion or 4.2 percent relative to 1999. This increase is largely due to assumed increases in incomes resulting from both real economic growth and inflation. Receipts are projected to grow at an average annual rate of 3.6 percent between 2000 and 2004, rising to $2,165.5 billion.

As a share of GDP, receipts are projected to decline from 20.6 percent in 1999 to 20.0 percent in 2004.

Table 3–1. RECEIPTS BY SOURCE—SUMMARY

(In billions of dollars)

Source	1998 actual	Estimate					
		1999	2000	2001	2002	2003	2004
Individual income taxes	828.6	868.9	899.7	912.5	942.8	970.7	1,017.7
Corporation income taxes	188.7	182.2	189.4	196.6	203.4	212.3	221.5
Social insurance and retirement receipts	571.8	608.8	636.5	660.3	686.3	712.0	739.2
(On-budget)	(156.0)	(164.8)	(171.2)	(177.7)	(184.6)	(189.8)	(196.3)
(Off-budget)	(415.8)	(444.0)	(465.3)	(482.6)	(501.8)	(522.2)	(542.9)
Excise taxes	57.7	68.1	69.9	70.8	72.3	73.8	75.4
Estate and gift taxes	24.1	25.9	27.0	28.4	30.5	31.6	33.9
Customs duties	18.3	17.7	18.4	20.0	21.4	23.0	24.9
Miscellaneous receipts	32.7	34.7	42.1	44.9	50.3	51.7	53.0
Total receipts	**1,721.8**	**1,806.3**	**1,883.0**	**1,933.3**	**2,007.1**	**2,075.0**	**2,165.5**
(On-budget)	*(1,306.0)*	*(1,362.3)*	*(1,417.7)*	*(1,450.7)*	*(1,505.3)*	*(1,552.8)*	*(1,622.6)*
(Off-budget)	*(415.8)*	*(444.0)*	*(465.3)*	*(482.6)*	*(501.8)*	*(522.2)*	*(542.9)*

Table 3–2. CHANGES IN RECEIPTS

(In billions of dollars)

	Estimate					
	1999	2000	2001	2002	2003	2004
Receipts under tax rates and structure in effect January 1, 1999 [1]	1,806.6	1,870.1	1,918.8	1,988.3	2,052.8	2,139.5
Social security (OASDI) taxable earnings base increases:.						
$72,600 to $76,200 on Jan. 1, 2000	....	1.7	4.4	4.8	5.2	5.7
$76,200 to $79,200 on Jan. 1, 2001	....	....	1.4	3.6	3.9	4.3
$79,200 to $81,900 on Jan. 1, 2002	....	....	....	1.3	3.2	3.5
$81,900 to $84,600 on Jan. 1, 2003	....	....	....	....	1.3	3.2
$84,600 to $87,000 on Jan. 1, 2004	....	....	....	....	....	1.1
Proposals [2]	–0.3	11.2	8.7	9.1	8.7	8.2
Total, receipts under existing and proposed legislation	1,806.3	1,883.0	1,933.3	2,007.1	2,075.0	2,165.5

[1] These estimates assume a social security taxable earnings base of $72,600 through 2004.
[2] Net of income offsets.

ENACTED LEGISLATION

Several laws were enacted in 1998 that have an effect on governmental receipts. The major legislative changes affecting receipts are described below.

Transportation Equity Act for the 21st Century.—This Act, which was signed by President Clinton on June 9, 1998, represents a significant achievement in the Administration's efforts to meet our country's transportation needs in the next century. By building on the initiatives established in the Intermodal Surface Transportation Efficiency Act of 1991, this Act combines the continuation and improvement of current programs with new initiatives to meet the challenges of improving safety as traffic continues to increase, protecting and enhancing communities and the natural environment as we provide transportation, and advancing America's economic growth and competitiveness domestically and internationally through efficient and flexible transportation. The major provisions of the Act affecting receipts are described below:

Extend highway-related taxes.—The excise taxes levied on gasoline (other than aviation gasoline), diesel fuel, and special motor fuels, which were scheduled to fall to 4.4 cents per gallon (or comparable rates in the case of special motor fuels) after September 30, 1999, are extended at their prior law rates (with a 0.1-cent-per-gallon reduction, reflecting the expiration of the LUST Trust Fund tax, on April 1, 2005) through September 30, 2005. Highway Trust Fund excise taxes on heavy truck tires and the sale and the use of heavy trucks, which were scheduled to expire on September 30, 1999, are extended at their prior law rates through September 30, 2005.

Extend and modify ethanol tax benefit.—Under prior law, ethanol fuels were eligible for a tax benefit equal to 54 cents per gallon, which could be claimed through reduced excise taxes paid on motor fuels, as well as through income tax credits. The authority to claim the credit against income taxes was scheduled to expire after December 31, 2000 and the authority to claim the benefit through reduced excise taxes was scheduled to expire after September 30, 2000. This Act extends the authority to claim the credit against income taxes through December 31, 2007; the authority to claim the benefit through reduced excise taxes is extended through September 30, 2007. In addition, the tax benefit is reduced to 53 cents per gallon effective January 1, 2001, 52 cents per gallon effective January 1, 2003, and 51 cents per gallon effective January 1, 2005.

Repeal excise tax on railroad diesel fuel.—The 1.25 cents-per-gallon tax on railroad diesel fuel, which was scheduled to expire after September 30, 1999, is repealed effective November 1, 1998.

Extend and increase transfers of motorboat and small engine fuels taxes to the Aquatic Resources Trust Fund.—Under prior law, 11.5 cents per gallon of the 18.4-cents-per-gallon tax on gasoline and special motor fuels used in motorboats and small engines was transferred to the Aquatic Resources Trust Fund. This Act extends the transfer, which was scheduled to expire after September 30, 1998, through September 30, 2005. In addition, the amount transferred is increased to 13.0 cents per gallon effective October 1, 2001 and to 13.5 cents per gallon effective October 1, 2003.

Modify tax treatment of transportation benefits.—Under prior law, up to $175 per month (for 1998) of employer-provided parking benefits were excludable from an employee's gross income, regardless of whether the benefits were offered in addition to, or in lieu of, any compensation otherwise payable to the employee. In contrast, up to $65 per month (for 1998) of employer-provided transit and vanpool benefits were excludable from an employee's gross income, but only if the benefits were provided in addition to, and not in lieu of, any compensation otherwise payable to the employee. The dollar limits for both benefits were indexed annually for inflation. Under this Act, effective for taxable years beginning after December 31, 1997, employers are allowed to offer employees the option of electing cash compensation in lieu of any qualified transportation benefit, or a combination of any of these benefits. In addition, effective for taxable years beginning after December 31, 2001, the exclusion for transit and vanpool benefits is increased to $100 per month, with annual indexing thereafter. The Act also eliminates the 1999 inflation adjustment to the dollar limit on transportation benefits.

Simplify motor fuels tax refund procedures.—Under prior law, gasoline and diesel fuel excise tax refunds were administered separately, subject to separate quarterly minimum filing thresholds. Effective for claims filed after September 30, 1998, refunds of gasoline and diesel fuel excise taxes may be aggregated, and a claim may be filed once a single $750 minimum is reached (determined on a year-to-date basis).

Internal Revenue Service Restructuring and Reform Act of 1998.—This Act, which was signed by President Clinton on July 22, 1998, sets in motion the most comprehensive overhaul of IRS's internal operations in more than four decades, puts new emphasis on electronic filing, and puts in place new rights and protections for taxpayers when dealing with the IRS. The major provisions of the Act are described below.

Reorganization of Structure and Management of the IRS

Reorganize and revise the mission of the IRS.—The IRS Commissioner is required to replace the existing three-tier geographic structure of the IRS (national, regional, district) with organizational units serving particular groups of taxpayers. The IRS is also required to review and restate its mission to place greater emphasis on serving the public and meeting taxpayer's needs. An independent Appeals function must also be established within the IRS.

Establish IRS Oversight Board.—A nine-member IRS Oversight Board is established within the Treasury Department. The responsibilities of the Board include the following: (1) Review and approval of IRS strategic plans. (2) Review operational functions of the IRS. (3) Recommend candidates for IRS Commissioner and review the selection, evaluation, and compensation of senior managers. (4) Review and approve plans for any major future reorganization of the IRS. (5) Review and approve the Commissioner's IRS budget request to be submitted to the Department of the Treasury. This budget request also will be submitted to Congress concurrent with the President's annual budget request for the IRS. (6) Ensure the proper treatment of taxpayers by IRS employees.

Modify appointment and duties of IRS Commissioner.—The IRS Commissioner is nominated by the President and confirmed by the Senate, as under prior law. However, under this Act the Commissioner is appointed to a five-year term and is required to have a demonstrated ability in management.

Rename and expand the authority of the Taxpayer Advocate.—The Taxpayer Advocate position is renamed the National Taxpayer Advocate. The individual appointed to this position cannot have been an officer or employee of the IRS during the two-year period ending with the individual's appointment, and must agree not to accept employment with the IRS (outside of the Taxpayer Advocate organization) during the five-year period beginning with the date the individual ceases to be the National Taxpayer Advocate. The person in this position is responsible for appointing at least one local taxpayer advocate for each State and has expanded authority to issue taxpayer assistance orders (orders that may be issued when a taxpayer is suffering or is about to suffer from a significant hardship as a result of the manner in which the laws are being administered by IRS). In determining whether to issue a taxpayer assistance order, the National Taxpayer Advocate is authorized to consider, among other factors, the following: unreasonable delays in resolving the taxpayer's account problems; immediate threats of substantial adverse action (such as the seizure of a residence to pay overdue taxes); the likelihood of irreparable harm if relief is not granted; whether the taxpayer will have to pay significant professional fees if relief is not granted; and the possibility of long-term adverse impact on the taxpayer.

Establish position of Treasury Inspector General for Tax Administration.—The Office of the IRS Chief Inspector is to be terminated and the powers of the IRS Chief Inspector are to be transferred to the new position of Treasury Inspector General (IG) for Tax Administration. The new IG for Tax is given all the powers under the Inspector General Act for matters relating to the IRS, may conduct an audit or investigation of the IRS upon the written request of the Commissioner or the Board, and is required to establish a toll-free telephone number for taxpayers to confidentially register complaints of misconduct by IRS employees.

Prohibit Executive Branch influence over taxpayer audits.—The President, Vice President, and most Cabinet officers, other than the Attorney General, are prohibited from requesting, directly or indirectly, an officer or employee of the IRS to either conduct or terminate an audit or investigation of any particular taxpayer with respect to the tax liability of the taxpayer.

Improve personnel flexibilities.—The modification of employee personnel rules applicable to the IRS will help the IRS recruit and retain the private sector expertise it needs to fill critical technical and senior management positions and will provide important tools that will enable the IRS to accomplish its restructuring efforts.

Electronic Filing

The Act states that it is the policy of the Congress to promote paperless filing, with the long-range goal of having at least 80 percent of all tax returns filed electronically by 2007. Toward that end, the IRS is required to develop a strategic plan concerning electronic filing within 180 days after July 22, 1998, to establish an "electronic commerce advisory group," and to report periodically to Congress on progress toward meeting the 80 percent goal. The Act also requires that the IRS develop procedures to: (1) accept digital or other electronic signatures, (2) accept all forms electronically for periods beginning after December 31, 1999, to the extent practicable, (3) acknowledge electronic filing in a manner similar to certified or registered mail, (4) provide forms and other IRS documents on the Internet, (5) electronically authorize disclosure of return information to the return preparer, (6) allow taxpayers on-line access to account information, subject to suitable safeguards, and (7) implement a fully return-free tax system for certain taxpayers for taxable years beginning after 2007. In addition, the deadline for filing information returns with the IRS is extended from February 28 until March 31 of the year following the tax year to which the return relates, for returns filed electronically. The Secretary of the Treasury is required to study and report to Congress by June 30, 1999, the effect of similarly extending the deadline for providing taxpayers with copies of information returns from January 31 to February 15 of the year following the tax year to which the return relates.

Congressional Accountability for the IRS

The Act consolidates Congressional oversight of the IRS by: (1) expanding the duties of the Joint Committee on Taxation (JCT) to include review and approval of all requests for General Accounting Office (GAO) investigations of the IRS (other than those from a committee chairperson or ranking member, those required by law, and those self-initiated by GAO); (2) requiring one annual joint review of the annual filing season and the progress of the IRS in meeting its objectives under the strategic and business plans, in improving taxpayer service and compliance, and on technology modernization; (3) stating that it is the sense of the Congress that IRS should place a high priority on resolving the century date change; (4) stating that it is the sense of the Congress that the IRS provide the Congress with an independent view of tax administration and that the tax-writing committees should hear from front-line technical experts at the IRS during the legislative process with respect to the administrability of pending amendments to the Internal Revenue Code; and (4) requiring that the IRS report to the House Committee on Ways and Means and the Senate Committee on Finance by March 1 of each year regarding sources of complexity in the administration of the Federal tax laws.

Taxpayer Protection and Rights

Burden of Proof

Shift the burden of proof to the IRS in certain circumstances.—In any court proceeding with respect to a factual issue (applicable to income, estate, gift and generation-skipping transfer taxes), the burden of proof is shifted to the IRS if the taxpayer introduces credible evidence relevant to ascertaining his/her tax liability. The taxpayer has the burden of proving that the following conditions, which are necessary prerequisites to establishing that the burden of proof is on the IRS, have been met: (1) All items at issue must be substantiated by the taxpayer in accordance with the Internal Revenue Code and relevant regulations. (2) All records required by the Internal Revenue Code and regulations must be maintained by the taxpayer. (3) The taxpayer must cooperate with the IRS regarding reasonable requests for witnesses, information, documents, meetings and interviews. (4) Taxpayers other than individuals or estates must meet the net worth limitations (no more than $7 million) that apply to awarding attorney's fees. This provision applies to court proceedings arising in connection with examinations commencing after July 22, 1998, or if there is no examination, to court proceedings arising in connection with taxable periods or events beginning or occurring after July 22, 1998.

Proceedings by Taxpayers

Expand authority to award costs and certain fees.—Any person who substantially prevails in a dispute related to taxes, interest, or penalties may be awarded reasonable administrative costs incurred before the IRS and reasonable litigation costs incurred in connection with any court proceeding. Individuals can receive an award of litigation and administrative costs only if their net worth does not exceed $2 million. Awards cannot exceed amounts actually paid or incurred, and attorney's fees awarded cannot exceed a statutorily limited rate. Under prior law, taxpayers who were represented pro bono, and thus bore no actual attorney's fees and costs, could not recover such amounts. This Act allows the awarding of attorney's fees (in amounts up to the statutory limit) to persons who represent such taxpayers for no more than a nominal fee. The statutorily limited rate is increased from $110 per hour (indexed for inflation) to $125 per hour (indexed for inflation). The Act also clarifies that an award of attorney's fees from the United States is permitted in actions for civil damages for unauthorized inspection or disclosure of taxpayer returns and return information only when the defendant is the United States and the plaintiff is a prevailing party. Other defendants (such as State employees or contractors) may be liable for attorney's fees and costs in cases where the United States is not a party, whenever they are found to have made a wrongful disclosure. Finally, the Act provides that attorney's fees and costs may be recovered if the taxpayer makes a "qualified offer" to the IRS, the IRS rejects the offer, and the ultimate resolution of the case is less favorable to the IRS than the rejected "qualified offer." These provisions are effective for costs incurred and services performed after January 18, 1999.

Expand civil damages for collection actions.—Taxpayers have the right to sue for damages if, in connection with any collection of Federal tax, any officer or employee of the IRS recklessly or intentionally disregards any provision of the Internal Revenue Code or any regulation thereunder. Recoverable damages are the lesser of actual, direct economic damages sustained, plus attorneys' fees, or $1 million. Under prior law, actions could only be brought by the injured taxpayer (not by an injured third party) and could not be brought against any officer or employee of the IRS who negligently disregarded any provision of the Internal Revenue Code or any regulation thereunder. In addition, suit could not be brought against any officer or employee of the IRS who willfully violated the automatic stay or discharge provisions of the Bankruptcy Code. Effective for actions occurring after July 22, 1998, this Act expands the ability to sue for civil damages as follows: (1) A taxpayer may sue for up to $100,000 in civil damages caused by an officer or employee of the IRS who negligently disregards provisions of the Internal Revenue Code or any regulation thereunder in connection with the collection of Federal tax from the taxpayer. (2) A taxpayer may sue for up to $1 million in civil damages caused by an officer or employee of the IRS who willfully violates provisions of the Bankruptcy Code relating to automatic stays or discharges. (3) Injured third parties are permitted to sue for civil damages for unauthorized collection actions.

Increase Tax Court's "small case" limit.—Taxpayers may choose to contest many tax disputes in the Tax Court. Under prior law, special "small case procedures" applied to disputes involving $10,000 or less, if the taxpayer chose to utilize these procedures (and the Tax Court concurred). This Act increases the cap for small case treatment in the Tax Court from $10,000 to $50,000, effective for proceedings commencing after July 22, 1998.

Allow actions for refund with respect to certain estates that have elected the installment method of payment.—Under the Internal Revenue Code, a taxpayer may bring a refund suit only if full payment of the assessed tax liability has been made. However, under certain conditions, the executor of an estate may pay the estate tax attributable to certain closely-held businesses over a 14-year period. These two rules can be in conflict, preventing electing estates from obtaining full relief in a refund jurisdiction. Effective for claims filed after July 22, 1998, this Act grants the courts refund jurisdiction to determine the correct liability of such an estate, so long as the estate has properly elected to pay in installments, all payments are current, the payments due have not been accelerated, there are no suits for declaratory judgment pending, and there are no outstanding deficiency notices against the estate. The Act also includes a number of technical and conforming amendments to implement this change.

Modify appeals process with regard to adverse determinations regarding the tax-exempt status of certain bond issues.—Interest on debt incurred by States or local governments generally is excluded from gross income if the proceeds of the borrowing are used to carry out governmental functions of those entities and the debt is repaid with governmental funds. A jurisdiction that seeks to issue bonds can request a ruling from the IRS regarding the eligibility of such bonds for tax-exemption. The prospective issuer can challenge the IRS's determination (or failure to make a timely determination) in a declaratory judgment proceeding in the Tax Court. Under prior law there was no mechanism that explicitly allowed tax-exempt bond issuers examined by the IRS to appeal adverse examination determinations to the Appeals Division of the IRS as a matter of right. This Act directs the IRS to modify its administrative procedures to allow tax-exempt bond issuers examined by the IRS to appeal adverse examination determinations to the Appeals Division as a matter of right, effective July 22, 1998. These appeals must be heard by senior appeals officers having experience in resolving complex cases.

Provide new remedy for third parties who claim that the IRS has filed an erroneous lien.—The Supreme Court held (*Williams v. United States*) that a third party who paid another person's tax under protest to remove a lien on the third party's property could bring a refund suit, because she had no other adequate administrative or judicial remedy. However, the Court left many important questions unresolved. This Act creates administrative and judicial remedies for a third party subject to an erroneous tax lien, effective July 22, 1998. Under this procedure, the owner of property (other than the taxpayer) can obtain a certificate discharging property from the Federal tax lien as a matter of right, provided certain conditions are met. The certificate of discharge enables the property owner to sell the property free and clear of the Federal tax lien in all circumstances. The Act also establishes a judicial cause of action for persons challenging a Federal tax lien.

Relief for Innocent Spouses and Persons with Disabilities

Relieve innocent spouse of liability in certain cases.—Spouses who file a joint tax return are each fully responsible for the accuracy of the return and for the full tax liability, even if only one spouse earned the wages or income shown on the return. Under prior law, relief from liability was available for "innocent spouses" in certain circumstances, but the conditions were frequently hard to meet and the Tax Court did not have jurisdiction to review all denials of innocent spouse relief. This Act generally makes innocent spouse status easier to obtain by eliminating certain applicable dollar thresholds for understatements of tax; requiring that the understatement of tax be attributable to an erroneous item of the other spouse, rather than a grossly erroneous item as required under prior law; giving the IRS the discretion to provide equitable relief; and providing the Tax Court with jurisdiction to review the IRS's denial of innocent spouse relief and to order appropriate relief. The Act also modifies the innocent spouse provision to permit a spouse who is divorced, legally separated, or living apart for 12 months, to elect to limit his/her liability for unpaid taxes on a joint return to his/her separate liability amount. Unless the electing taxpayer had knowledge, when the return was signed, that an item on the return was incorrect, such an electing taxpayer essentially is responsible for any deficiency only to the extent his/her own items contributed to the deficiency. The separate liability election must be made no later than two years after the date on which collection activities have begun with respect to the individual seeking the relief. Except in limited cases, the IRS is not permitted to collect the tax until the Tax Court case is final (although the running of the statute of limitations will be suspended while the Tax Court case is pending). Finally, the Act requires the IRS to develop a separate form with instructions for taxpayers to use in applying for innocent spouse relief by January 18, 1999. These changes apply to liability for tax arising after July 22, 1998, as well as to any liability arising on or before that date that remains unpaid on that date.

Provide equitable tolling.—A refund claim that is not filed within certain specified time periods is rejected as untimely. The Supreme Court recently held (*United States v. Brockamp*) that these limitations periods cannot be extended, or "tolled," for equitable reasons. This may lead to harsh results for some taxpayers, particularly when they fail to seek a refund because of a well-documented disability or similar compelling circumstance that prevents them from doing so. Consequently, this Act permits "equitable tolling" of the limitation period on claims for refund for the period of time during which an individual taxpayer is unable to manage his/her financial affairs because of a medically determined physical or mental disability that can be expected to result in death or to last for a continuous period of not less than 12 months. Tolling does not apply during periods in which the taxpayer's spouse or another person is authorized to act on the taxpayer's behalf in financial matters. The provision applies to periods of disability before, on, or after July 22, 1998, but does not apply to any claim for refund or credit that (without regard to the provision) is barred by the operation of any law, including the statute of limitation, as of July 22, 1998.

Provisions Relating to Interest and Penalties

Allow "global" interest netting of underpayments and overpayments of tax.—The rate of interest charged taxpayers on their tax underpayments differs from the rate paid to taxpayers on overpayments. Under prior law, the IRS ameliorated the effect of this interest rate differential by "netting" offsetting underpayments and overpayments in some situations (that is, applying a net interest rate of zero on equivalent amounts of overpayment and underpayment); however, there was no authority to net when either the overpayment or the underpayment had been satisfied already ("global" netting). This Act permits global interest netting for all taxes (not just income taxes), effective for interest applicable to periods beginning after July 22, 1998. It also applies to interest for periods beginning before that date if: (1) as of July 22, 1998, the statute of limitations has not expired with respect to either the underpayment or overpayment; (2) the taxpayer identifies the periods of underpayment and overpayment for which the zero rate applies; and (3) on or before December 31, 1999, the taxpayer asks the Secretary of the Treasury to apply the zero rate.

Increase interest rate applicable to overpayments of tax by noncorporate taxpayers.—Under prior law, interest on overpayments of tax was payable at a rate equal to the Federal short term interest rate (AFR) plus two percentage points. Effective for interest payable on overpayments by noncorporate taxpayers after December 31, 1998, the rate is increased to the AFR plus three percentage points (the same rate applicable to underpayments of tax). The rate remains at AFR plus two percentage points for corporations.

Mitigate failure to pay penalty during installment agreements.—Taxpayers who fail to pay their taxes are subject to a penalty of 0.5 percent per month on the unpaid amount, up to a maximum of 25 percent. Under prior law, taxpayers who made installment payments pursuant to an agreement with the IRS could also be subject to the penalty. Effective for installment agreement payments made after December 31, 1999, the penalty for failure to pay taxes applicable to the unpaid amount is reduced to 0.25 percent per month.

Mitigate failure to deposit penalty.—Under prior law, deposits of payroll taxes were allocated to the earliest period for which such deposit was due. If a taxpayer missed or made an insufficient deposit for a given period, later deposits were first applied to satisfy the shortfall for the earlier period. Cascading penalties often resulted, as payments that would otherwise be sufficient to satisfy current liabilities were applied to satisfy earlier shortfalls. For deposits required to be made after January 18, 1999, this Act allows the taxpayer to designate the period to which each deposit is to be applied. The designation must be made no later than 90 days after the related IRS penalty notice is sent. For deposits required to be made after December 31, 2001, any deposit is to be applied to the most recent period to which the deposit relates, unless the taxpayer explicitly designates otherwise.

Suspend interest and certain penalties if the IRS fails to contact the taxpayer.—In general, interest and penalties accrue during the period for which taxes are unpaid, without regard to whether the taxpayer is aware that tax is due. Effective for taxable years ending after July 22, 1998 and beginning before January 1, 2004, for taxpayers who file a timely return, the accrual of penalties and interest are suspended if the IRS has not sent the taxpayer a notice of deficiency within 18 months following the date which is the later of: (1) the due date of the return (without regard to extensions) or (2) the date on which the individual taxpayer timely filed the return. The provision applies only to individuals and does not apply to the failure to pay penalty, in the case of fraud, or with respect to criminal penalties. The suspension of interest and penalties continues until 21 days after the IRS sends a notice to the taxpayer specifically stating the taxpayer's liability and the basis for the liability. Effective for taxable years beginning after December 31, 2003, the 18-month period is reduced to one year.

Modify procedural requirements for imposition of penalties.—Under prior law the IRS was not required to show how penalties were computed on the notice of penalty and in some cases, penalties could be imposed without supervisory approval. Effective for notices issued and penalties assessed after December 31, 2000, this Act requires that each notice imposing a penalty include the name of the penalty, the code section imposing the penalty, and a computation of the penalty. In addition, unless excepted, all non-computer-generated penalties require the specific approval of IRS management. The provision does not apply to failure-to-file penalties, failure-to-pay penalties, or to penalties for failure to pay estimated tax.

Permit personal delivery of 100-percent penalty notices.—Any person who willfully fails to collect, truthfully account for, and pay over any tax imposed by the Internal Revenue Code is liable for a penalty equal to the amount of the tax. Before the IRS may assess any such "100-percent penalty" it must mail a written preliminary notice informing the person of the proposed penalty. The mailing of such notice must precede any notice and demand for payment of the penalty by at least 60 days. Effective July 22, 1998, this Act permits personal delivery of such preliminary notices, as an alternative to delivery by mail.

Modify procedural requirements for interest charges.—Effective for all notices issued by the IRS after December 31, 2000 that include an amount of interest required to be paid by the taxpayer, a detailed computation of the interest charges and a citation of the Code section under which such interest is imposed are required.

Abate interest on underpayments of tax by taxpayers in Presidentially declared disaster areas.—Effective for disasters declared after December 31, 1997, with respect to taxable years beginning after December 31, 1997 (a provision of the Taxpayer Relief Act of 1997 had provided the same benefit to disasters declared during 1997), taxpayers located in a Presidentially declared disaster area do not have to pay interest on taxes due for the length of any extension for filing their tax returns granted by the Secretary of the Treasury.

Protections for Taxpayers Subject to Audit or Collection Activities

Establish formal procedures to insure due process in IRS collection actions.—The IRS is entitled to seize a taxpayer's property by levy to pay the taxpayer's tax liability. Effective for collections initiated after January 18, 1999, this Act establishes formal procedures designed to insure due process where the IRS seeks to collect taxes by levy. Under these procedures, the IRS is required to provide the taxpayer with a "Notice of intent to Levy" by personal delivery, by leaving it at the taxpayer's dwelling or usual place of business, or by registered or certified mail, return receipt requested, at least 30 days before the taxpayer's property is seized. During the 30-day period following issuance of the intent to levy, the taxpayer may demand a hearing before an appeals officer who has had no prior involvement with the taxpayer's case. If such a hearing is requested, no levy may occur until a determination by the appeals officer is rendered. The determination of the appeals officer may be appealed to the Tax Court or, where appropriate, the Federal district court. No seizure of a dwelling that is the principal residence of the taxpayer, the taxpayer's spouse, the taxpayer's former spouse, or minor child is allowed without prior judicial approval.

Extend confidentiality privilege to taxpayer communications with federally authorized practitioners.—The attorney-client privilege of confidentiality is extended to communications between taxpayers and individuals (in noncriminal proceedings) who are authorized under Federal law to practice before the IRS. The provision, which is effective with regard to communications made on or after July 22, 1998, does not apply to a written communication between federally authorized tax practitioners and any director, shareholder, officer, employee, agent, or representative of a corporation in connection with the promotion of any tax shelter.

Limit financial status audit techniques.—Effective July 22, 1998, the IRS is prohibited from using financial status or economic reality examination techniques to determine the existence of unreported income of any taxpayer unless the IRS has a reasonable indication that there is a likelihood of unreported income.

Establish protections against the disclosure and improper use of computer software and source codes.—In a civil action, the IRS is prohibited from issuing a summons for any portion of any third-party tax-related computer source code unless certain requirements are satisfied. The Act also establishes a number of protections against the disclosure and improper use of trade secrets and computer software and source code that come into possession of the IRS in the course of the examination of a taxpayer's return. These protections generally are effective for summonses issued and computer software and source code acquired after July 22, 1998.

Prohibit threat of audit to coerce tip reporting alternative commitment agreements.—Restaurants may enter into Tip Reporting Alternative Commitment (TRAC) agreements. A restaurant entering into a TRAC agreement is obligated to educate its employees on their tip reporting obligations, to institute formal tip reporting procedures, to fulfill all filing and record keeping requirements, and to pay and deposit taxes. In return, the IRS agrees to base the restaurant's liability for employment taxes solely on reported tips and any unreported tips discovered during an IRS audit of an employee. Effective July 22, 1998, the IRS is required to instruct its employees that they may not threaten to audit any taxpayer in an attempt to coerce the taxpayer to enter into a TRAC agreement.

Allow taxpayers to quash all third-party summonses.—Under prior law, summonses issued to "third-party recordkeepers" were subject to different procedures than other summonses: notice of the summons was required to be given to the taxpayer, and the taxpayer had an opportunity to bring a court proceeding to quash the summons, during which time the third-party recordkeeper was prohibited from complying with the summons. This Act expands the "third-party recordkeeper" procedures to apply to all summonses issued to persons other than the taxpayer. The provision is effective for summonses served after July 22, 1998.

Permit service of summonses by mail.—This Act permits the IRS to serve summonses by certified or registered mail, as an alternative to the prior law requirement that all summonses be personally served. The provision is effective for summonses served after July 22, 1998.

Provide notice of IRS contact with third party.—Third parties may be contacted by the IRS in connection with the examination of a taxpayer or the collection of the tax liability of the taxpayer. In general, under prior law, the IRS was required to notify the taxpayer of the service of summons on a third party within three days of the date of service. This Act provides that the IRS may not contact any person other than the taxpayer with respect to the determination or collection of the tax liability of the taxpayer without providing reasonable notice in advance to the taxpayer that the IRS may contact persons other than the taxpayer. This provision, which is effective with respect to contacts made after January 18, 1999, does not apply to criminal tax matters, if the collection of the tax liability is in jeopardy, if the Secretary determines that disclosure may involve reprisal against any person, or if the taxpayer authorized the contact.

Require supervisory approval for certain liens, levies, and seizures.—Under prior law, supervisory approval of liens, levies or seizures was only required under certain circumstances. This Act requires the IRS to implement an approval process under which any lien, levy or seizure would, when appropriate, be approved by a supervisor, who would review the taxpayer's information, verify that a balance is due, and affirm that a lien, levy or seizure is appropriate under the circumstances. Circumstances to be taken into account include the amount due and the value of the asset. The provision applies to automated collection system actions initiated after December 31, 2000 and to all other collections actions initiated after July 22, 1998.

Modify levy exemption amounts.—IRS may levy on all non-exempt property of the taxpayer. Under prior law, property exempt from levy included up to $2,500 in value of fuel, provisions, furniture, and personal effects in the taxpayer's household and up to $1,250 in value of books and tools necessary for the trade, business or profession of the taxpayer. This Act increases the value of personal effects exempt from levy to $6,250 and the value of books and tools exempt from levy to $3,125. These amounts are indexed annually for inflation and apply to levys issued after July 22, 1998.

Require release of levy upon agreement that amount is uncollectible.—Effective for levys imposed after December 31, 1999, the IRS is required to release a wage levy as soon as practicable upon agreement with the taxpayer that the tax is not collectible.

Suspend collection by levy during refund suit.—Generally, full payment of the tax at issue is a prerequisite to a refund suit (*Flora v. United States*), but this rule does not apply in the case of "divisible" taxes (such as employment taxes or the "100-percent penalty" under section 6672). Effective for refund suits brought with respect to taxable years beginning after December 31, 1998, this Act requires the IRS to suspend collection by levy of liabilities that are the subject of a refund suit during the pendency of the litigation. This only applies where refund suits can be brought without the full payment of the tax, i.e., divisible taxes. Collection by levy is suspended unless jeopardy exists or the taxpayer waives the suspension of collection in writing. The statute of limitations on collection is stayed for the period during which collection by levy is prohibited.

Require review of jeopardy and termination assessments and jeopardy levies.—Special procedures allow the IRS to make jeopardy assessments or termination assessments in certain extraordinary circumstances; for instance, if the taxpayer is leaving or removing property from the United States or if assessment or collection would be jeopardized by delay. In jeopardy or termination situations, a levy may also be made without the 30-day notice of intent to levy that is ordinarily required. Jeopardy and termination assessments and jeopardy levies often involve difficult legal issues. This Act requires IRS Counsel review and approval before the IRS can make a jeopardy assessment, a termination assessment, or a jeopardy levy. If the Counsel's approval is not obtained, the taxpayer is entitled to obtain abatement of the assessment or release of the levy, and, if the IRS fails to offer such relief, to appeal first to the collections appeals process and then to the U.S. District Court. This provision is effective with respect to taxes assessed and levies made after July 22, 1998.

Increase "superpriority" dollar limits.—A Federal tax lien attaches to all property and rights in property of the taxpayer, if the taxpayer fails to pay the assessed tax liability after notice and demand. However, the Federal tax lien is not valid as to certain "superpriority" interests. Two of these "superpriorities" are subject to dollar limitations. For example, under prior law, purchasers of personal property at a casual sale were protected against a Federal tax lien attached to such property to the extent the sale was for less than $250; protection for mechanics lienors who provide home improvement work for residential real property was $1,000. Effective July 22, 1998, this Act increases these dollar limits, which are indexed for inflation, to $1,000 and $5,000, respectively. Under prior law, superpriorities were granted to banks and building and loan associations that made passbook loans to their customers, provided that those institutions retained the passbooks in their possession until the loan was completely paid off. This Act clarifies the superpriorities law to reflect current banking practices, where a passbook-type loan may be made even though an actual passbook is not used.

Waive early withdrawal penalty for IRS levies on retirement plans.—Early withdrawals from qualified retirement plans and Individual Retirement Accounts (IRAs) that are includible in the gross income of the taxpayer generally are subject to a 10-percent early withdrawal tax, unless an exception to the tax applies. Effective for distributions after December 31, 1999, this Act provides an exception from the 10-percent early withdrawal tax for amounts withdrawn from an employer-sponsored retirement plan or an IRA that are subject to a levy by the IRS. The exception applies only if the plan or IRA is levied; it does not apply if the taxpayer withdraws funds to pay taxes in the absence of a levy, or if the taxpayer withdraws funds in order to release a levy on other interests.

Prohibit sales of seized property at less than minimum bid.—A minimum bid price must be established for seized property offered for sale. Effective for sales after July 22, 1998, the IRS is prohibited from selling seized property for less than the minimum bid price.

Require a written accounting of all sales of seized property.—The IRS is required to provide a written accounting of all sales of seized property to the taxpayer, effective for seizures occurring after July 22, 1998. The accounting must include a receipt for the amount credited to the taxpayer's account.

Implement a uniform asset disposal mechanism.—The IRS must sell property seized by levy either by public auction or by public sale under sealed bids. These sales are often conducted by the revenue officer charged with collecting the tax liability. By July 22, 2000, this Act requires the IRS to implement a uniform asset disposal mechanism for sales of seized property. The disposal mechanism should be designed to remove any participation in the sale by revenue officers and outsourcing of the disposal mechanism may be considered.

Codify administrative procedures for seizures.—The IRS Manual provides general guidelines for seizure actions, requiring that if it is determined that the taxpayer's equity in the seized property is insufficient to yield net proceeds from sale to apply to the unpaid tax, the revenue officer must immediately release the seized property. This Act codifies these administrative procedures effective July 22, 1998.

Establish procedures for seizure of residences and businesses.—Effective July 22, 1998, the following procedures apply with respect to the seizure of residences and businesses: (1) Seizure of any nonrental residential real property to satisfy an unpaid liability of $5,000 or less (including interest and penalties) generally is prohibited. (2) All other payment options must be exhausted before the taxpayer's business assets or principal residence may be seized. (3) Seizure of a principal residence is permitted only if approved in writing by a U.S. District Court. (4) Future income derived from the sale of fish or wildlife under specified State permits or licenses must be taken into account in evaluating other payment options before seizing the taxpayer's business assets.

Require disclosures relating to extension of statute of limitations by agreement.— Under prior law, taxpayers and the IRS could agree in writing to extend statute of limitations on assessment or collection, either for a specified period or for an indefinite period. Under this Act, the statute of limitations on collections may no longer be extended by agreement between the taxpayer and the IRS, except in connection with an installment agreement, but the extension is only for the period for which the installment agreement by its terms extends beyond the end of the otherwise applicable 10-year period plus 90 days. The Act also requires that on each occasion that the taxpayer is requested by the IRS to extend the statue of limitations on assessment, the IRS must notify the taxpayer of the taxpayer's right to refuse to extend the statute of limitations or to limit the extension to particular issues or to a particular time period. These requirements generally apply to requests to extend the statute of limitations made after December 31, 1999.

Expand authority of the IRS to accept offers-in-compromise.—The IRS is authorized to compromise a taxpayer's tax liability for less than the full amount due. In general, there are two grounds on which an offer-in-compromise can be made: doubt as to the taxpayer's liability for the full amount owed, or doubt as to the taxpayer's ability to pay the full amount owed. This Act requires the IRS to develop and publish schedules of national and local living allowances, taking into account variations in the cost of living in different areas. This information is to be used to ensure that taxpayers entering into an offer-in-compromise will have adequate means to provide for basic living expenses. The IRS is prohibited from rejecting an offer-in-compromise from a low-income taxpayer solely on the basis of the amount of the offer. The Act also prohibits the IRS from collecting a tax liability by levy during any period that a taxpayer's offer-in-compromise for that liability is being processed, during the 30 days following rejection of an offer, during any period in which an appeal of the rejection of an offer is being considered, and while an installment agreement is pending. The Act also provides that the IRS must implement procedures to review all proposed rejections of taxpayer offers-in-compromise and requests for installment agreements prior to the rejection being communicated to the taxpayer. These changes generally are effective for offers-in-compromise and installment agreements submitted after July 22, 1998. The provision suspending levy is effective with respect to offers-in-compromise pending on or made after December 31, 1999.

Require notice of deficiency to specify Tax Court filing deadlines.—Taxpayers must file a petition with the Tax Court within 90 days after the notice of deficiency is mailed (150 days if the person is outside the United States). Because timely filing in Tax Court is a jurisdictional prerequisite, the IRS cannot extend the filing period, nor can the Tax Court hear the case of a taxpayer who relies on erroneous information from the IRS and files too late. This Act requires the IRS to include on each notice of deficiency the date it determines is the last day on which the taxpayer may file a Tax Court petition (including the last day for a taxpayer who is outside the United States). Any petition filed by the later of the statutory date or the date shown on the notice is treated as timely filed. The provision applies to notices mailed after December 31, 1998.

Refund or credit of overpayments before final determination.—The IRS may not take action to collect a deficiency during the period a taxpayer may petition the Tax Court, or, if the taxpayer petitions the Tax court, until the decision of the Tax Court becomes final. Actions to collect a deficiency attempted during this period may be enjoined, but under prior law, there was no authority for ordering the refund of any amount collected by the IRS during the prohibited period. If a taxpayer contested a deficiency in the Tax Court, no credit or refund of income tax for the contested taxable year generally could be made, except in accordance with a final decision of the Tax Court. Where the Tax Court determined that an overpayment had been made and a refund was due, and a portion of the decision was appealed, there was no provision for the refund of any portion of any overpayment that was not contested in the appeal. Effective July 22, 1998, this Act provides that a proper court may order a refund of any amount that was collected within the period during which collection of the deficiency by levy or other proceeding is prohibited. This Act also allows the refund of any overpayment determined by the Tax Court, to the extent the overpayment is not contested on appeal.

Modify IRS procedures related to appeal of examinations and collections.—Effective July 22, 1998, this Act codifies existing IRS procedures with respect to early referrals to Appeals and the Collections Appeals Process. This Act also codifies the existing Alternative Dispute Resolution procedures, as modified by eliminating the prior law dollar threshold of more than $10 million in dispute.

Codify certain Fair Debt Collection procedures.—Government agencies, including the IRS, are generally exempt from the Fair Debt Collection Practices Act (FDCPA). Effective July 22, 1998, this Act applies to the IRS the FDCPA restrictions relating to communication with the taxpayer/debtor (prohibition on telephone calls outside the hours of 8:00 a.m. to 9:00 p.m. local time) and prohibitions on harassing or abusing a debtor.

Ensure availability of installment agreements.—The IRS is authorized to enter agreements permitting taxpayers to pay taxes in installments if such an agreement will "facilitate collection" of the liability. The IRS has discretion to determine when an installment agreement is appropriate. This Act requires the IRS to enter into an installment agreement (at the taxpayer's option) for liabilities of $10,000 or less, provided certain conditions are met. The provision is effective July 22, 1998.

Prohibit requests to waive rights to bring actions.—Effective July 22, 1998, the government cannot ask a taxpayer to waive the right to sue the United States or one of its employees for actions taken concerning a tax matter, in order to settle another tax matter unless the taxpayer knowingly and voluntarily waives the right or the request is made to an authorized taxpayer representative (such as an attorney).

Disclosures to Taxpayers

Require explanation of joint and several liability.—In general, spouses who file a joint tax return are jointly and severally liable for the tax due. Thus each is fully responsible for the accuracy of the return and the full amount of the liability, even if only one spouse earned the wages or income that is shown on the return. This Act requires the IRS to establish procedures no later than January 18, 1999, to alert married taxpayers clearly of their joint and several liability on all appropriate publications and instructions.

Provide explanation of taxpayer rights in interviews with the IRS.—The IRS is required to rewrite Publication 1 (*Your Rights as a Taxpayer*) no later than January 18, 1999. The revision must inform taxpayers more clearly of their rights to be represented by a representative, and, if the taxpayer is so represented, that interviews with the IRS may not proceed without the presence of the representative unless the taxpayer consents.

Require disclosure of criteria for examination selection.—This Act requires that the IRS add to Publication 1 (*Your Rights as a Taxpayer*) a statement setting forth, in simple and nontechnical terms, the criteria and procedures for selecting taxpayers for examination. The statement must not include any information that would be detrimental to law enforcement, and must specify the general procedures used by the IRS, including whether taxpayers are selected for examination on the basis of information in the media or from informants. These additions to Publication 1 must be made no later than January 18, 1999.

Provide explanation of appeals and collection process.—The IRS is required to provide to taxpayers a description of the entire appeals and collection process, from examination through collection, including the assistance available to taxpayers from the Taxpayer Advocate at various points in the process. This information must be provided with the first letter of proposed deficiency that allows the taxpayer an opportunity for administrative review in the IRS Office of Appeals, beginnng no later than January 18, 1999.

Provide explanation of reason for refund disallowance.—Effective January 18, 1999, the IRS is required to notify the taxpayer of the specific reasons for the disallowance (or partial disallowance) of a refund claim.

Provide statements regarding installment agreements.—Effective July 1, 2000, the IRS is required to send every taxpayer in an installment agreement an annual statement of the initial balance owed, the payments made during the year, and the remaining balance.

Provide notification of change in tax matters partner.—In general, the tax treatment of items of partnership income, loss, deductions and credits are determined at the partnership level in a unified partnership proceeding rather than in separate proceedings with each partner. In providing notice to taxpayers with respect to partnership proceedings, the IRS relies on information furnished by a party designated as the tax matters partner (TMP) of the partnership. The TMP is required to keep each partner informed of all administrative and judicial proceedings with respect to the partnership. Under certain circumstances, the IRS may require the resignation of the incumbent TMP and designate another partner as the TMP of the partnership. Effective for selections of TMPs made by the IRS after July 22, 1998, this Act requires the IRS to notify all partners of any resignation of the TMP that is required by the IRS, and to notify the partners of any successor TMP.

Provide description of conditions under which taxpayer returns may be disclosed.—Effective July 22, 1998, this Act requires that instruction booklets for general tax forms include a description of conditions under which tax return information may be disclosed outside the IRS (including to States).

Provide procedure for disclosure of Chief Counsel advice.—This Act establishes a structured process by which the IRS will make certain work products, designated as "Chief Counsel Advice," open to public inspection on an ongoing basis. The provision, which applies to Chief Counsel Advice issued after October 20, 1998, is designed to protect taxpayer privacy while allowing the public inspection of public documents in a manner generally consistent with the mechanism for the public inspection of written determinations.

Provide clinics for low-income taxpayers.—Low-income individuals frequently have difficulty complying with their tax obligations or resolving disputes over their tax liabilities. Providing tax services to such individuals through clinics that offer such services for a nominal fee would improve compliance with the tax laws and should be encouraged. The Secretary of the Treasury is authorized to provide up to $6 million per year in matching grants (no more than $100,000 per year per eligible clinic) to certain low-income taxpayer clinics, effective July 22, 1998. To be eligible, a clinic may charge no more than a nominal fee to either represent low-income taxpayers in controversies with the IRS or to provide tax information to individuals for whom English is a second language.

Require cataloging of complaints.—Beginning in 1997, the IRS is required to make an annual report to Congress regarding allegations of misconduct by IRS employees. Effective January 1, 2000, the IRS is required to maintain records of taxpayer complaints of misconduct by IRS employees, on an individual employee basis, although individual records are not to be listed in the report to Congress.

Facilitate archiving of IRS records.—The IRS, like all other Federal agencies, must create, maintain, and preserve agency records, and must transfer significant and historical records to the National Archives and Records Administration (NARA) for retention or disposal. However, tax returns and return information are confidential and can be disclosed only pursuant to limited exceptions. Under prior law, there was no exception authorizing the disclosure of return information to NARA. This Act provides an exception to the disclosure rules, authorizing the IRS to disclose tax returns and return information to officers or employees of NARA, upon written request from the U.S. Archivist, for purposes of the appraisal of such records for destruction or retention. The prohibitions on, and penalties for, unauthorized re-disclosure of such information apply to NARA. The provision is effective for requests made by the Archivist after July 22, 1998.

Modify payment of taxes.—The Secretary of the Treasury is authorized to accept payments by checks or money orders, as provided in regulations. Under prior law, checks or money orders were made payable to the "Internal Revenue Service." Under this Act the Secretary of the Treasury or his delegate is required to amend the rules, regulations, and procedures to allow payment of taxes by check or money order to be made payable to the "United States Treasury," effective July 22, 1998.

Clarify authority to prescribe manner of making elections.—Except as otherwise provided by statute, prior law provided that elections under the Internal Revenue Code must be made in such manner as the Secretary of the Treasury "shall by regulations or forms prescribe." This Act clarifies that, except as otherwise provided, the Secretary may prescribe the manner of making any election by any reasonable means. This change is effective July 22, 1998.

Additional Provisions

Eliminate 18-month holding period for capital gains.—Under the Taxpayer Relief Act of 1997 (TRA97), the maximum capital gains tax rate for individuals generally was reduced from 28 percent to 20 percent (10 percent for individuals in the 15-percent tax bracket) effective May 7, 1997. The prior law maximum tax rate of 28 percent was retained for collectibles and, effective July 29, 1997, for assets held between 1 year and 18 months. In addition, TRA97 provided a maximum rate of 25 percent for the long-term capital gain attributable to depreciation from real estate held more than 18 months. Under this Act, effective January 1, 1998, property held by an individual for more than one year (rather than 18 months) is eligible for the lower maximum capital gains tax rates (10, 20, and 25 percent) provided in TRA97.

Modify tax treatment of meals provided for the convenience of the employer.—Under prior law, meals provided on the business premises to employees were excluded from the employees' income and fully deductible to the employer if substantially all of the employees (interpreted to be approximately 90 percent) were provided such meals for the convenience of the employer. Effective for taxable years beginning before, on, or after July 22, 1998, all meals furnished to employees at a place of business are excluded from the employees' income and fully deductible to the employer if more than one-half of the employees are provided such meals for the convenience of the employer.

Revenue Offsets

Overrule Schmidt Baking with respect to vacation and severance pay.—Any method or arrangement that has the effect of deferring the receipt of compensation or other benefits for employees is treated as a deferred compensation plan. In general, contributions under a deferred compensation plan (other than certain pension, profit-sharing and similar plans) are deductible to the employer in the taxable year in which an amount attributable to the contribution is includible in the income of the employee. Temporary Treasury regulations provide that a plan, method, or arrangement that defers the receipt of compensation or benefits by the employee more than 2½ months after the end of the employer's taxable year in which the services creating the right to such compensation or benefits are performed, is to be treated as a deferred compensation plan. The Tax Court recently addressed the issue of when vacation pay and severance pay are considered deferred compensation in *Schmidt Baking Co., Inc.*,. In that case the taxpayer, who was an accrual basis taxpayer with a fiscal year that ended December 28, 1991, funded its accrued vacation and severance pay liabilities for 1991 by purchasing an irrevocable letter of credit on March 13, 1992. The parties stipulated that the letter of credit represented a transfer of substantially vested interest in property to employees and that the fair market value of such interest was includible in the employees' gross incomes for 1992 as a result of the transfer.

The Tax Court held that the purchase of the letter of credit, and the resulting income inclusion, constituted payment of the vacation and severance pay within the 2½ month period, thus the vacation and severance pay were not treated as deferred compensation. This ruling allowed the employer to deduct the cost in 1991, and the employees to pay the taxes on the benefits in 1992. This Act overrules *Schmidt Baking Co., Inc.*, by providing that for purposes of determining whether an item of compensation (including vacation pay and severance pay), is deferred compensation, the compensation is not considered to be paid or received until actually received by the employee. Actual receipt does not include an amount transferred as a loan, refundable deposit, or contingent payment. Also, amounts set aside in a trust for employees are not considered to be actually received by the employee. This change is effective for taxable years ending after July 22, 1998.

Freeze grandfather status of stapled (or "paired-share") Real Estate Investment Trusts (REITs).—REITs generally are limited to owning passive investments in real estate and certain securities. Prior to 1984, certain "stapled" REITs were paired with subchapter C corporations and traded in tandem as a single unit. This effectively allowed these stapled REITs to circumvent the restrictions on operating active businesses. In the Deficit Reduction Act of 1984, Congress restricted REITs' ability to avoid these investment limitations by providing that stapled entities must be treated as one entity for purposes of determining qualification under the REIT rules. However, Congress grandfathered the existing stapled REITs indefinitely. This Act limits the ability of grandfathered stapled REITs to grow and actively manage certain types of properties within the stapled structure. Specifically, for purposes of determining whether any grandfathered entity is a REIT, the stapled entities (and certain subsidiary entities) are treated as one entity with respect to properties acquired on or after March 26, 1998 and with respect to activities or services relating to such properties that are undertaken or performed by one of the entities on or after such date.

Preclude certain taxpayers from prematurely claiming losses from receivables.—In general, dealers in securities are required to use a mark-to-market method of accounting. Under this method, securities that are inventory in the hands of the dealer must be included in inventory at fair market value. A taxpayer that is otherwise not a dealer in securities may elect to be treated as such for this purpose if the taxpayer purchases and sells debt instruments that, at the time of purchase or sale, are customer paper with respect to either the taxpayer or a corporation that is a member of the same consolidated group as the taxpayer (the "customer paper election"). Under prior law, significant numbers of taxpayers whose principal activities are selling nonfinancial goods or providing nonfinancial services (such as retailers and utilities) were making the customer paper election as a means of restoring bad debt reserves. The customer paper election was also being used inappropriately to mark-to-market trade receivables that bear little or no interest in order to recognize loss. Under this Act, certain trade receivables are no longer eligible for mark-to-market treatment. Specifically, generally effective for taxable years ending after July 22, 1998, sellers of nonfinancial goods and services may not mark-to-market receivables generated on the sale of goods or services sold on credit when such receivables are retained by the seller or a related person.

Disregard minimum distributions in determining adjusted gross income (AGI) for conversions to a Roth Individual Retirement Account (IRA)—Under current law, uniform minimum distribution rules generally apply to all types of tax-favored retirement vehicles, including qualified retirement plans and annuities, IRAs (other than Roth IRAs), and tax-sheltered annuities. Distributions are required to begin no later than the individual's required beginning date. In the case of an IRA, the required beginning date is April 1 of the calendar year following the calendar year in which the IRA owner attains age 70½. Extensive regulations have been issued for purposes of calculating minimum distributions, which generally are includible in the taxpayer's gross income in the year of distribution. A 50-percent excise tax applies to the extent a minimum distribution is not made. Under current law, taxpayers with AGI of less than $100,000 are eligible to roll over or convert an existing IRA to a Roth IRA. Effective for taxable years beginning after December 31, 2004, minimum required distributions from IRAs will be excluded from the definition of AGI, solely for purposes of determining eligibility to convert from an IRA to a Roth IRA. As under present law, the required minimum distribution will not be eligible for conversion and will be includible in gross income.

The Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999.—This Act, which was signed by President Clinton on October 21, 1998, represents a significant step forward for America, helping to protect the surplus until Social Security is reformed, forging a bipartisan agreement on funding the International Monetary Fund and putting in place critical investments in education and training. This Act also extends several business and trade tax provisions that had expired or were about to expire, provides tax breaks for farmers and ranchers, and includes several other tax changes. The major provisions of the Act affecting receipts are described below.

Emergency Tax Relief for Farmers

Extend permanently income-averaging for farmers.—Under prior law, effective for taxable years beginning after December 31, 1997 and before January 1, 2001, an electing individual taxpayer generally was allowed to elect to compute his or her current year regular tax liability by averaging, over the three-year period, all or a portion of his or her taxable income from farming. This Act permanently extends this provision, effective for taxable years beginning after December 31, 2000.

Modify taxation of farm production flexibility contract payments.—A taxpayer generally is required to include an item in income no later than the time of its actual or constructive receipt, unless such amount properly is accounted for in a different period under the taxpayer's method of accounting. If a taxpayer has an unrestricted right to demand the payment of an amount, the taxpayer is in constructive receipt of that amount whether or not the taxpayer makes the demand and actually receives the payment. Under production flexibility contracts entered into between certain eligible owners and producers and the Secretary of Agriculture (as provided in the Federal Agriculture Improvement and Reform Act of 1996), annual payments are made at specific times during the Federal government's fiscal year. One-half of each annual payment is to be made on either December 15 or January 15 of the fiscal year, at the option of the recipient; the remaining one-half is to be paid no later than September 30 of the fiscal year. The option to receive the payment on December 15 potentially results in the constructive receipt (and thus potential inclusion in income) of one-half of the annual payment at that time, even if the option to receive the amount on January 15 is elected. For fiscal year 1999, as provided under The Emergency Farm Financial Relief Act of 1998, all payments are to be paid at such time or times during the fiscal year as the recipient may specify. This option to receive all of the 1999 payment in calendar year 1998 potentially results in constructive receipt (and thus potential inclusion in income) in that year, whether or not the amounts are actually received. Under this Act, effective for production flexibility contract payments made in taxable years ending after December 31, 1995, the time a production flexibility contract payment is to be included in income is to be determined without regard to the options granted for payment.

Extend the net operating loss carryback period for farmers.—A net operating loss (NOL) is, generally, the amount by which business deductions of a taxpayer exceed business gross income. Generally, an NOL may be carried back two years and carried forward 20 years to offset taxable income in those years. One exception provides that, in the case of an NOL attributable to Presidentially declared disasters for taxpayers engaged in a farming business or a small business, the NOL can be carried back three years, as provided under prior law. Under this provision, a special five-year carryback period is provided for a farming loss, regardless of whether the loss is incurred in a Presidentially declared disaster area; the carryforward period remains at 20 years. The provision is effective for such NOLs arising in taxable years beginning after December 31, 1997.

Extension of Expiring Tax and Trade Provisions

Extend research and experimentation tax credit.—The 20-percent tax credit for certain incremental research and experimentation expenditures is extended to apply to qualifying expenditures paid or incurred during the period July 1, 1998 through June 30, 1999.

Extend the work opportunity tax credit.—The work opportunity tax credit, which provides an incentive for employers to hire individuals from certain targeted groups, is extended to apply to individuals who begin work on or after July 1, 1998 and before July 1, 1999.

Extend the welfare-to-work tax credit.—The welfare-to-work tax credit enables employers to claim a tax credit on the first $20,000 of eligible wages paid to certain long-term family assistance recipients. This credit is extended to apply to individuals who begin work after April 30, 1999 and before July 1, 1999.

Extend permanently the deduction for contributions of stock to private foundations.—The deduction for a contribution of property to a private foundation is limited to the adjusted basis of the contributed property. However, prior law allowed a taxpayer who contributed qualified appreciated stock to a private foundation before July 1, 1998 to deduct the full fair market value of the stock, rather than the adjusted basis of the contributed stock. This Act permanently extends the rule for private foundations effective for contributions of qualified appreciated stock made on or after July 1, 1998.

Extend and modify exceptions provided under subpart F for certain active financing income.—Under the Subpart F rules, certain U.S. shareholders of a controlled foreign corporation (CFC) are subject to U.S. tax currently on certain income earned by the CFC, whether or not such income is distributed to the shareholders. The income subject to current inclusion under the subpart F rules includes "foreign personal holding company income" and insurance income. The U.S. 10-percent shareholders of a CFC also are subject to current inclusion with respect to their shares of the CFC's foreign base company services income (income derived from services performed for a related person outside the country in which the CFC is organized). Under prior law, certain income derived in the active conduct of a banking, financing, insurance, or similar business (only for taxable years beginning in 1998) was excepted from the Subpart F rules regarding the taxation of foreign personal holding company income and foreign base company services income. This Act extends the exception for one year, with modifications, to apply to such income derived in taxable year 1999.

Extend Generalized System of Preferences (GSP).—Under GSP, duty-free access is provided to over 4,000 items from eligible developing countries that meet certain worker rights, intellectual property protection, and other criteria. This program, which had expired after June 30, 1998, is temporarily extended through June 30, 1999. Refunds of any duty paid between June 30, 1998 and October 21, 1998 are provided upon request of the importer.

Other Provisions

Allow personal tax credits fully against regular tax liability.—Certain nonrefundable personal tax credits (dependent care credit, credit for the elderly and disabled, adoption credit, child tax credit, credit for interest on certain home mortgages, HOPE Scholarship and Lifetime Learning credit, and the D.C. homebuyer's credit) are provided under current law. Generally, these credits are allowed only to the extent that the individual's regular income tax liability exceeds the individual's tentative minimum tax. An additional child tax credit is provided under current law to families with three or more qualifying children. This credit, which may be offset against social security payroll tax liability (provided that liability exceeds the amount of the earned income credit), is reduced by the amount of the individual's minimum tax liability (that is, the amount by which the individual's tentative minimum tax exceeds the individual's regular tax liability). For taxable year 1998, this Act allows nonrefundable personal tax credits to offset regular income tax liability in full (as opposed to only the amount by which the regular tax liability exceeds the tentative minimum tax). In addition, for taxable year 1998, the additional child credit provided to families with three or more qualifying children is not reduced by the amount of the individual's minimum tax liability.

Accelerate deduction of health insurance costs for self-employed individuals.—Under prior law self-employed individuals were allowed a deduction for the cost of health insurance for themselves and their spouse and dependents as follows: 45 percent for 1998 and 1999; 50 percent for 2000 and 2001; 60 percent for 2002; 80 percent for 2003 through 2005; 90 percent for 2006; and 100 percent for 2007 and subsequent years. This Act increases the allowable deduction to 100 percent as follows: 60 percent for 1999 through 2001; 70 percent for 2002; and 100 percent for 2003 and subsequent years.

Modify estimated tax requirements of individuals.—An individual taxpayer generally is subject to an addition to tax for any underpayment of estimated tax. An individual generally does not have an underpayment of estimated tax if timely estimated tax payments are made at least equal to: (1) 100 percent of the tax shown on the return of the individual for the preceding tax year (the "100 percent of last year's liability safe harbor") or (2) 90 percent of the tax shown on the return for the current year. For any individual with an AGI of more than $150,000 as shown on the return for the preceding taxable year, the 100 percent of last year's safe harbor generally is modified to be a 110 percent of last year's liability safe harbor. However, under prior law, the 110 percent of last year's liability safe harbor for individuals with AGI of more than $150,000 was modified for taxable years beginning in 1999 through 2002, as follows: for taxable years beginning in 1999, 2000, and 2001 the safe harbor is 105 percent; and for taxable years beginning in 2002, the safe harbor is 112 percent. Under this Act the estimated tax safe harbor for individuals with AGI of more than $150,000 is modified as follows: for taxable years beginning in 2000 and 2001 the safe harbor is 106 percent.

Increase State volume limits on private activity tax-exempt bonds.—Interest on bonds issued by States and local governments to finance activities carried out and paid for by private persons (private activity bonds) is taxable unless the activities are specified in the Internal Revenue Code. The volume of tax-exempt private activity bonds that State and local governments may issue in each calendar year is limited by State-wide volume limits. Under prior law, the annual volume limit for any State was equal to the greater of $50 per resident of the State or $150 million. Under this Act the annual private activity bond volume limit is increased to the greater of $75 per resident or $225 million for 2007 and subsequent years. The increase is phased-in annually, beginning in 2003, as follows: for 2003, the greater of $55 per resident or $165 million; for 2004, the greater of $60 per resident or $180 million; for 2005, the greater of $65 per resident or $195 million; and for 2006, the greater of $70 per resident or $210 million.

Allow States a limited period of time to exempt student employees from social security.—The Social Security Amendments of 1972 provided an opportunity for States to obtain exemptions from social security coverage for student employees of public schools, colleges, and universities. Three States chose not to seek an exemption from social security coverage for these employees. Under this Act States are allowed a limited window of time (January 1 through March 31, 1999), to modify existing State agreements to exempt such students from social security coverage effective with respect to wages earned after June 30, 2000.

Revenue Offset Provisions

Modify treatment of certain deductible liquidating distributions of real estate investment trusts (REITs) and regulated investment companies (RICs).—REITs and RICs are allowed a deduction for dividends paid to their shareholders. The deduction for dividends paid includes amounts distributed in liquidation that are properly chargeable to earnings and profits. In addition, in the case of a complete liquidation occurring within 24 months after the adoption of a plan of complete liquidation, any distribution made pursuant to such plan is deductible to the extent of earnings and profits. Rules that govern the receipt of dividends from REITs and RICs generally provide for including the amount of the dividend in the income of the shareholder receiving the dividend that was deducted by the REIT or RIC. However, in the case of a liquidating distribution by a REIT or RIC to a corporation owning at least 80 percent of its stock, a separate rule under prior law generally provided that the distribution was tax-free to the parent corporation. As a result, a liquidating REIT or RIC was able to deduct amounts paid to its parent corporation without the parent corporation including corresponding amounts in its income. Effective for distributions on or after May 22, 1998 (regardless of when the plan of liquidation was adopted), any amount that a liquidating REIT or RIC takes as a deduction for dividends paid with respect to an 80-percent corporate owner is includible in the income of the recipient corporation. As under prior law, the liquidating corporation may designate the amount distributed as a capital gain dividend or, in the case of a RIC, a dividend eligible for the 70-percent dividends-received deduction or an exempt interest dividend.

Expand list of taxable vaccines.—Under prior law an excise tax of $.75 per dose is levied on the following vaccines: diphtheria, pertussis, tetanus, measles, mumps, rubella, polio, HIB (haemophilus influenza type B), hepatitis B, and varicella (chickenpox). This Act adds any vaccine against rotavirus gastroenteritis to the list of taxable vaccines, effective for vaccines sold by a manufacturer or importer after October 21, 1998.

Clarify and expand math error procedures.—If the IRS determines that a taxpayer has failed to provide a correct taxpayer identification number (TIN) that is required by statute, the IRS may, in certain cases, use the streamlined procedures for mathematical and clerical errors ("math error procedures") to expedite the assessment of tax. This Act provides the following clarifications to the math error procedures applicable to the child tax credit, the child and dependent care tax credit, the personal exemption for dependents, the Hope and Lifetime Learning tax credits, and the earned income tax credit. First, the term "correct TIN" used on a tax return is defined as the TIN assigned to such individual by the Social Security Administration (SSA), or in certain limited cases, the IRS. Second, the IRS is authorized to use data obtained from SSA to verify that the TIN provided on the return corresponds to the individual for whom the TIN was assigned. Such data include the individual's name, age or date of birth, and Social Security number. Third, the IRS is authorized to use math error procedures to deny eligibility for those tax benefits that impose a statutory age restriction (i.e., the child tax credit, the child and dependent care tax credit and the earned income tax credit) if the taxpayer provides a TIN that the IRS determines, using data from SSA, does not meet the statutory age restrictions. These changes are effective for taxable years ending after October 21, 1998.

Restrict special net operating loss carryback rules for specified liability losses.— The portion of a net operating loss that qualifies as a specified liability loss may be carried back 10 years rather than being limited to the general two-year carryback period. A specified liability loss includes amounts allowable as a deduction with respect to product liability, and also certain liabilities that arise under Federal or State law or out of any tort of the taxpayer. The proper interpretation of the specified liability loss provisions as they apply to liabilities arising under Federal or State law or out of any tort of the taxpayer has been the subject of manipulation and significant controversy. This Act modifies the specified liability loss provisions to provide that only a limited class of liabilities qualifies as a specified liability loss. Effective for liability losses arising in taxable years ending after October 21, 1998, specified liability losses include (in addition to product liability losses) any amount allowable as a deduction that is attributable to a liability under Federal or State law for reclamation of land, decommissioning of a nuclear power plant (or any unit thereof), dismantlement of an offshore oil drilling platform, remediation of environmental contamination, or payments under a workers' compensation statute.

Modify taxation of prizes and awards.—A taxpayer generally is required to include an item in income no later than the time of its actual or constructive receipt, unless the item properly is accounted for in a different period under the taxpayer's method of accounting. If a taxpayer has an unrestricted right to demand the payment of an amount, the taxpayer is in constructive receipt of that amount whether or not the taxpayer makes the demand and actually receives the payment. Under prior law, the winner of a contest who was given the option of receiving either a lump-sum distribution or an annuity was considered to be in constructive receipt of the award on becoming entitled to the award, and was required to include the value of the award in gross income, even if the annuity option was exercised. Under this Act the existence of a "qualified prize option" is disregarded in determining the taxable year for which any portion of a qualified prize is to be included in income. A qualified prize option is an option that entitles a person to receive a single cash payment in lieu of a qualified prize (or portion thereof), provided such option is exercisable not later than 60 days after the prize winner becomes entitled to the prize. Thus, a qualified prize winner who is provided the option to choose either cash or an annuity is not required to include amounts in gross income immediately if the annuity option is exercised. This change applies to any qualified prize to which a person first becomes entitled after October 21, 1998. In order to give previous prize winners a one-time option to alter previous payment arrangements, the change also applies to any qualifed prize to which a person became entitled on or before October 21, 1998 if the person has an option to receive a lump-sum cash payment only during some portion of the 18-month period beginning on July 1, 1999.

ADMINISTRATION PROPOSALS

The President's plan targets tax relief to provide child-care assistance to working families and support to Americans with long-term care needs. The President's plan also provides several incentives to promote education, including a school construction and modernization proposal. In addition, the President's plan includes initiatives to promote energy efficiency and environmental objectives and incentives to promote retirement savings, as well as extensions of certain expiring tax provisions.

Make Health Care More Affordable

Provide tax relief for long-term care needs.—Current law provides a tax deduction for certain long-term care expenses. However, the deduction does not assist with all long-term care expenses, especially the costs of informal family caregiving. The Administration proposes to provide a new long-term care tax credit of $1,000. The credit could be claimed by a taxpayer for himself or herself or for a spouse or dependent with long-term care needs. To qualify for the credit, an individual with long-term care needs must be certified by a licensed physician as being unable for at least six months to perform at least three activities of daily living without substantial assistance from another individual due to loss of functional capacity. An individual may also qualify if he or she requires substantial supervision to be protected from threats to his or her own health and safety due to severe cognitive impairment and has difficulty with one or more activities of daily living or certain other age-appropriate activities. For purposes of the proposed credit, the current-law dependency tests would be liberalized, raising the gross income limit and allowing taxpayers to use a residency test rather than a support test. The credit would be phased out—in combination with the child credit and the disabled worker credit—for taxpayers with adjusted gross income (AGI) in excess of the following thresholds: $110,000 for married taxpayers filing a joint return, $75,000 for a single taxpayer or head of household, and $55,000 for married taxpayers filing a separate return. The proposal would be effective for taxable years beginning after December 31, 1999.

Provide tax relief for workers with disabilities.—Under current law, disabled taxpayers may claim an itemized deduction for impairment-related work expenses. The Administration proposes to allow disabled workers to claim a $1,000 credit. This credit would help compensate people with disabilities for both formal and informal costs associated with work (e.g., personal assistance to get ready for work or special transportation). In order to be considered a worker with disabilities, a taxpayer must submit a licensed physician's certification that the taxpayer has been unable for at least 12 months to perform at least one activity of daily living without substantial assistance from another individual. A severely disabled worker could potentially qualify for both the long-term care and disabled workers tax credits. The credit would be phased out—in combination with the child credit and the disabled worker credit—for taxpayers with adjusted gross income (AGI) in excess of the following thresholds: $110,000 for married taxpayers filing a joint return, $75,000 for a single taxpayer or head of household, and $55,000 for married taxpayers filing a separate return. The proposal would be effective for taxable years beginning after December 31, 1999.

Provide tax relief to encourage small business health plans.—Small businesses generally face higher costs than do larger employers in setting up and operating health plans in the current insurance market. Health benefit purchasing coalitions provide an opportunity for small businesses to purchase health insurance for their workers at reduced cost and to offer a greater choice of health plans. However, the formation of health benefit purchasing coalitions has been hindered by their limited access to capital. To facilitate the formation of these coalitions, the Administration proposes to establish a temporary, special rule that would facilitate private foundation grants and loans to fund the initial operating expenses of qualified health benefit purchasing coalitions (i.e., those certified by a Federal or State agency as meeting specified criteria) by treating such grants and loans as made for exclusively charitable purposes. In addition, to encourage use of qualified health benefit purchasing coalitions by small businesses, the Administration proposes a temporary tax credit for qualifying small employers that currently do not provide health insurance to their workforces. The credit would be equal to 10 percent of employer contributions to employee health plans purchased through a qualified coalition. The maximum credit amount would be $200 per year for individual coverage and $500 per year for family coverage (to be reduced proportionately if coverage is provided for less than 12 months during the employer's taxable year). The credit would be allowed to a qualifying small employer only with respect to contributions made during the first 24 months that the employer purchases health insurance through a qualified coalition, and would be subject to the overall limitations of the general business credit. The proposal would be effective for taxable years beginning after December 31, 1999, for health plans established before January 1, 2004. The special foundation rule would apply to grants and loans made prior to January 1, 2004 for initial operating expenses incurred prior to January 1, 2006.

Expand Education Initiatives

Provide incentives for public school construction and modernization.—The Taxpayer Relief Act of 1997 enacted a provision that allows certain public schools to issue "qualified zone academy bonds," the interest on which is effectively paid by the Federal government in the form of an annual income tax credit. The proceeds of the bonds can be used for a number of purposes, including teacher training, purchases of equipment, curricular development, and rehabilitation and repair of the school facilities. The Administration proposes to institute a new program of Federal tax assistance for public elementary and secondary school construction and modernization. Under the proposal, State and local governments (including U.S. possessions) would be able to issue up to $22 billion of "qualified school modernization bonds" ($11 billion in each of 2000 and 2001). In addition, $400 million of bonds ($200 million in each of 2000 and 2001) would be allocated for the construction and renovation of Bureau of Indian Affairs funded schools. Holders of these bonds would receive annual Federal income tax credits, set according to market interest rates by the Treasury Department, in lieu of interest. Issuers would be responsible for repayment of principal. At least 95 percent of the bond proceeds of a qualified school modernization bond must be used to finance public school construction or rehabilitation. The Administration also proposes to authorize the issuance of additional qualified zone academy bonds in 2000 and 2001 of $1.0 billion and $1.4 billion, respectively, and to allow the proceeds of these bonds to be used for school construction.

Extend employer-provided educational assistance and include graduate education.—Certain amounts paid by an employer for educational assistance provided to an employee currently are excluded from the employee's gross income for income and payroll tax purposes. The exclusion is limited to $5,250 of educational assistance with respect to an individual during a calendar year and applies whether or not the education is job-related. The exclusion currently is limited to undergraduate courses beginning before June 1, 2000. The Administration proposes to extend the current law exclusion for eighteen months to apply to undergraduate courses beginning before January 1, 2002. In addition, the exclusion would be expanded to cover graduate expenses beginning after June 30, 1999 and before January 1, 2002.

Provide tax credit for workplace literacy and basic education programs.—Given the increased reliance on technology in the workplace, workers with low levels of education face greater risk of unemployment than their more educated coworkers. Although the costs of providing workplace literacy and basic education programs to employees are generally deductible to employers under current law, no tax credits are allowed for any employer-provided education. As a result, employers lack sufficient incentive to provide basic education and literacy programs, the benefits of which are more difficult for employers to capture through increased productivity than the benefits of job-specific education. The Administration proposes to allow employers who provide certain workplace literacy, English literacy, or basic education programs for their eligible employees to claim a credit against Federal income taxes equal to 10 percent of the employer's qualified expenses, up to a maximum credit of $525 per participating employee. Qualified education would be limited to basic instruction at or below the level of a high school degree and to English literacy instruction. Eligible employees in basic education programs generally would not have received a high school degree or its equivalent. Instruction would be provided either by the employer, with curriculum approved by the State adult education authority, or by local education agencies or other providers certified by the Department of Education. The credit would be available for taxable years beginning after December 31, 1999.

Encourage sponsorship of qualified zone academies.—Under current law, State and local governments can issue qualified zone academy bonds to fund improvements in certain "qualified zone academies" which provide elementary or secondary education. To encourage corporations to become sponsors of such academies, a credit against Federal income tax would be provided equal to 50 percent of the amount of corporate sponsorship payments made to a qualified zone academy located in (or adjacent to) a designated empowerment zone or enterprise community. The credit would be available only if a credit allocation has been made with respect to the corporate sponsorship payment by the local governmental agency with responsibility for implementing the strategic plan of the empowerment zone or enterprise community. Up to $4 million of credits could be allocated with respect to each of the 31 designed empowerment zones; and up to $1 million of credits could be allocated with respect to each of the 95 designated enterprise communities. The credit would be subject to present law general business credit rules, and would be effective for sponsorship payments made after December 31, 1999.

Eliminate 60-month limit on student loan interest deduction.—Current law provides an income tax deduction for certain interest paid on a qualified education loan during the first 60 months that interest payments are required, effective for interest due and paid after December 31, 1997. The maximum deduction available is $2,500 for years after 2000 (for years 1998, 1999 and 2000, the limits are $1,000, $1,500 and $2,000, respectively) and the deduction is phased-out for taxpayers with adjusted gross income between $40,000 and $55,000 (between $60,000 and $75,000 for joint filers). The 60-month limitation under current law adds significant complexity and administrative burdens for taxpayers, lenders, loan servicing agencies, and the IRS. Thus, to simplify the calculation of deductible interest payments, reduce administrative burdens, and provide longer-term relief to low-and middle-income taxpayers with large educational debt, the Administration proposes to eliminate the 60-month limitation. This proposal would be effective for interest due and paid on qualified education loans after December 31, 1999.

Eliminate tax when forgiving student loans subject to income contingent repayment.—Students who borrow money to pay for postsecondary education through the Federal government's direct loan program may elect income contingent repayment of the loan. If they elect this option, their loan repayments are adjusted in accordance with their income. If after the borrower makes repayments for a twenty-five year period any loan balance remains, it is forgiven. The Administration proposes to eliminate any Federal income tax the borrower may otherwise owe as a result of the forgiveness of the loan balance. The proposal would be effective for loan cancellations after December 31, 1999.

Provide tax relief for participants in certain Federal education programs.—Present law provides tax-free treatment for certain scholarship and fellowship grants used to pay qualified tuition and related expenses, but not to the extent that any grant represents compensation for services. In addition, tax-free treatment is provided for certain discharges of student loans on condition that the individual works for a certain period of time in certain professions for any of a broad class of employers. To extend tax-free treatment to education awards under certain Federal programs, the Administration proposes to amend current law to provide that any amounts received by an individual under the National Health Service Corps (NHSC) Scholarship Program or the Armed Forces Health Professions Scholarship and Financial Assistance Program are "qualified scholarships" excludable from income, without regard to the recipient's future service obligation. In addition, the proposal also would provide an exclusion from income for any repayment or cancellation of a student loan under the NHSC Scholarship Program, the Americorps Education Award Program, or the Armed Forces Health Professions Loan Repayment Program. The exclusion would apply only to the extent that the student incurred qualified tuition and related expenses for which no education credit was claimed during academic periods when the student loans were incurred. The proposals would be effective for awards received after December 31, 1999.

Make Child Care More Affordable

Increase, expand, and simplify child and dependent care tax credit.—Under current law, taxpayers may receive a nonrefundable tax credit for a percentage of certain child care expenses they pay in order to work. The credit rate is phased down from 30 percent of expenses (for taxpayers with adjusted gross incomes of $10,000 or less) to 20 percent (for taxpayers with adjusted gross incomes above $28,000). The Administration believes that the maximum credit rate is too low. Moreover, because it phases down at a very low threshold of adjusted gross income, many families who have significant child care costs and relatively low incomes are not eligible for the maximum credit. To alleviate the burden of child care costs for these families, the Administration proposes to increase the maximum credit rate from 30 percent to 50 percent and to extend eligibility for the maximum credit rate to taxpayers with adjusted gross incomes of $30,000 or less. The credit rate would be phased down gradually for taxpayers with adjusted gross incomes between $30,000 and $59,000. The credit rate would be 20 percent for taxpayers with adjusted gross incomes over $59,000.

Under current law, no additional tax assistance under the child and dependent care tax credit is provided to families with infants, who require intense and sustained care. Furthermore, parents who themselves care for their infants, instead of incurring out-of-pocket child care expenses, receive no benefit under the child and dependent care tax credit. In order to provide assistance to these families, the Administration proposes to supplement the credit for all taxpayers with children under the age of one, whether or not they incur out-of-pocket child care expenses. The amount of additional credit would be the applicable credit rate multiplied by $500 for a child under the age of one ($1,000 for two or more children under the age of one).

The Administration also proposes to simplify eligibility for the credit by eliminating a complicated household maintenance test. Certain credit parameters would be indexed. The proposal would be effective for taxable years beginning after December 31, 1999.

Provide tax incentives for employer-provided child-care facilities.—The Administration proposes to provide taxpayers a credit equal to 25 percent of expenses incurred to build or acquire a child care facility for employee use, or to provide child care services to children of employees directly or through a third party. Taxpayers also would be entitled to a credit equal to 10 percent of expenses incurred to provide employees with child care resource and referral services. A taxpayer's credit could not exceed $150,000 in a single year. Any deduction the taxpayer would otherwise be entitled to take for the expenses would be reduced by the amount of the credit. Similarly, the taxpayer's basis in a facility would be reduced to the extent that a credit is claimed for expenses of constructing or acquiring the facility. The credit would be effective for taxable years beginning after December 31, 1999.

Provide Incentives to Revitalize Communities

Increase low-income housing tax credit per capita cap to $1.75.—Low-income housing tax credits provide an incentive to build and make available affordable rental housing units to households with low incomes. The amount of first-year credits that can be awarded in each State is currently limited to $1.25 per capita. That limit has been unchanged since it was established in 1986. The Administration proposes to increase the annual State housing credit limitation to $1.75 per capita effective for calendar years beginning after 1999. The proposed increase in this cap will permit additional new and rehabilitated low-income housing to be provided while still encouraging State housing agencies to award the credits to projects that meet specific needs.

Provide Better America Bonds to improve the environment.—Under current law, State and local governments may issue tax-exempt bonds to finance purely public environmental projects. Certain other environmental projects may also be financed with tax-exempt bonds, but are subject to an overall cap on private-purpose tax-exempt bonds. The subsidy provided with tax-exempt bonds may not provide a deep enough subsidy to induce State and local governments to undertake beneficial environmental infrastructure projects. The Administration proposes to allow State and local governments (including U.S. possessions and Native American tribal governments) to issue tax credit bonds (similar to existing Qualified Zone Academy Bonds) to finance projects to protect open spaces or to otherwise improve the environment. Significant public benefits would be provided by creating more livable urban and rural environments; creating forest preserves near urban areas; protecting water quality; rehabilitating land that has been degraded by toxic or other wastes or destruction of its ground cover; and improving parks and reestablishing wetlands. The Environmental Protection Agency will allocate $1.9 billion in annual bond authority for five years starting in 2000 based on competitive applications. The bonds would have a maximum maturity of 15 years and the bond issuer effectively would receive an interest-free loan for the term of the bonds. During that interval, bond holders receive Federal income tax credits in lieu of interest.

Provide New Markets Tax Credit.—Businesses located in low-income urban and rural communities often lack access to sufficient equity capital. To help attract new capital to these businesses, taxpayers would be allowed a credit against Federal income taxes for certain investments made to acquire stock or other equity interests in a community development investment entity selected by the Treasury Department to receive a credit allocation. Selected community development investment entities generally would be required to use the investment proceeds to provide capital to businesses located in low-income communities. During the period 2000–2004, the Treasury Department would authorize selected community development investment entities to issue $6 billion of new stock or equity interests with respect to which credits could be claimed. The credit would be allowed for each year during the five-year period after the stock or equity interest is acquired from the selected community development investment entity, and the credit amount that could be claimed for each of the five years would equal six percent of the amount paid to acquire the stock or equity interest from the community development investment entity. The credit would be subject to current-law general business credit rules, and would be available for qualified investments made after December 31, 1999.

Expand tax incentives for specialized small business investment companies (SSBICs).— Current law provides certain tax incentives for investment in SSBICs. The Administration proposes to enhance the tax incentives for SSBICs. First, the existing provision allowing a tax-free rollover of the proceeds of a sale of publicly-traded securities into an investment in a SSBIC would be modified to extend the rollover period to 180 days, to allow investment in the preferred stock of a SSBIC, to eliminate the annual caps on the SSBIC rollover gain exclusion, and to increase the lifetime caps to $750,000 per individual and $2,000,000 per corporation. Second, the proposal would allow a SSBIC to convert from a corporation to a partnership within 180 days of enactment without giving rise to tax at either the corporate or shareholder level, but the partnership would remain subject to an entity-level tax upon ceasing activity as a SSBIC or at any time that it disposes of assets that it holds at the time of conversion on the amount of "built-in" gains inherent in such assets at the time of conversion. Third, the proposal would make it easier for a SSBIC to meet the qualifying income, distribution of income, and diversification of assets tests to qualify as a tax-favored regulated investment company. Finally, in the case of a direct or indirect sale of SSBIC stock that qualifies for treatment under section 1202, the proposal would raise the exclusion of gain from 50 percent to 60 percent. The tax-free rollover and section 1202 provisions would be effective for sales occurring after the date of enactment. The regulated investment company provisions would be effective for taxable years beginning on or after the date of enactment.

Extend wage credit for two new Empowerment Zones (EZs).—OBRA 93 authorized a Federal demonstration project in which nine EZs and 95 empowerment communities would be designated in a competitive application process. Among other benefits, businesses located in the nine original EZs are eligible for three Federal tax incentives: an employment and training credit; an additional $20,000 per year of section 179 expensing; and a new category of tax-exempt private activity bonds. The Taxpayer Relief Act of 1997 authorized the designation of two additional EZs located in urban areas, which generally are eligible for the same tax incentives as are available within the EZs authorized by OBRA 93. The two additional EZs were designated in early 1998, but the tax incentives provided for them do not take effect until January 1, 2000. The incentives generally remain in effect for 10 years. The wage credit, however, is phased down beginning in 2005 and expires after 2007. The Administration proposes that the wage credit for the two additional EZs would remain in effect until January 1, 2010, and would be phased down using the same percentages that apply to the original empowerment zones designated under OBRA 93.

Promote Energy Efficiency and Improve the Environment

Buildings

Provide tax credit for energy-efficient building equipment.—No income tax credit is provided currently for investment in energy-efficient building equipment. The Administration proposes to provide a new tax credit for the purchase of certain highly efficient building equipment technologies including fuel cells, electric heat pump water heaters, natural gas heat pumps, residential size electric heat pumps, natural gas water heaters, and advanced central air conditioners. The credit would equal 10 or 20 percent of the amount of qualified investment depending upon the energy efficiency of the qualified item, subject to a cap. The 10-percent credit generally would be available for equipment purchased during the two-year period beginning January 1, 2000 and ending December 31, 2001. The 20-percent credit would be available for equipment purchased during the four-year period beginning January 1, 2000 and ending December 31, 2003.

Provide tax credit for new energy-efficient homes.—No income tax credit is provided currently for investment in energy-efficient homes. The Administration proposes to provide a tax credit to taxpayers who purchase, as a principal residence, certain newly constructed homes that are highly energy efficient. The credit would equal $1,000, $1,500 or $2,000 depending upon the home's energy efficiency. The $1,000 credit would be available for homes purchased between January 1, 2000 and December 31, 2001 that are at least 30 percent more energy efficient than the standard under the 1998 International Energy Conservation Code (IECC). The $1,500 credit would be available for homes purchased between January 1, 2000 and December 31, 2002 that are at least 40 percent more energy efficient than the IECC standard. The $2,000 credit would be available for homes purchased between January 1, 2000 and December 31, 2004 that are at least 50 percent more energy efficient than the IECC standard.

Transportation

Extend the electric vehicle tax credit; provide tax credit for fuel-efficient vehicles.—Under current law, a 10-percent tax credit up to $4,000 is provided for the cost of a qualified electric vehicle. The full amount of the credit is available for purchases prior to 2002. The credit begins to phase down in 2002 and is not available after 2004. The Administration proposes to extend the present $4,000 credit through 2006 and to allow the full amount of the credit to be available for qualified electric vehicles through 2006. The Administration also proposes to provide a tax credit for the purchase of certain fuel-efficient hybrid vehicles. The credit would be: (a) $1,000 for each vehicle that is one-third more fuel efficient than a comparable vehicle in its class, effective for purchases of qualifying vehicles after December 31, 2002 and before January 1, 2005; (b) $2,000 for each vehicle that is two-thirds more fuel efficient than a comparable vehicle in its class, effective for purchases of qualifying vehicles after December 31, 2002 and before January 1, 2007; (c) $3,000 for each vehicle that is twice as fuel efficient as a comparable vehicle in its class, effective for purchases of qualifying vehicles after December 31, 2003 and before January 1, 2007; and (d) $4,000 for each vehicle that is three times as fuel efficient as a comparable vehicle in its class, effective for purchases of qualifying vehicles after December 31, 2003 and before January 1, 2007.

Industry

Provide investment tax credit for combined heat and power (CHP) systems.—Combined heat and power (CHP) assets are used to produce electricity (and/or mechanical power) and usable heat from the same primary energy source. No tax credits are currently available for investment in CHP property. The Administration proposes to establish an eight-percent investment credit for qualifying CHP systems in order to encourage more efficient energy usage. The credit would apply to property placed in service in the United States after December 31, 1999 and before January 1, 2003.

Renewables

Provide tax credit for rooftop solar systems.—Current law provides a 10-percent business energy investment tax credit for qualifying equipment that uses solar energy to generate electricity, to heat or cool, to provide hot water for use in a structure, or to provide solar process heat. The Administration proposes a new tax credit for purchasers of roof-top photovoltaic systems and solar water heating systems located on or adjacent to the building for uses other than heating swimming pools. (Taxpayers would have to choose between the proposed credit and the current-law tax credit for each investment.) The proposed credit would be equal to 15 percent of qualified investment up to a maximum of $1,000 for solar water heating systems and $2,000 for rooftop photovoltaic systems. It would apply only to equipment placed in service after December 31, 1999 and before January 1, 2005 for solar water heating systems and after December 31, 1999 and before January 1, 2007 for rooftop photovoltaic systems.

Extend wind and biomass tax credit and expand eligible biomass sources.—Current law provides taxpayers a 1.5-cent-per-kilowatt-hour tax credit, adjusted for inflation after 1992, for electricity produced from wind or "closed-loop" biomass. The electricity must be sold to an unrelated third party and the credit applies to the first 10 years of production. The current credit applies only to facilities placed in service before July 1, 1999, after which it expires. The Administration proposes to extend the current credit for five years, to facilities placed in service before July 1, 2004 and to expand eligible biomass to include certain biomass from forest-related resources, and agricultural and other sources. A 1.0 cent-per-kilowatt-hour tax credit would also be allowed for cofiring biomass in coal plants.

Promote Expanded Retirement Savings, Security, and Portability

Building on recent legislation, the Administration proposes further expansions of retirement savings incentives, including initiatives that would expand the availability of retirement plans and other workplace-based savings opportunities, particularly for moderate- and lower-income workers not currently covered by employer-sponsored plans. Other proposals are designed to expand pension coverage for employees of small businesses, a group that currently has low pension coverage. The Administration also seeks to improve existing retirement plans for employers of all sizes by increasing retirement security for women, expanding workers' and spouses' rights to know about their retirement benefits, and simplifying the pension rules. Finally, the Administration proposes to increase the portability of pension coverage, which will enhance retirement savings opportunities when employees change jobs. These provisions generally are effective beginning in 2000, except as provided below.

Promote Individual Retirement Account (IRA) contributions through payroll deduction.—Employers could offer employees the opportunity to make IRA contributions on a pre-tax basis through payroll deduction. Providing employees an exclusion from income (in lieu of a deduction) is designed to increase savings among workers in businesses that do not offer a retirement plan. Signing up for payroll deduction is easy for an employee. In addition, saving is facilitated because it becomes automatic as salary reduction contributions continue for each paycheck after an employee's initial election. Peer-group participation may also encourage employees to save more. Finally, the favorable tax treatment of payroll deductions would encourage participation.

Provide small business tax credit for new plans.—Effective in the year of enactment, the Administration proposes a new three-year tax credit for the administrative and retirement-education expenses of any small business that sets up a new qualified defined benefit or defined contribution plan (including a 401(k) plan), savings incentive match plan for employees (SIMPLE), simplified employee pension (SEP), or payroll deduction IRA. The credit would cover 50 percent of the first $2,000 in administrative and retirement-education expenses for the plan or arrangement for the first year of the plan and 50 percent of the first $1,000 of such expenses for each of the second and third years. The tax credit would help promote new plan sponsorship by targeting a tax benefit to employers adopting new plans or payroll deduction IRAs.

Create simplified pension plan for small business.—The Administration is proposing a new small business defined benefit-type plan that combines certain key features of defined benefit plans and defined contribution plans: guaranteed minimum retirement benefits, an option for payments over the course of an employee's retirement years, and Pension Benefit Guaranty Corporation insurance at a reduced premium, together with individual account balances that can benefit from favorable investment returns and have enhanced portability.

Provide faster vesting of employer matching contributions.—The Administration is also proposing accelerated vesting of employer matching contributions under 401(k) plans (and other qualified plans). This would increase pension portability, which is important given the mobility of today's workforce, particularly of working women. Matching contributions would be required to be fully vested after an employee has completed three years of service (or would vest in annual 20-percent increments beginning after two years of service).

Count Family and Medical Leave Act leave for vesting and eligibility purposes.—Under the Family and Medical Leave Act (FMLA), eligible workers are entitled to up to 12 weeks of unpaid leave to care for a new child, to care for a family member who has a serious health condition, or because the worker has a serious health condition. Under the Administration's proposal, workers who take time off under the FMLA could count that time toward retirement plan vesting and eligibility to participate. This would ensure that workers do not lose retirement benefits they have earned because they take time off under FMLA.

Require joint and 75-percent annuity option for pension plans.—Current law requires certain pension plans to offer to pay pension benefits as a joint and survivor annuity; frequently, the benefit for the employee's surviving spouse is reduced to 50 percent of the monthly benefit paid when both spouses were alive. Under the proposal, plans that are subject to the joint and survivor annuity rules would be required to offer an option that pays a survivor benefit equal to at least 75 percent of the benefit the couple received while both were alive. This option would be especially helpful to women because they tend to live longer than men and because many aged widows have incomes below the poverty level.

Improve disclosure; simplify pensions.—The Administration proposes to enhance workers' and spouses' rights to know about their pension benefits by, among other things, requiring that the same explanation of a pension plan's survivor benefits that is provided to a participant be provided to the participant's spouse, and that participants in 401(k) safe harbor plans receive adequate notification and have timely election periods of plan rules governing contributions and employer matching. Improved benefits for nonhighly compensated employees under the 401(k) safe harbors, a simplified definition of highly compensated employee, and simplification of rules for multiemployer plans are also being proposed.

Allow immediate participation in the Thrift Savings Plan (TSP) by new Federal employees.—Current law requires a newly-hired Federal employee to wait six to twelve months after being hired before contributing to the TSP. Rehired employees wait up to six months. Under the Administration's proposal, all waiting periods for employee elective contributions to the TSP would be eliminated for new hires and rehires.

Allow rollovers from private plans to TSP.—Current law limits employee contributions to a TSP account to salary reduction amounts, as opposed to rollover contributions from a qualified trust. The Administration proposes to allow an employee to roll over an "eligible rollover distribution" from a qualified trust sponsored by a previous employer to the employee's TSP account.

Allow rollovers between qualified retirement plans and 403(b) tax-sheltered annuities.—Under current law, rollovers are not allowed between qualified retirement plans and section 403(b) tax-sheltered annuities. The Administration proposes that eligible rollover distributions from a qualified retirement plan could be rolled over to a section 403(b) tax-sheltered annuity and vice versa.

Allow rollovers from regular IRAs to qualified plans or 403(b) tax-sheltered annuities.—The Administration's proposal would allow individuals to consolidate their IRA funds and their workplace retirement savings in a single place. Under current law, individuals may roll over only amounts in "conduit" IRAs (IRAs containing only amounts rolled over from workplace retirement plans) to their qualified retirement plans or section 403(b) tax-sheltered annuities. Under the Administration's proposal, individuals who have IRAs with deductible IRA contributions will be offered the opportunity to transfer funds from their IRAs into their qualified defined contribution retirement plan or 403(b) tax-sheltered annuity—provided that the retirement plan trustee meets the same standards as an IRA trustee.

Allow rollovers of after-tax contributions.—While pre-tax contributions to retirement plans are perhaps the most common form of employee contribution, some plans also allow participants to make after-tax contributions. Under current law, these after-tax contributions cannot be rolled over when employees switch jobs. The proposal would allow individuals to roll over their after-tax contributions to their new employer's defined contribution plan or to an IRA if the plan or IRA provider agrees to track and report the after-tax portion of the rollover for the individual.

Allow rollovers of contributions from governmental 457 plans to an IRA.—Generally, amounts held under qualified retirement plans or section 403(b) tax-sheltered annuities plans may be rolled over to an IRA. However, under current law, amounts held under nonqualified deferred compensation plans of State or local governments (governmental section 457 plans) may not be rolled over into an IRA and are taxable upon distribution. The Administration's proposal would allow individuals to roll over the money they have saved in a governmental section 457 plan to an IRA.

Facilitate the purchase of service credits in governmental defined benefit plans.—Employees of State and local governments, particularly teachers, often move between States and school districts in the course of their careers. Under State law, they often can purchase service credits in their State defined benefit pension plans for time spent in another State or district and earn a pension reflecting a full career of employment in the State in which they conclude their career. Under current law, these employees cannot make a tax-free transfer of the money they have saved in their 403(b) plan or governmental section 457 plan to purchase these credits and often lack other resources to use for this purpose. Under the proposal, State and local government employees will be able to use funds from these retirement savings plans to purchase service credits on a tax-free basis, i.e., through a direct transfer without first having to take a taxable distribution of these amounts.

Extend Expiring Provisions

Allow personal tax credits against the alternative minimum tax (AMT).—The Administration is concerned that the individual alternative minimum tax (AMT) may impose financial and compliance burdens upon taxpayers that have few tax preference items and were not the originally intended targets of the AMT. In particular, the Administration is concerned that the individual AMT may act to erode the benefits of nonrefundable tax credits (such as the education credits, the child credit, adoption credit, and the child and dependent care credit) that are intended to provide tax relief for middle-income taxpayers. In response, the Administration proposes to extend, for two years, the provision enacted in 1998 that allows an individual to offset his or her regular tax liability by nonrefundable tax credits regardless of the amount of the individual's tentative minimum tax. The Administration hopes to work with Congress to develop a longer-term solution to the individual AMT problem.

Extend the work opportunity tax credit.—The work opportunity tax credit provides an incentive for employers to hire individuals from certain targeted groups. The credit equals a percentage of qualified wages paid during the first year of the individual's employment with the employer. The credit percentage is 25 percent for employment of at least 120 hours but less than 400 hours and 40 percent for employment of 400 or more hours. The credit expires with respect to employees who begin work after June 30, 1999. The Administration proposes to extend the work opportunity tax credit so that the credit would be effective for individuals who begin work before July 1, 2000. The proposal also clarifies the interaction of the work opportunity tax credit and the welfare-to-work tax credit. This proposed clarification would be effective for taxable years beginning on or after the date of first committee action.

Extend the welfare-to-work tax credit.—The welfare-to-work tax credit enables employers to claim a tax credit on the first $20,000 of eligible wages paid to certain long-term family assistance recipients. The credit is 35 percent of the first $10,000 of eligible wages in the first year of employment and 50 percent of the first $10,000 of eligible wages in the second year of employment. The credit is effective for individuals who begin work before July 1, 1999. The Administration proposes to extend the welfare-to-work tax credit for one year, so that the credit would be effective for individuals who begin work before July 1, 2000.

Extend the R&E tax credit.—The Administration proposes to extend the tax credit provided for certain research and experimentation expenditures, which is scheduled to expire after June 30, 1999, for one year through June 30, 2000.

Make permanent the expensing of brownfields remediation costs.—Under the Taxpayer Relief Act of 1997, taxpayers can elect to treat certain environmental remediation expenditures that would otherwise be chargeable to capital account as deductible in the year paid or incurred. The provision does not apply to expenditures paid or incurred after December 31, 2000. The Administration proposes that the provision be made permanent.

Extend tax credit for first-time D.C. homebuyers.—The Administration proposes to extend the tax credit provided for the first-time purchase of a principal residence in the District of Columbia, which is scheduled to expire after December 31, 2000, for one year through December 31, 2001.

Simplify The Tax Laws

Provide optional Self-employment Contributions Act (SECA) computations.—Self-employed individuals currently may elect to increase their self-employment income for puposes of obtaining social security coverage. Current law provides more liberal treatment for farmers as compared to other self-employed individuals. The Administration proposes to extend the favorable treatment currently accorded to farmers to other self-employed individuals. The proposal would be effective for taxable years beginning after December 31, 1999.

Provide statutory hedging and other rules to ensure business property is treated as ordinary property.—Under current law, there is an issue of whether income from hedging transactions is capital or ordinary. The rules under which assets are treated as ordinary assets and under which hedging transactions are accounted for need to be modernized. In addition, the current-law rules that allow taxpayers to defer loss when a taxpayer holds a position or positions that reduce the risk of loss on certain capital assets, the so-called straddle rules, are punitive and sometimes result in a total disallowance of losses. The proposal would generally codify the hedging rules previously promulgated by the Treasury Department and make some modifications to help clarify the rules. The proposal would clarify that certain assets are ordinary assets for Federal income tax purposes and provide more equitable timing of losses under the straddle rules. The proposal generally would be effective after the date of enactment, and would give the Treasury Department authority to issue regulations similar to the hedging provisions governing hedging transactions entered into prior to the effective date.

Clarify rules relating to certain disclaimers.—Under current law, if a person refuses to accept (disclaims) a gift or bequest prior to accepting the transfer (or any of its benefits), the transfer to the disclaiming person generally is ignored for Federal transfer tax purposes. Current law is unclear as to whether certain transfer-type disclaimers benefit from rules applicable to other disclaimers under the estate and gift tax. Current law is also silent as to the income tax consequences of a disclaimer. The Administration proposes to extend to transfer-type disclaimers the rule permitting disclaimer of an undivided interest in property as well as the rule permitting a spouse to disclaim an interest that will pass to a trust for the spouse's benefit. The proposal also clarifies that disclaimers are effective for income tax purposes. The proposal would apply to disclaimers made after the date of enactment.

Simplify the foreign tax credit limitation for dividends from 10/50 companies.—The Taxpayer Relief Act of 1997 modified the regime applicable to indirect foreign tax credits generated by dividends from so-called 10/50 companies. Specifically, the Act retained the prior law "separate basket" approach with respect to pre-2003 distributions by such companies, adopted a "single basket" approach with respect to post-2002 distributions by such companies of their pre-2003 earnings, and adopted a "look-through" approach with respect to post-2002 distributions by such companies of their post-2002 earnings. The application of the three approaches results in significant additional complexity. The proposal would simplify the application of the foreign tax credit limitation significantly by applying a look-through approach immediately to dividends paid by 10/50 companies, regardless of the year in which the earnings and profits out of which the dividends are paid were accumulated (including pre-2003 years). The proposal would be effective for taxable years beginning after December 31, 1998.

Provide interest treatment for certain payments from regulated investment companies to foreign persons.—Under current law, foreign investors in U.S. bond and money-market mutual funds are effectively subject to withholding tax on interest income and short term capital gains derived through such funds. Foreign investors that hold U.S. debt obligations directly generally are not subject to U.S. taxation on such interest income and gains. This proposal would eliminate the discrepancy between these two classes of foreign investors by eliminating the U.S. withholding tax on distributions from U.S. mutual funds that hold substantially all of their assets in cash or U.S. debt securities (or foreign debt securities that are not subject to withholding tax under foreign law). The proposal is designed to enhance the ability of U.S. mutual funds to attract foreign investors and to eliminate needless complications now associated with the structuring of vehicles for foreign investment in U.S. debt securities. The proposal would be effective for mutual fund taxable years beginning after the date of enactment.

Expand declaratory judgment remedy for noncharitable organizations seeking determinations of tax-exempt status. —Under current law, organizations seeking tax-exempt status as charities under section 501(c)(3) are allowed to seek a declaratory judgment as to their tax status if their application is denied or delayed by the IRS. A noncharity (an organization not described in section 501(c)(3)) that applies to the IRS for recognition of its tax-exempt status faces potential tax liability if its application ultimately is denied by the IRS. This creates uncertainty for the noncharity, particularly when the IRS determination is delayed for a significant period of time. To reduce this uncertainty, the declaratory judgment procedure available to charities under current-law section 7428 would be expanded, so that if the application of any organization seeking tax-exempt status under section 501(c) is pending with the IRS for more than 270 days, and the organization has exhausted all administrative remedies available within the IRS, then the organization could seek a declaratory judgment as to its tax-exempt status from the United States Tax Court. The proposal would be effective for applications for recognition of tax-exempt status filed after December 31, 1999.

Simplify the active trade or business requirement for tax-free spin-offs.—In order to satisfy the active trade or business requirement for tax-free spin-offs, split-offs, and split-ups, the distributing corporation and the controlled corporation both must be engaged in the active conduct of a trade or business. If a corporation is not itself active, it may satisfy the active trade or business test indirectly, but only if substantially all of its assets consist of stock and securities of a controlled corporation that is engaged in an active trade or business. Because the substantially all standard is much higher than that required if the corporation is active itself, a taxpayer often must engage in pre-distribution restructurings that it otherwise would not have undertaken. There is no clear policy reason that the standards for meeting the active trade or business requirement should differ depending upon whether a corporation is considered to be active on a direct or indirect basis. Therefore, the Administration proposes to simplify the requirement by removing the substantially all test and generally allowing an affiliated group to satisfy the active trade or business requirement as long as the affiliated group, taken as a whole, is considered active. This proposal would be effective for transactions after the date of enactment.

Miscellaneous Provisions

Make first $2,000 of severance pay exempt from income tax.—Under current law, payments received by a terminated employee are taxable as compensation. The Administration proposes to allow an individual to exclude up to $2,000 of severance pay from income when certain conditions are met. First, the severance must result from a reduction in force by the employer. Second, the individual must not obtain a job within six months of separation with compensation at least equal to 95 percent of his or her prior compensation. Third, the total severance payments received by the employee must not exceed $75,000. The exclusion would be effective for severance pay received in taxable years beginning after December 31, 1999 and before January 1, 2003.

Allow steel companies to carryback net operating losses (NOLs) up to five years.—Under current law, a net operating loss of a taxpayer generally may be carried back two years and forward 20 years. The Administration proposes to provide an immediate cash flow benefit to troubled companies in the steel industry by extending the carryback period for the NOLs of a steel company to five years. The proposal would be effective for taxable years ending after the date of enactment, regardless of when the NOL arose, and would sunset after five years.

Electricity Restructuring

Revise tax-exempt bond rules for electric power facilities.—As part of Federal legislation to encourage restructuring the nation's electric power industry so that consumers benefit from competition, rules relating to the use of tax-exempt bonds to finance electric power facilities would be modified. To encourage public power systems to implement retail competition, outstanding bonds issued to finance transmission facilities would continue their tax-exempt status even if private use resulted from allowing nondiscriminatory open access to those facilities. Similarly, outstanding bonds issued to finance generation or distribution facilities would continue their tax-exempt status even if the issuer implements retail competition. To support fair competition within the restructured industry, interest on bonds to finance electric generation or transmission facilities issued after enactment of such legislation would not be exempt. Distribution facilities could continue to be financed with tax-exempt bonds. These changes would be effective upon enactment.

Modify taxation of contributions to nuclear decommissioning funds.—Under current law, deductible contributions to nuclear decommissioning funds are limited to the amount included in the taxpayer's cost of service for ratemaking purposes. For deregulated utilities, this limitation may result in the denial of any deduction for contributions to a nuclear decommissioning fund. The Administration proposes to repeal the limitation for taxable years beginning after December 31, 1999. As under current law, deductible contributions would not be permitted to exceed the amount the IRS determines to be necessary to provide for level funding of an amount equal to the taxpayer's decommissioning costs.

Modify International Trade Provisions

Extend and modify Puerto Rico economic-activity tax credit.—Although the Puerto Rico and possessions tax credit generally was repealed in 1996, both the income-based option and the economic-activity option under the credit remain available for existing business operations conducted in taxable years beginning before January 1, 2006, subject to base-period caps. To provide a more efficient tax incentive for the economic development of Puerto Rico and to continue the shift from an income-based credit to an economic-activity-based credit that was begun in the 1993 Act, the budget would modify the phase-out of the economic-activity-based credit for Puerto Rico (under section 30A of the Code) by (1) opening it to newly established business operations during the phase-out period, effective for taxable years beginning after December 31, 1998, and (2) extending the phase-out period through taxable years beginning before January 1, 2009.

Extend the Generalized System of Preferences (GSP) and modify other trade provisions.—Under GSP, duty-free access is provided to over 4,000 items from eligible developing countries that meet certain worker rights, intellectual property protection, and other criteria. The Administration proposes to extend the program, which expires after June 30, 1999, through June 30, 2000. The Administration is proposing permanent enhanced trade benefits for subsaharan African countries undertaking strong economic reforms. The Administration also proposes to provide, through June 30, 2001, expanded trade benefits mainly on textiles and apparel to Caribbean Basin countries that meet new eligibility criteria. These benefits will help Caribbean Basin countries prepare for a future free trade agreement with the United States and respond to the effects of Hurricanes George and Mitch. The Administration also proposes to implement the OECD Shipbuilding Agreement.

Levy tariff on certain textiles and apparel products produced in the Commonwealth of the Northern Mariana Islands (CNMI).—The Administration has proposed a tariff on textile and apparel products produced in the CNMI without certain percentages of workers who are U.S. citizens, nationals or permanent residents or citizens of the Pacific island nations freely associated with the U.S.

Expand Virgin Island tariff credits.—The Administration proposes the expansion of authorized but currently unused tariff credits for wages paid in the production of watches in the Virgin Islands to be available for the production of fine jewelry.

ELIMINATE UNWARRANTED BENEFITS AND ADOPT OTHER REVENUE MEASURES

The President's plan curtails unwarranted corporate tax subsidies, closes tax shelters and other loopholes, improves tax compliance and adopts other revenue measures.

Limit Benefits of Corporate Tax Shelter Transactions

The Administration is concerned about the proliferation of corporate tax shelters and their effect upon both the corporate tax base and the integrity of the tax system as a whole. The primary goals of corporate tax shelters are to manufacture tax benefits that can be used to offset unrelated income of the taxpayer or to create tax-favored or tax-exempt economic income.

Corporate tax shelters may take several forms but often share certain common characteristics. Corporate tax shelter schemes are often marketed by their designers or promoters to multiple corporate taxpayers. The transactions typically involve arrangements among corporate taxpayers and persons not subject to U.S. tax. Shelters are also often associated with high transactions costs, contingent or refundable fees, unwind clauses, financial accounting treatment that is significantly more favorable than the corresponding tax treatment, and property or transactions unrelated to the corporate participant's core business.

The Administration proposes several general remedies to curb the growth of corporate tax shelters. In addition, the Administration proposes to modify the treatment of certain specific transactions that provide sheltering potential. No inference is intended as to the treatment of any of these trnsactions under current law.

Modify substantial understatement penalty for corporate tax shelters.—The current 20-percent substantial understatement penalty imposed on corporate tax shelter items can be avoided if the corporate taxpayer had reasonable cause for the tax treatment of the item and good faith. The Administration proposes to increase the substantial understatement penalty on corporate tax shelter items to 40 percent. The penalty will be reduced to 20 percent if the corporate taxpayer discloses to the National Office of the Internal Revenue Service within 30 days of the closing of the transaction appropriate documents describing the corporate tax shelter and files a statement with, and provides adequate disclosure on, its tax return. The penalty could not be avoided by a showing of reasonable cause and good faith. The proposal is effective for transactions entered into after the date of first committee action.

Deny certain tax benefits in corporate tax shelters.—Under curent law, if a person acquires control of a corporation or a corporation acquires carryover basis property of a corporation not controlled by the acquiring corporation or its shareholders, and the principal purpose for such acquisition is evasion or avoidance of Federal income tax by securing certain tax benefits, the Secretary may disallow such benefits to the extent necessary to eliminate such evasion or avoidance of tax. However, this current rule has been interpreted narrowly. The Administration proposes to expand the current rules to authorize the Secretary to disallow a deduction, credit, exclusion, or other allowance obtained in a corporate tax shelter. The proposal would apply to transactions entered into on or after the date of first committee action.

Deny deductions for certain tax advice and impose an excise tax on certain fees received.—Buyers of corporate tax shelter advice may deduct the fees paid for such advice. The proposal would deny a deduction for fees paid or accrued in connection with the promotion of corporate tax shelters and the rendering of certain tax advice related to corporate tax shelters. The proposal would also impose a 25-percent excise tax on fees received in connection with the promotion of corporate tax shelters and the rendering of certain tax advice related to corporate tax shelters. The proposal would be effective for payments made on or after the date of first committee action.

Impose excise tax on certain rescission provisions and provisions guaranteeing tax benefits.—Because taxpayers entering into corporate tax shelter transactions know that such transactions are risky, particularly because the expected tax benefits are not justified economically, purchasers of corporate tax shelters often require the seller or a counterparty to enter into a tax benefit protection arrangement. The Administration proposes to impose on the purchaser of a corporate tax shelter an excise tax of 25 percent on the maximum payment to be made under the arrangement. For this purpose, a tax benefit protection arrangement would include certain rescission clauses, guarantee of tax benefits arrangement or any other arrangement that has the same economic effect (e.g., insurance purchased with respect to the transaction). The proposal would apply to arrangements entered into on or after the date of first committee action.

Preclude taxpayers from taking tax positions inconsistent with the form of their transactions.—Under current law, if a taxpayer enters into a transaction in which the economic substance and the legal form are different, the taxpayer may take the position that, notwithstanding the form of the transaction, the substance is controlling for Federal income tax purposes. Many taxpayers enter into such transactions in order to arbitrage tax and regulatory laws. Under the proposal, except to the extent the taxpayer discloses the inconsistent position on its tax return, a corporate taxpayer, but not the Internal Revenue Service, would be precluded from taking any position (on a tax return or otherwise) that the Federal income tax treatment of a transaction is different from that dictated by its form, if a tax indifferent person has a direct or indirect interest in such transaction. No inference is intended regarding the tax treatment of transactions not covered by the proposal. The proposal would be effective for transactions entered into on or after the date of first committee action.

Tax income from corporate tax shelters involving tax-indifferent parties.—The Federal income tax system has many participants who are indifferent to tax consequences (e.g., foreign persons, tax-exempt organizations, and Native American tribal organizations). Many corporate tax shelters have tax-indifferent participants who absorb taxable income generated by the shelters so that corresponding losses or deductions can be allocated to taxable participants. The proposal would provide that any income received by a tax-indifferent person with respect to a corporate tax shelter would be taxable. The proposal would be effective for transactions entered into on or after the date of first committee action.

Require accrual of income on forward sale of corporate stock.—There is little substantive difference between a corporate issuer's current sale of its stock for a deferred payment and an issuer's forward sale of the same stock. In both cases, a portion of the deferred payment compensates the issuer for the time-value of money during the term of the contract. Under current law, the issuer must recognize the time-value element of the deferred payment as interest if the transaction is a current sale for deferred payment but not if the transaction is a forward contract. Under the proposal, the issuer would be required to recognize the time-value element of the forward contract as well. The proposal would be effective for forward contracts entered into on or after the date of first committee action.

Modify treatment of built-in losses and other attribute trafficking.—Under current law, a taxpayer that becomes subject to U.S. taxation may take the position that it determines its beginning bases in its assets under U.S. tax principles as if the taxpayer had historically been subject to U.S. tax. Other tax attributes are computed similarly. A taxpayer may thus "import" built-in losses or other favorable tax attributes incurred outside U.S. taxing jurisdiction (e.g., from foreign or tax-exempt parties) to offset income or gain that would otherwise be subject to U.S. tax. The proposal would prevent the importation of attributes by eliminating tax attributes (including built-in items) and marking to market bases when an entity or an asset becomes relevant for U.S. tax purposes. The proposal would be effective for transactions in which assets or entities become relevant for U.S. tax purposes on or after the date of enactment.

Modify treatment of ESOP as S corporation shareholder.—Pursuant to provisions enacted in 1996 and 1997, an employee stock ownership plan (ESOP) may be a shareholder of an S corporation and the ESOP's share of the income of the S corporation is not subject to tax until distributed to the plan beneficiaries. The Administration proposes to require an ESOP to pay tax on S corporation income (including capital gains on the sale of stock) as the income is earned and to allow the ESOP a deduction for distributions of such income to plan beneficiaries. The deduction would only apply to the extent distributions exceed all prior undistributed amounts that were previously not subject to unrelated business income tax. The proposal would be effective for taxable years beginning on or after the date of first committee action. In addition, the proposal would be effective for acquisitions of S corporation stock by an ESOP after such date and for S corporation elections made on or after such date.

Prevent serial liquidation of U.S. subsidiaries of foreign corporations.—When a domestic corporation distributes a dividend to a foreign corporation, it is subject to U.S. withholding tax. In contrast, if a domestic corporation distributes earnings in a subsidiary liquidation under section 332, the foreign shareholder generally is not subject to any withholding tax. Relying on section 332, some foreign corporations establish U.S. holding companies to receive tax-free dividends from operating subsidiaries, and then liquidate the holding companies, thereby avoiding the withholding tax. Subsequently, they re-establish the holding companies to receive future dividends. The proposal would impose withholding tax on any distribution made to a foreign corporation in complete liquidation of a U.S. holding company if the holding company was in existence for less than five years. The proposal would also achieve a similar result with respect to serial terminations of U.S. branches. The proposal would be effective for liquidations and terminations occurring on or after the date of first committee action.

Prevent capital gains avoidance through basis shift transactions involving foreign shareholders.—A distribution in redemption of stock generally is treated as a dividend if it does not result in a meaningful reduction in the shareholder's proportionate interest in the distributing corporation, measured with reference to certain constructive ownership rules, including option attribution. If an amount received in redemption of stock is treated as a distribution of a dividend, the basis of the remaining stock generally is increased to reflect the basis of the redeemed stock. The basis of the remaining stock is not increased, however, to the extent that the basis of the redeemed stock was reduced or eliminated pursuant to the extraordinary dividend rules. In certain circumstances, these rules require a corporate shareholder to reduce the basis of stock with respect to which a dividend is received by the nontaxed portion of the dividend, which generally equals the amount of the dividend that is offset by the dividends received deduction. To prevent taxpayers from attempting to offset capital gains by generating artificial capital losses through basis shift transactions involving foreign shareholders, the Administration proposes to treat the portion of a dividend that is not subject to current U.S. tax as a nontaxed portion. Similar rules would apply in the event that the foreign shareholder is not a corporation. The proposal is effective for distributions on or after the date of first committee action.

Limit inappropriate tax benefits for lessors of tax-exempt use property.—Under current law, certain property leased to governments, tax-exempt organizations, or foreign persons is considered to be "tax-exempt use property." There are a number of restrictions on the ability of lessors of tax-exempt use property to claim tax benefits from transactions related to the tax-exempt use property. The Administration is concerned that certain structures involving tax-exempt use property are being used to generate inappropriate tax benefits for lessors. The proposal would deny a lessor the ability to recognize a net loss from a leasing transaction involving tax-exempt use property during the lease term. A lessor would be able to carry forward a net loss from a leasing transaction and use it to offset net gains from the transaction in subsequent years. The proposal would be effective for leasing transactions entered into on or after the date of enactment.

Prevent mismatching of deductions and income inclusions in transactions with related foreign persons.—Current law provides that if any debt instrument having original issue discount (OID) is held by a related foreign person, any portion of such OID shall not be allowable as a deduction to the issuer until paid. Section 267 and the regulations thereunder apply similar rules to other expenses and interest owed to related foreign persons. These general rules are modified, however, so that a deduction is allowed when the OID is includible in the income of a foreign personal holding company (FPHC), controlled foreign corporation (CFC) or passive foreign investment company (PFIC). The Treasury has learned of certain structured transactions (involving both U.S. payors and U.S.-owned foreign payors) designed to allow taxpayers inappropriately to take advantage of the current rules by accruing deductions to related FPHCs, CFCs or PFICs, without the U.S. owners of such related entities taking into account for U.S. tax purposes an amount of income appropriate to the accrual. This results in an improper mismatch of deductions and income. The proposal would provide that deductions for amounts accrued but unpaid to related foreign CFCs, PFICs or FPHCs would be allowable only to the extent the amounts accrued by the payor are, for U.S. tax purposes, reflected in the income of the direct or indirect U.S. owners of the related foreign person. The proposal would contain an exception for certain short term transactions entered into in the ordinary course of business. The Secretary would be granted regulatory authority to provide exceptions from these rules. The proposal would be effective for amounts accrued on or after the date of first committee action.

Restrict basis creation through section 357(c).—A transferor generally is required to recognize gain on a transfer of property in certain tax-free exchanges to the extent that the sum of the liabilities assumed, plus those to which the transferred property is subject, exceeds the basis in the property. This gain recognition to the transferor generally increases the basis of the transferred property in the hands of the transferee. If a recourse liability is secured by multiple assets, it is unclear under current law whether a transfer of one asset where the transferor remains liable is a transfer of property "subject to the liability." Similar issues exist with respect to nonrecourse liabilities. Under the Administration's proposal, the distinction between the assumption of a liability and the acquisition of an asset subject to a liability generally would be eliminated. Generally, a recourse liability would be treated as assumed to the extent that the transferee has agreed and is expected to satisfy the liability (whether or not the transferor has been relieved of the liability). A nonrecourse liability would be treated as assumed by the transferee of any asset subject to the liability, but the amount of nonrecourse liability treated as assumed would be reduced by the amount of the liability which an owner of other assets not transferred to the transferee and also subject to the liability has agreed with the transferee and is expected to satisfy, up to the fair market value of such other assets. The transferor's recognition of gain as a result of assumption of liability would not increase the transferee's basis in the transferred asset to an amount in excess of its fair market value. Moreover, if no person is subject to U.S. tax on gain recognized as the result of the assumption of a nonrecourse liability, then the transferee's basis in the transferred assets would be increased only to the extent such basis would be increased if the transferee had assumed only a ratable portion of the liability, based on the relative fair market values of all assets subject to such nonrecourse liability. The Treasury Department would have the authority to prescribe regulations necessary to carry out the purposes of the proposal, and to apply the treatment set forth in this proposal where appropriate elsewhere in the Code.

Modify anti-abuse rule related to assumption of liabilities.—The assumption of a liability in an otherwise tax-free transaction is treated as boot to the transferor if the principal purpose of having the transferee assume the liability was the avoidance of tax on the exchange. The current language is inadequate to address the avoidance concerns that underlie the provision. The Administration proposes to modify the anti-abuse rule by deleting the limitation that it only applies to tax avoidance on the exchange itself, and changing "the principal purpose" standard to "a principal purpose." Additional conforming changes would be made. This proposal would be effective for assumptions of liabilities on or after the date of first committee action.

Modify corporate-owned life insurance (COLI) rules.—In general, interest on policy loans or other indebtedness with respect to life insurance, endowment or annuity contracts is not deductible unless the insurance contract insures the life of a "key person" of a business. In addition, the interest deductions of a business generally are reduced under a proration rule if the business owns or is a direct or indirect beneficiary with respect to certain insurance contracts. The COLI proration rules generally do not apply if the contract covers an individual who is a 20-percent owner of the business or is an officer, director, or employee of such business. These exceptions under current law still permit leveraged businesses to fund significant amounts of deductible interest and other expenses with tax-exempt or tax-deferred inside buildup on contracts insuring certain classes of individuals. The Administration proposes to repeal the exception under the COLI proration rules for contracts insuring employees, officers or directors (other than 20-percent owners) of the business. The proposal also would conform the key person exception for disallowed interest deductions attributable to policy loans and other indebtedness with respect to life insurance contracts to the 20-percent owner exception in the COLI proration rules. The proposal would be effective for taxable years beginning after the date of enactment.

Other Proposals

Require banks to accrue interest on short-term obligations.—Under current law, a bank (regardless of its accounting method) must accrue as ordinary income interest, including original issue discount, on short-term obligations. Recent court cases have held that banks that use the cash receipts and disbursements method of accounting do not have to accrue stated interest and original issue discount on short-term loans made in the ordinary course of the bank's business. The Administration believes it is inappropriate to treat these short-term loans differently than other short-term obligations held by the bank. The Administration's proposal would clarify that banks must accrue interest and original issue discount on all short-term obligations, including loans made in the ordinary course of the bank's business, regardless of the banks' overall accounting method. The proposal would be effective for obligations acquired (including originated) on or after the date of enactment. No inference is intended regarding the current-law treatment of these transactions.

Require current accrual of market discount by accrual method taxpayers.—Under current law, a taxpayer that holds a debt instrument with market discount is not required to include the discount in income as it accrues, even if the taxpayer uses an accrual method of accounting. Under the proposal, a taxpayer that uses an accrual method of accounting would be required to include market discount in income as it accrues. The proposal also would cap the amount of market discount on distressed debt instruments, because a portion of such discount, if realized, may be more in the nature of capital gain than interest. The proposal would be effective for debt instruments acquired on or after the date of enactment.

Limit conversion of character of income from constructive ownership transactions with respect to partnership interests.—Under current law, a taxpayer can enter into a derivatives transaction that is designed to give the taxpayer the economic equivalent of an ownership interest in a partnership but that is not itself a current ownership interest in the partnership. These so-called "constructive ownership" transactions purportedly allow taxpayers to defer income and to convert ordinary income and short-term capital gain into long-term capital gain. The proposal would treat long-term capital gain recognized from a constructive ownership transaction as ordinary income to the extent the long-term capital gain recognized from the transaction exceeds the long-term capital gain that could have been recognized had the taxpayer invested in the partnership interest directly. In addition, the proposal would impose an interest charge on these transactions to compensate for their inherent deferral and would allow taxpayers to elect mark-to-market treatment in lieu of applying the gain recharacterization and interest charge rule. The proposal would be effective for gains recognized on or after the date of first committee action.

Modify rules for debt-financed portfolio stock.—Under current law, a corporation must reduce its dividends-received deduction with respect to dividends paid on portfolio stock to the extent the portfolio stock is debt financed. For the portfolio stock to be debt financed, the indebtedness must be "directly attributable to investment in the portfolio stock." This "directly attributable" standard is too easily avoided. Under the proposal, the percentage of portfolio stock considered to be debt financed would be equal to the sum of (1) the percentage of stock that is directly financed, and (2) the percentage of remaining stock that is indirectly financed. The proposal would be effective for portfolio stock acquired on or after the date of enactment.

Modify and clarify certain rules relating to debt-for-debt exchanges.—Under current law, an issuer can inappropriately accelerate interest deductions by refinancing a debt instrument in a debt-for-debt exchange at a time when the issuer's cost of borrowing has declined. The proposal would spread the issuer's net deduction for bond repurchase premium in a debt-for-debt exchange over the term of the new debt instrument using constant yield principles. In addition, the proposal would modify the measurement of the net income or deduction in debt-for-debt exchanges involving contingent payment debt instruments. Finally, the proposal would modify the measurement of taxable boot to the holder in debt-for-debt exchanges that are part of corporate reorganizations. The proposal would apply to debt-for-debt exchanges occurring on or after the date of enactment.

Modify and clarify the straddle rules.—A "straddle" is the holding of two or more offsetting positions with respect to actively-traded personal property. An exception from the definition is provided for certain offsetting positions with respect to actively-traded stock. If a taxpayer enters into a straddle, the taxpayer must defer the recognition of loss from the "loss leg" of the straddle until the taxpayer recognizes the offsetting gain from the "gain leg" of the straddle. Further, the taxpayer must capitalize the net interest and carrying charges properly attributable to the straddle. The proposal would clarify that net interest expense and carrying charges arising from structured financial products that contain a leg of a straddle must be capitalized. In addition, the proposal would repeal the current-law exception for certain straddles of actively-traded stock. The proposal would be effective for straddles entered into on or after the date of enactment.

Conform control test for tax-free incorporations, distributions, and reorganizations.—For tax-free incorporations, tax-free distributions, and reorganizations, "control" is defined as the ownership of 80 percent of the voting stock and 80 percent of the number of shares of all other classes of stock of the corporation. This test is easily manipulated by allocating voting power among the shares of a corporation, allowing corporations to retain control of a corporation but sell a significant amount of the value of the corporation. In contrast, the necessary "ownership" for tax-free liquidations, qualified stock purchases, and affiliation is at least 80 percent of the total voting power of the corporation's stock and at least 80 percent of the total value of the corporation's stock. The Administration proposes to conform the control requirement for tax-free incorporations, distributions, and reorganizations with that used for determining affiliation. This proposal is effective for transactions on or after the date of enactment.

Tax issuance of tracking stock.—"Tracking stock" is an economic interest that is intended to relate to and track the economic performance of one or more separate assets of the issuer, and gives its holder a right to share in the earnings or value of less than all of the corporate issuer's earnings or assets. The use of tracking stock is clearly outside the contemplation of subchapter C and other sections of the Code. As a result, a principal consequence of treating such a stock interest as stock of the issuer is the potential avoidance of these provisions. The Administration proposes to define "tracking stock" as stock that is linked to the performance of assets of the issuing corporation with one or more identified characteristics and provide that gain will be recognized on the issuance of tracking stock. Under this proposal, the Secretary would have authority to treat tracking stock as nonstock (e.g., debt, a notional principal contract, etc.) or as stock of another entity as appropriate to prevent avoidance. No inference is intended regarding the tax treatment of tracking stock under current law. This proposal is effective for tracking stock issued on or after the date of enactment.

Require consistent treatment and provide basis allocation rules for transfers of intangibles in certain nonrecognition transactions.—No gain or loss will be recognized if one or more persons transfer property to a controlled corporation (or partnership) solely in exchange for stock in the corporation (or a partnership interest). Where there is a transfer of less than "all substantial rights" to use property, the Internal Revenue Service's position is that such transfer will not qualify as a tax-free exchange. However, the Claims Court rejected the Service's position in *E.I. Du Pont de Nemours and Co. v. U.S.*, holding that any transfer of something of value could be a "transfer" of "property." The inconsistency between the positions has resulted in whipsaw of the government. The Administration proposes to provide that the transfer of an interest in intangible property constituting less than all of the substantial rights of the transferor in the property is a transfer of property entitled to tax-free treatment, and the transferor must allocate the basis of the intangible between the retained rights and the transferred rights based upon respective fair market values. Consistent reporting by the transferor and the transferee would be required. This proposal is effective for transfers on or after the date of enactment.

Modify tax treatment of downstream mergers.—If a target corporation owns stock in an acquiring corporation and wants to combine with the acquiring corporation in a downstream transaction, the target corporation transfers its assets to the acquiring corporation, and the shareholders of the target corporation receive stock of the acquiring corporation in exchange for their target corporation stock. Downstream transactions have been held to qualify as tax-free reorganizations. In substance, however, this transaction is a distribution by the target corporation of its acquiring corporation stock to its shareholders, which otherwise would result in gain recognized by the target corporation. Under the proposal, where a target corporation holds less than 80 percent of the stock of an acquiring corporation, and the target corporation combines with the acquiring corporation in a reorganization in which the acquiring corporation is the survivor, the target corporation must recognize gain, but not loss, as if it distributed the acquiring corporation stock that it held immediately prior to the reorganization. Nonrecognition treatment would continue to apply to other assets transferred by the target corporation and to the target corporation shareholders. The proposal would apply to similar transactions: for example, where stock of the target corporation is acquired by the acquiring corporation in a transaction qualifying as a reorganization, and the target corporation is liquidated pursuant to a plan of liquidation adopted not more than two years after the acquisition date. This proposal applies to transactions that occur on or after the date of enactment.

Provide mandatory basis adjustments with respect to partnership distributions.—The basis of partnership property is not adjusted upon a distribution of property to a partner unless a special election is in effect. If such an election is in effect, a partnership must increase the basis of partnership property in certain circumstances and decrease its basis in partnership property in other situations. The electivity of these adjustments provides substantial opportunities for taxpayer abuse. Accordingly, the Administration proposes that basis adjustments in connection with partnership distributions be made mandatory. In addition, unlike current law, the basis adjustment would be measured by reference to the difference between the basis of the distributed property and the amount by which the distributee partner's proportionate share of the adjusted basis of partnership property is reduced by the distribution. This proposal would apply to partnership distributions made on or after the date of enactment.

Modify rules for allocation of basis adjustments for partnership distributions.—Under current law, a partner's basis in distributed property is allocated first to unrealized receivables and inventory items in an amount equal to the adjusted basis of each such property to the partnership, with any remaining basis being allocated among the other distributed property. This basis allocation scheme is intended to prevent partners from shifting basis from capital assets to ordinary income assets. While generally accomplishing this goal, the allocation scheme still allows for a shifting of basis from non-depreciable assets to depreciable assets. The proposal would modify the rule for basis allocations in the event of a liquidation of a partner's interest to include three asset classes: (1) inventory, unrealized receivables and other inventory assets, (2) depreciable assets, and (3) non-depreciable assets. Basis would be allocated in the first two categories up to the partnership's basis in such assets. Residual basis would be allocated to the third category of assets. The partnership's inside asset basis adjustments made in connection with partnership distributions would be determined in the same manner. Basis adjustments relating to transfers of partnership interests would not be affected by this proposal. This proposal would apply to partnership distributions made on or after the date of enactment.

Modify rules for partial liquidations of a partnership.—A partner recognizes gain or loss upon a distribution from a partnership in certain limited circumstances. The basis of property distributed to a partner other than in liquidation of the partner's interest generally is its adjusted basis to the partnership, while the basis of property distributed to a partner in liquidation of the partner's interest is equal to the adjusted basis of such partner's interest in the partnership reduced by any money distributed in the same transaction. These rules provide for an inappropriate deferral of gain with respect to certain partnership distributions and also allow for a misallocation of basis in many instances. The Administration proposes to treat a partial liquidation of a partner's interest in a partnership as a complete liquidation of that portion of the partner's interest. A partial liquidation would be a reduction in a partner's percentage share of capital, and the percentage that is reduced would be treated as a separate interest that was completely liquidated in the distribution. This proposal would apply to partnership distributions made on or after the date of enactment.

Repeal rules relating to distributions treated as sales or exchanges with respect to unrealized receivables and inventory items.—Under current law, to the extent that a partner receives (1) unrealized receivables or substantially appreciated inventory in exchange for all or part of its interest in other partnership property, or (2) partnership property other than unrealized receivables or substantially appreciated inventory in exchange for all or part of its interest in partnership property that is unrealized receivables or substantially appreciated inventory, such transactions are, under regulations, treated as a sale or exchange of such property between the distributee and the partnership. This rule, which often has been criticized as being overly complex, was designed to prevent taxpayers from converting ordinary income to capital gains through partnership distributions where the distributee partner essentially transferred his share of ordinary income assets to the partnership in exchange for capital gain assets or vice versa. The proposals discussed above would prevent positive basis adjustments from being made to ordinary income assets, which would greatly reduce the ability to carry out such abuses. Accordingly, the Administration proposes that this rule be repealed. This proposal would apply to partnership distributions made on or after the date of enactment.

Require basis adjustments when a partnership distributes certain stock to a corporate partner.—The basis of property distributed to a partner in liquidation of the partner's interest is equal to the adjusted basis of such partner's interest in the partnership reduced by any money distributed in the same transaction. Generally, no gain or loss is recognized on the receipt by a corporation of property distributed in complete liquidation of an 80-percent-owned subsidiary corporation. The basis of property received by the distributee in such a corporate liquidation is the same as it was in the hands of the transferor. These corporate liquidation rules provide taxpayers with the ability to negate the effect of downward basis adjustments by having a partnership contribute property to a corporation prior to a liquidating distribution to a corporate partner. The proposal would require that if stock of a corporation is distributed to a corporate partner that, as a result of the distribution and related transactions, owns 80 percent or more of the stock of such corporation, then the distributed corporation must reduce the basis of its assets by an amount equal to the amount by which the stock basis is reduced as a result of the distribution. The basis must be reduced using the same methodology as is used in the partnership liquidation rules, determined as if the corporation's assets were being distributed. This proposal would apply to partnership distributions made on or after the date of enactment.

Deny change in method treatment to tax-free formations.—Generally, a taxpayer that desires to change its method of accounting must obtain the consent of the Commissioner. In addition, in a transaction to which section 381 applies, a corporation acquiring assets generally is required to use the method of accounting used for those assets by the distributor or transferor corporation. Under current law, section 381 does not apply to tax-free contributions to a corporation or to a partnership. Consequently, taxpayers who transfer assets to a subsidiary or a partnership in a transaction to which section 351 or section 721 applies may avail themselves of a new method of accounting without obtaining the consent of the Commissioner. The Administration proposes to expand the transactions to which the carryover of method of accounting rules in section 381 and the regulations thereunder apply to include tax-free contributions to corporations or partnerships effective for transfers on or after the date of enactment.

Repeal installment method for accrual basis taxpayers.—Generally, an accrual method requires a taxpayer to recognize income when all events have occurred that fix the right to its receipt and its amount can be determined with reasonable accuracy. The installment method of accounting provides an exception to these general recognition principles by allowing a taxpayer to defer recognition of income from the disposition of certain property until payment is received. To the extent that an installment obligation is pledged as security for any indebtedness, the net proceeds of the secured indebtedness are treated as a payment on such obligation, thereby triggering the recognition of income. The installment method is inconsistent with an accrual method of accounting and effectively allows an accrual method taxpayer to recognize income from certain property using the cash receipts and disbursements method. Consequently, the method fails to reflect the economic results of a taxpayer's business during the taxable year. In addition, the pledging rules, which are designed to require the recognition of income when the taxpayer receives cash related to an installment obligation, are inadequate. The Administration proposes to repeal the installment method of accounting for accrual method taxpayers and to eliminate the inadequacies in the pledging rules for installment sales entered into on or after the date of enactment.

Deny deduction for punitive damages.—The current deductibility of most punitive damage payments undermines the role of such damages in discouraging and penalizing certain undesirable actions or activities. The Administration proposes to disallow any deduction for punitive damages paid or incurred by the taxpayer, whether upon a judgment or in settlement of a claim.

Where the liability for punitive damages is covered by insurance, such damages paid or incurred by the insurer would be included in the gross income of the insured person. The insurer would be required to report such payments to the insured person and to the Internal Revenue Service. The proposal would apply to damages paid or incurred on or after the date of enactment.

Apply uniform capitalization rules to tollers.—The uniform capitalization rules require the capitalization of the direct costs, and an allocable portion of the indirect costs, of real or tangible personal property produced by a taxpayer or of real or personal property that is acquired by a taxpayer for resale. Costs attributable to producing or acquiring property generally must be capitalized by charging such costs to basis or, in the case of property which is inventory in the hands of the taxpayer, by including such costs in inventory. In general, a toller charges a fee (known as a toll) to perform certain manufacturing or processing operations on property which is provided by its customers. Since the toller does not take title to the property, it contends that it does not produce property or acquire property for resale. As a result, a toller does not capitalize certain direct and indirect costs attributable to its tolling activities. The Administration believes that the disparate treatment between tollers and manufacturers based on ownership of the raw materials leads to inequitable results. Thus, the uniform capitalization rules would be modified to require tollers to capitalize both their direct costs, and a portion of their indirect costs, allocable to property tolled. An exception would be provided for small businesses. The proposal would be effective for taxable years beginning on or after the date of enactment.

Provide consistent amortization periods for intangibles.—Under current law, start-up and organizational expenditures are amortized at the election of the taxpayer over a period of not less than 5 years. Current law requires certain acquired intangible assets (goodwill, trademarks, franchises, patents, etc.) to be amortized over 15 years. The Administration believes that, to encourage the formation of new businesses, a fixed amount of start-up and organizational expenditures should be currently deductible. Thus, the proposal would allow a taxpayer to elect to deduct up to $5,000 each of start-up or organizational expenditures. However, for each taxpayer, the $5,000 amount is reduced (but not below zero) by the amount by which the cumulative cost of start-up or organizational expenditures exceeds $50,000. Start-up and organizational expenditures not currently deductible would be amortized over a 15-year period consistent with the amortization period for acquired intangible assets. The proposal generally would be effective for start-up and organizational expenditures incurred in taxable years beginning on or after the date of enactment.

Clarify recovery period of utility grading costs.—A taxpayer is allowed as a depreciation deduction a reasonable allowance for the exhaustion, wear and tear, and obsolescence of property that is used in a trade or business or held for the production of income. For most tangible property placed in service after 1986, the amount of the depreciation deduction is determined under the modified accelerated cost recovery system (MACRS) using a statutorily prescribed depreciation method, recovery period, and placed in service convention. The recovery period may be determined by reference to the statutory recovery period or to the list of class lives provided by the Treasury Department. Electric and gas utility clearing and grading costs incurred to extend distribution lines and pipelines have not been assigned a class life. By default, such assets have a seven-year recovery period under MACRS. The Administration believes that the recovery period used for electric and gas utility clearing and grading costs does not reflect the economic useful life of such costs. For example, the electric utility transmission and distribution lines and the gas utility trunk pipelines benefitted by the clearing and grading costs have MACRS recovery periods of 20 years and 15 years, respectively. The proposal would assign depreciable electric and gas utility clearing and grading costs incurred to locate transmission and distribution lines and pipelines to the class life assigned to the benefitted assets, giving these costs a recovery period of 20 years and 15 years, respectively. The proposal would be effective for electric and gas utility clearing and grading costs incurred on or after the date of enactment.

Require recapture of policyholder surplus accounts.—Between 1959 and 1984, stock life insurance companies deferred tax on a portion of their profits. These untaxed profits were added to a policyholders surplus account (PSA). In 1984, Congress precluded life insurance companies from continuing to defer tax on future profits through PSAs. However, companies were permitted to continue to defer tax on their existing PSAs, and to pay tax on the previously untaxed profits in the PSAs only in certain circumstances. There is no remaining justification for allowing these companies to continue to defer tax on profits they earned between 1959 and 1984. Most pre-1984 policies have terminated, because pre-1984 policyholders have surrendered their pre-1984 contracts for cash, ceased paying premiums on those contracts, or died. The Administration proposes that companies generally would be required to include in their gross income over ten years their PSA balances as of the beginning of the first taxable year starting on or after the date of enactment.

Modify rules for capitalizing policy acquisition costs of life insurance companies.—Under current law, insurance companies capitalize varying percentages of their net premiums for certain types of insurance contracts, and generally amortize these amounts over 10 years (five years for small companies). These capitalized amounts are intended to serve as proxies for each company's actual commissions and other policy acquisition expenses. However, data reported by insurance companies to State insurance regulators each year indicates that the insurance industry is capitalizing less than half of its policy acquisition costs, which results in a mismatch of income and deductions. The Administration proposes that insurance companies be required to capitalize modified percentages of their net premiums for certain lines of business. The percentages would be modified once in the first taxable year beginning after the date of enactment, and a second time in the sixth taxable year beginning after the date of enactment. The final modified percentages would more accurately reflect the ratio of actual policy acquisition expenses to net premiums and the typical useful lives of the contracts. To ensure that companies are not required to capitalize more under this proxy approach than they would capitalize under normal tax accounting rules, companies that have low policy acquisition costs generally would be permitted to capitalize their actual policy acquisition costs.

Subject investment income of trade associations to tax.—Trade associations described in section 501(c)(6) generally are exempt from Federal income tax, but are subject to tax on their unrelated business income. Under the proposal, trade associations that have net investment income in excess of $10,000 for any taxable year would be subject to the unrelated business income tax on their excess net investment income. As under current-law section 512(a)(3), investment income would not be subject to tax under the proposal to the extent that it is set aside for a charitable purpose specified in section 170(c)(4). In addition, any gain from the sale of property used directly in the performance of the trade association's exempt function would not be subject to tax under the proposal to the extent that the sale proceeds are used to purchase replacement exempt-function property. The proposal would be effective for taxable years beginning on or after the date of enactment.

Restore phaseout of unified credit for large estates.—Prior to the Taxpayer Relief Act of 1997, the benefit of both the estate tax graduated rate brackets below fifty-five percent and the unified credit were phased out by imposing a five-percent surtax on estates with a value above $10 million. When the Taxpayer Relief Act of 1997 increased the unified credit amount, the phase out of the unified credit was inadvertently omitted. The Administration proposes to restore the surtax in order to phase out the benefits of the unified credit as well as the graduated estate tax brackets. The proposal would be effective for decedents dying after the date of enactment.

Require consistent valuation for estate and income tax purposes.—The basis of property acquired from a decedent generally is its fair market value on the date of death. Property included in the gross estate of a decedent is valued also at its fair market value on the date of death. Recipients of lifetime gifts generally take a carryover basis in the property received. The Administration proposes to impose a duty of consistency on heirs receiving property from a decedent, requiring such heirs to use the value as reported on the estate tax return as the basis for the property for income tax purposes. Estates would be required to notify heirs (and the IRS) of such values. In addition, donors making lifetime gifts would be required to notify the recipients of such gifts (and the IRS) of the donor's basis in the property at the time of the gift, as well as any gift tax paid with respect to the gift. This proposal would be effective for gifts made after, and decedents dying after, the date of enactment.

Require basis allocation for part sale/part gift transactions.—In a part gift, part sale transaction, the donee/purchaser takes a basis equal to the greater of the amount paid by the donee or the donor's adjusted basis at the time of the transfer. The donor/seller uses adjusted cost basis in computing the gain or loss on the sale portion of the transaction. The Administration proposes to rationalize basis allocation in a part gift, part sale transaction by requiring the basis of the property to be allocated ratably between the gift portion and the sale portion based on the fair market value of the property on the date of transfer and the consideration paid. This proposal would be effective for transactions entered into on or after the date of enactment.

Conform treatment of surviving spouses in community property States.—If joint property is owned by spouses in a non-community property state, a surviving spouse receives a stepped-up basis only in the half of the property owned by the deceased spouse. In contrast, when a spouse dies owning community property, the surviving spouse is entitled to a stepped-up basis not only in the half of the property owned by the deceased spouse, but also in the half of the property already owned by the surviving spouse prior to the decedent's death. The Administration proposes to eliminate the stepped-up basis in the part of the community property owned by the surviving spouse prior to the deceased spouse's death. The half of the community property owned by the deceased spouse would continue to be entitled to a stepped-up basis upon death. This treatment will be consistent with the treatment of joint property owned by spouses in a non-community property State. This proposal would be effective for decedents dying after the date of enactment.

Expand section 864(c)(4)(B) to interest and dividend equivalents.—Under U.S. domestic law, a foreign person is subject to taxation in the United States on a net income basis with respect to income that is effectively connected with a U.S. trade or business (ECI). The test for determining whether income is effectively connected to a U.S. trade or business differs depending on whether the income at issue is U.S. source or foreign source. Only enumerated types of foreign source income—rents, royalties, dividends, interest, gains from the sale of inventory property, and insurance income—constitute ECI, and only in certain circumstances. The proposal would expand the categories of foreign-source income that could constitute ECI to include interest equivalents (including letter of credit fees) and dividend equivalents in order to eliminate arbitrary distinctions between economically equivalent transactions.

Recapture overall foreign losses when CFC stock is disposed.—Under the interest allocation rules of section 864(e), the value of stock in a controlled foreign corporation (CFC) is added to the value of directly-owned foreign assets, and then compared to the value of domestic assets of a corporation (or a group of affiliated U.S. corporations) for purposes of determining how much of the corporation's interest deductions should be allocated against foreign income and how much against domestic income. If these deductions against foreign income result in (or increase) an overall foreign loss which is then set against U.S. income, section 904(f) has recapture rules that require subsequent foreign income or gain to be recharacterized as domestic. Recapture can take place when directly-owned foreign assets, for example, are disposed of. However, there may be no recapture when stock in a CFC is disposed of. The proposal would correct that asymmetry by providing that property subject to the recapture rules upon disposition under section 904(f)(3) would include stock in a CFC.

Increase elective withholding rate for nonperiodic distributions from deferred compensation plans.—The Administration proposes to increase the current 10-percent elective withholding rate for nonperiodic distributions (such as certain lump sums) from pensions, IRAs and annuities to 15 percent, which more closely approximates the taxpayer's income tax liability for the distribution effective for distributions after 1999. The withholding would not apply to eligible rollover distributions.

Increase section 4973 excise tax for excess IRA contributons.—Excess IRA contributions are currently subject to an annual six-percent excise tax. With high investment returns, this annual six-percent rate may be insufficient to discourage contributions in excess of the current limits for IRAs. The Administration proposes to increase from six percent to 10 percent the excise tax on excess contributions to traditional and Roth IRAs for taxable years after the year the excess contribution is made. Thus, the six-percent rate would continue to apply for the year of the excess contribution and a higher annual rate would apply if excess amounts remain in the IRA. This increase would be effective for taxable years beginning after 1999.

Limit pre-funding of welfare benefits for 10 or more employer plans.—Current law generally limits the ability of employers to claim a deduction for amounts used to prefund welfare benefits. An exception is provided for certain arrangements where 10 or more employers participate because it is believed that such relationships involve risk-sharing similar to insurance which will effectively eliminate any incentive for participating employers to prefund benefits. However, as a practical matter, it has proven difficult to enforce the risk-sharing requirements in the context of certain arrangements. The Administration proposes to limit the 10 or more employer plan funding exception to medical, disability, and group-term life insurance benefits because these benefits do not present the same risk of prefunding abuse. Thus, effective for contributions paid on or after the date of enactment, the existing deduction rules would apply to prevent an employer who contributes to a 10 or more employer plan from claiming a current deduction for supplemental unemployment benefits, severance pay or life insurance (other than group-term life insurance) benefits to be paid in future years.

Subject signing bonuses to employment taxes.—Bonuses paid to individuals for signing a first contract of employment are ordinary income in the year received. The Administration proposes to clarify that these amounts are treated as wages for purposes of income tax withholding and FICA taxes effective after the date of enactment. No inference is intended with respect to the application of prior law withholding rules to signing bonuses.

Expand reporting of cancellation of indebtedness income.—Under current law, gross income generally includes income from the discharge of indebtedness. If a bank, thrift institution, or credit union discharges $600 or more of any indebtedness of a debtor, the institution must report such discharge to the debtor and the IRS. The proposal would extend these reporting requirements to additional entities involved in the trade or business of lending for discharges of indebtedness occurring on or after the date of enactment.

Require taxpayers to include rental income of residence in income without regard to the period of rental.—Under current law, rental income is generally includable in income and the deductibility of expenses attributable to the rental property is subject to certain limitations. An exception to this general treatment applies if a dwelling is used by the taxpayer as a residence and is rented for less than 15 days during the taxable year. The income from such a rental is not included in gross income and no expenses arising from the rental are deductible. The Administration proposes to repeal this 15-day exception. The proposal would apply to taxable years beginning after December 31, 1999.

Repeal lower-of-cost-or-market inventory accounting method.—Taxpayers required to maintain inventories are permitted to use a variety of methods to determine the cost of their ending inventories, including the last-in, first-out (LIFO) method, the first-in, first-out (FIFO) method, and the retail method. Taxpayers not using a LIFO method may determine the carrying values of their inventories by applying the lower-of-cost-or-market (LCM) method or by writing down the cost of goods that are unsalable at normal prices or unusable in the normal way because of damage, imperfection or other similar causes (subnormal goods method). The allowance of write-downs under the LCM and subnormal goods methods is essentially a one-way mark-to-market method that understates taxable income. The Administration proposes to repeal the LCM and subnormal goods methods effective for taxable years beginning after the date of enactment.

Defer interest deduction and original issue discount (OID) on certain convertible debt.—The accrued but unpaid interest and OID on a convertible debt instrument generally is deductible, even if the instrument is converted into the stock of the issuer or a related party before the issuer pays any interest or OID. The Administration proposes to defer the deduction for all interest, including OID, on convertible debt until payment. The proposal would be effective for convertible debt issued on or after the date of first committee action.

Modify deposit requirement for Federal Unemployment Act (FUTA).—Beginning in 2005, the Administration proposes to require an employer to pay Federal and State unemployment taxes monthly (instead of quarterly) in a given year, if the employer's FUTA tax liability in the immediately preceding year was $1,100 or more.

Reinstate Oil Spill Liability Trust Fund tax.—Before January 1, 1995, a five-cents-per-barrel excise tax was imposed on domestic crude oil and imported oil and petroleum products. The tax was dedicated to the Oil Spill Liability Trust Fund to finance the cleanup of oil spills and was not imposed for a calendar quarter if the unobligated balance in the Trust Fund exceeded $1 billion at the close of the preceding quarter. The Administration proposes to reinstate this tax for the period after the date of enactment and before October 1, 2009. The tax would be suspended for a given calendar quarter if the unobligated Trust Fund balance at the end of the preceding quarter exceeded $5 billion.

Deny dividends-received deduction for certain preferred stock.—A corporate holder of stock generally is entitled to a deduction for dividends received on stock in the following amounts: 70 percent if the recipient owns less than 20 percent of the stock of the payor, 80 percent if the recipient owns 20 percent or more of the stock, and 100 percent of "qualifying dividends" received from members of the same affiliated group. The Administration proposes to eliminate the dividends-received deduction for dividends on nonqualified preferred stock (as defined in section 351(g)), except in the case of "qualifying dividends." This proposal is effective for nonqualified preferred stock issued after the date of first committee action.

Disallow interest on debt allocable to tax-exempt obligations.—No income tax deduction is allowed for interest on debt used directly or indirectly to acquire or hold investments that produce tax-exempt income. The determination of whether debt is used to acquire or hold tax-exempt investments differs depending on the holder of the instrument. For banks and a limited class of other financial institutions, debt generally is treated as financing all of the taxpayer's assets proportionately. Securities dealers are not included in the definition of "financial institution," and under a special rule are subject to a disallowance of a much smaller portion of their interest deduction. For other financial intermediaries, such as finance companies, that are also not included in the narrow definition of "financial institutions," deductions are disallowed only when indebtedness is incurred or continued for the purpose of purchasing or carrying tax-exempt investments. These taxpayers are therefore able to reduce their tax liabilities inappropriately through the double Federal tax benefits of interest expense deductions and tax-exempt interest income, notwithstanding that they operate similarly to banks. Effective for taxable years beginning after the date of enactment, with respect to obligations acquired on or after the date of first committee action, the Administration proposes that all financial intermediaries, other than insurance companies (which are subject to a separate regime), be treated the same as banks are treated under current law with regard to deductions for interest on debt used directly or indirectly to acquire or hold tax-exempt obligations.

Repeal percentage depletion for non-fuel minerals mined on Federal and formerly Federal lands.—Taxpayers are allowed to deduct a reasonable allowance for depletion relating to certain mineral deposits. The depletion deduction for any taxable year is calculated under either the cost depletion method or the percentage depletion method, whichever results in the greater allowance for depletion for the year. The percentage depletion method is viewed as an incentive for mineral production rather than as a normative rule for recovering the taxpayer's investment in the property. This incentive is excessive with respect to minerals mined on Federal and formerly Federal lands under the 1872 mining act, in light of the minimal costs of acquiring the mining rights ($5.00 or less per acre). The Administration proposes to repeal percentage depletion for non-fuel minerals mined on Federal lands where the mining rights were originally acquired under the 1872 law, and on private lands acquired under the 1872 law. The proposal would be effective for taxable years beginning after the date of enactment.

Modify rules relating to foreign oil and gas extraction income.—To be eligible for the U.S. foreign tax credit, a foreign levy must be the substantial equivalent of an income tax in the U.S. sense, regardless of the label the foreign government attaches to it. Under regulations, a foreign levy is a tax if it is a compulsory payment under the authority of a foreign government to levy taxes and is not compensation for a specific economic benefit provided by the foreign country. Taxpayers that are subject to a foreign levy and that also receive (directly or indirectly) a specific economic benefit from the levying country are referred to as "dual capacity" taxpayers and may not claim a credit for that portion of the foreign levy paid as compensation for the specific economic benefit received. The Administration proposes to treat as taxes payments by a dual-capacity taxpayer to a foreign country that would otherwise qualify as income taxes or "in lieu of" taxes, only if there is a "generally applicable income tax" in that country. For this purpose, a generally applicable income tax is an income tax (or a series of income taxes) that applies to trade or business income from sources in that country, so long as the levy has substantial application both to non-dual-capacity taxpayers and to persons who are citizens or residents of that country. Where the foreign country does generally impose an income tax, as under present law, credits would be allowed up to the level of taxation that would be imposed under that general tax, so long as the tax satisfies the new statutory definition of a "generally applicable income tax." The proposal also would create a new foreign tax credit basket within section 904 for foreign oil and gas income. The proposal would be effective for taxable years beginning after the date of enactment. The proposal would yield to U.S. treaty obligations that allow a credit for taxes paid or accrued on certain oil or gas income.

Increase penalties for failure to file correct information returns.—Any person who fails to file required information returns in a timely manner or incorrectly reports such information is subject to penalties. For taxpayers filing large volumes of information returns or reporting significant payments, existing penalties ($15 per return, not to exceed $75,000 if corrected within 30 days; $30 per return, not to exceed $150,000 if corrected by August 1; and $50 per return, not to exceed $250,000 if not corrected at all) may not be sufficient to encourage timely and accurate reporting. The Administration proposes to increase the general penalty amount, subject to the overall dollar limitations, to the greater of $50 per return or 5 percent of the total amount required to be reported. The increased penalty would not apply if the aggregate amount actually reported by the taxpayer on all returns filed for that calendar year was at least 97 percent of the amount required to be reported. The increased penalty would be effective for returns the due date for which is more than 90 days after the date of enactment.

Tighten the substantial understatement penalty for large corporations.—Currently taxpayers may be penalized for erroneous, but non-negligent, return positions if the amount of the understatement is "substantial" and the taxpayer did not disclose the position in a statement with the return. "Substantial" is defined as 10 percent of the taxpayer's total current tax liability, but this can be a very large amount. This has led some large corporations to take aggressive reporting positions where huge amounts of potential tax liability are at stake—in effect playing the audit lottery—without any downside risk of penalties if they are caught, because the potential tax still would not exceed 10 percent of the company's total tax liability. To discourage such aggressive tax planning, the Administration proposes that any deficiency greater than $10 million be considered "substantial" for purposes of the substantial understatement penalty, whether or not it exceeds 10 percent of the taxpayer's liability. The proposal, which would be effective for taxable years beginning after the date of enactment, would affect only taxpayers that have tax liabilities greater than or equal to $100 million.

Require withholding on certain gambling winnings —Proceeds of most wagers with odds of less than 300 to 1 are exempt from withholding, as are all bingo and keno winnings. The Administration proposes to impose withholding on proceeds of bingo or keno in excess of $5,000 at a rate of 28 percent, regardless of the odds of the wager, effective for payments made after the start of the first calendar quarter that is at least 30 days after the date of enactment.

Simplify foster child definition under EITC.—In order to simplify the EITC rules, the Administration proposes to clarify the definition of foster child for purposes of claiming the EITC. Under the proposal, the foster child must be the taxpayer's sibling (or a descendant of the taxpayer's sibling), or be placed in the taxpayer's home by an agency of a State or one of its political subdivisions or a tax-exempt child placement agency licensed by a State. The proposal would be effective for taxable years beginning after December 31, 1999.

Replace sales-source rules with activity-based rules.—If inventory is manufactured in the United States and sold abroad, Treasury regulations provide that 50 percent of the income from such sales is treated as earned by production activities and 50 percent by sales activities. The income from the production activities is sourced on the basis of the location of assets held or used to produce the income. The income from the sales activity (the remaining 50 percent) is sourced based on where title to the inventory transfers. If inventory is purchased in the United States and sold abroad, 100 percent of the sales income generally is deemed to be foreign source. These rules generally produce more foreign source income for United States tax purposes than is subject to foreign tax. Thus, the rules generally increase the U.S exporters' foreign tax credit limitation and thereby allow U.S. exporters that operate in high-tax foreign countries to credit tax in excess of the U.S. rate against their U.S. tax liability. The proposal would require that the allocation between production activities and sales activities be based on actual economic activity. The proposal would be effective for taxable years beginning after the date of enactment.

Repeal tax-free conversions of large C corporations to S corporations.—A corporation can avoid the existing two-tier tax by electing to be treated as an S corporation or by converting to a partnership. Converting to a partnership is a taxable event that generally requires the corporation to recognize any built-in gain on its assets and requires the shareholders to recognize any built-in gain on their stock. By contrast, the conversion to an S corporation is generally tax-free, except that the S corporation generally must recognize the built-in gain on assets held at the time of conversion if the assets are sold within ten years. The Administration proposes that the conversion of a C corporation with a value of more than $5 million into an S corporation would be treated as a liquidation of the C corporation, followed by a contribution of the assets to an S corporation by the recipient shareholders. Thus, the proposal would require immediate gain recognition by both the corporation (with respect to its appreciated assets) and its shareholders (with respect to their stock). This proposal would make the tax treatment of conversions to an S corporation generally consistent with conversions to a partnership. The proposal would apply to elections that are first effective for a taxable year beginning after January 1, 2000 and to acquisitions of a C corporation by an S corporation made after December 31, 1999.

Eliminate the income recognition exception for accrual method service providers.—An accrual method taxpayer generally must recognize income when all events have occurred that fix the right to its receipt and its amount can be determined with reasonable accuracy. In the event that a receivable arising in the ordinary course of the taxpayer's trade or business becomes uncollectible, the accrual method taxpayer may deduct the account receivable as a business bad debt in the year in which it becomes wholly or partially worthless. Accrual method service providers, however, are provided a special exception to these general rules. Under the exception, a taxpayer using an accrual method with respect to amounts to be received for the performance of services is not required to accrue any portion of such amounts that (on the basis of experience) will not be collected. This special exception permits an accrual method service provider to reduce current taxable income by an estimate of its future bad debt losses. This method of estimation results in a mismeasurement of a taxpayer's economic income and, because this tax benefit only applies to amounts to be received for the performance of services, promotes controversy over whether a taxpayer's receivables represent amounts to be received for the performance of services or for the provision of goods. The Administration proposes to repeal the special exception for accrual method service providers effective for taxable years beginning after the date of enactment.

Modify structure of businesses indirectly conducted by REITs.—REITs generally are restricted to owning passive investments in real estate and certain securities. No single corporation can account for more than five percent of the total value of a REIT's assets, and a REIT cannot own more than 10 percent of the outstanding voting securities of any issuer. Through the use of non-voting preferred stock and multiple subsidiaries, up to 25 percent of the value of a REIT's assets can consist of subsidiaries that conduct otherwise impermissible activities. Under the proposal, the 10-percent vote test would be changed to a "vote or value" test. This would prevent REITs from undertaking impermissible activities through preferred stock subsidiaries. However, the proposal also would provide an exception to the five- and 10-percent asset tests so that REITs could have "taxable REIT subsidiaries" that would be allowed to perform non-customary and other currently prohibited services with respect to REIT tenants and other customers. Under the proposal, there would be two types of taxable REIT subsidiaries, a "qualified independent contractor subsidiary" and a "qualified business subsidiary." A qualified business subsidiary would be allowed to undertake non-tenant related activities that currently generate bad income for a REIT. A qualified independent contractor subsidiary would be allowed to perform non-customary and other currently prohibited services with respect to REIT tenants as well as activities that could be performed by a qualified business subsidiary. All taxable REIT subsidiaries owned by a REIT could not represent more than 15 percent of the value of the REIT's total assets, and within that 15-percent limitation, no more than five percent of the total value of a REIT's assets could consist of qualified independent contractor subsidiaries. A number of additional constraints would be imposed on a taxable REIT subsidiary to ensure that the taxable REIT subsidiary pays a corporate level tax on its earnings. This proposal would be effective after the date of enactment. REITs would be allowed to combine and convert preferred stock subsidiaries into taxable REIT subsidiaries tax-free prior to a certain date.

Modify treatment of closely held REITs.—When originally enacted, the REIT legislation was intended to provide a tax-favored vehicle through which small investors could invest in a professionally managed real estate portfolio. REITs are intended to be widely held entities, and certain requirements of the REIT rules are designed to ensure this result. Among other requirements, in order for an entity to qualify for REIT status, the beneficial ownership of the entity must be held by 100 or more persons. In addition, a REIT cannot be closely held, which generally means that no more than 50 percent of the value of the REIT's stock can be owned by five or fewer individuals during the last half of the taxable year. Certain attribution rules apply in making this determination. The Administration has become aware of a number of tax avoidance transactions involving the use of closely held REITs. In order to meet the 100 or more shareholder requirement, the

REIT generally issues common stock, which is held by one shareholder, and a separate class of non-voting preferred stock with a relatively nominal value, which is held by 99 "friendly" shareholders. The closely held limitation does not disqualify the REITs that are utilizing this ownership structure because the majority shareholders of these REITs are not individuals. The Administration proposes to impose as an additional requirement for REIT qualification that no person can own stock of a REIT possessing 50 percent or more of the total combined voting power of all classes of voting stock or 50 percent or more of the total value of all shares of all classes of stock. For purposes of determining a person's stock ownership, rules similar to the attribution rules contained in section 856(d)(5) would apply. The proposal would be effective for entities electing REIT status for taxable years beginning on or after the date of first committee action.

Impose excise tax on purchase of structured settlements.—Current law facilitates the use of structured personal injury settlements because recipients of annuities under these settlements are less likely than recipients of lump sum awards to consume their awards too quickly and require public assistance. Consistent with that policy, this favorable treatment is conditional upon a requirement that the periodic payments cannot be accelerated, deferred, increased or decreased by the injured person. Nonetheless, certain factoring companies are able to purchase a portion of the annuities from the recipients for heavily discounted lump sums. These purchases are inconsistent with the policy underlying favorable tax treatment of structured settlements. Accordingly, the Administration proposes to impose on any person who purchases (or otherwise acquires for consideration) a structured settlement payment stream, a 40-percent excise tax on the difference between the amount paid by the purchaser to the injured person and the undiscounted value of the purchased payment stream unless such purchase is pursuant to a court order finding that the extraordinary and unanticipated needs of the original intended recipient render such a transaction desirable. The proposal would apply to purchases occurring on or after the date of enactment. No inference is intended as to the contractual validity of the purchase or the effect of the purchase transaction on the tax treatment of any party other than the purchaser.

Amend 80/20 company rules.—Interest or dividends paid by a so-called "80/20 company" generally are partially or fully exempt from U.S. withholding tax. A U.S. corporation is treated as an 80/20 company if at least 80 percent of the gross income of the corporation for the three-year period preceding the year of a dividend is foreign source income attributable to the active conduct of a foreign trade or business (or the foreign business of a subsidiary). Certain foreign multinationals improperly seek to exploit the rules applicable to 80/20 companies in order to avoid U.S. withholding tax liability on earnings of U.S. subsidiaries that are distributed abroad. The proposal would prevent taxpayers from avoiding withholding tax through manipulations of these rules. The proposal would apply to interest or dividends paid or accrued on or after the date of enactment.

Modify foreign office material participation exception applicable to inventory sales attributable to nonresident's U.S. office.—In the case of a sale of inventory property that is attributable to a nonresident's office or other fixed place of business within the United States, the sales income is generally U.S. source. The income is foreign source, however, if the inventory is sold for use, disposition, or consumption outside the United States and the nonresident's foreign office or other fixed place of business materially participates in the sale. The proposal would provide that the foreign source exception shall apply only if an income tax equal to at least 10 percent of the income from the sale is actually paid to a foreign country with respect to such income. The proposal thereby ensures that the United States does not cede its jurisdiction to tax such sales unless the income from the sale is actually taxed by a foreign country at some minimal level. The proposal would be effective for transactions occurring on or after the date of enactment.

Stop abuse of controlled foreign corporation (CFC) exception to ownership requirements of section 883.—Under section 887, a foreign corporation is subject to a four-percent tax on its United States source gross transportation income. Under section 883, however, the tax will not apply if the corporation is organized in a country (an "exemption country") that grants an equivalent tax exemption to U.S. shipping companies. The exemption from the four-percent tax is subject to an anti-abuse rule that requires at least 50 percent of the stock of the corporation be owned by individual residents of an exemption country. Thus, residents of a non-exemption country cannot secure the exemption simply by forming their shipping corporation in an exemption country. The anti-abuse rule requiring exemption country ownership does not apply, however, if the corporation is a controlled foreign corporation (the "CFC exception"). The premise for the CFC exception is that the U.S. shareholders of a CFC will be subject to current U.S. income taxation on their share of the foreign corporation's shipping income and, thus, the four-percent tax should not apply if the corporation is organized in an exemption country. Residents of non-exemption countries, however, can achieve CFC status for their shipping companies simply by owning the corporations through U.S. partnerships. Non-exemption country individuals can thereby avoid the anti-abuse rule requiring exemption country ownership and illegitimately secure the exemption from the four-percent U.S. tax. The proposal would stop that abuse. It would be effective for taxable years beginning on or after the date of enactment.

Include qualified terminable interest property (QTIP) trust assets in surviving spouse's estate.—A marital deduction is allowed for qualified terminable interest property (QTIP) passing to a qualifying trust for a spouse either by gift or by bequest. The value of the recipient spouse's estate includes the value of any such property in which the decedent had a qualifying income interest for life and a deduction was allowed under the gift or estate tax. In some cases, taxpayers have attempted to whipsaw the government by claiming the deduction in the first estate and then arguing against inclusion in the second estate due to some technical flaw in the QTIP election. The Administration proposes that, if a deduction is allowed under the QTIP provisions, inclusion is required in the beneficiary spouse's estate. The proposal would be effective for decedents dying after the date of enactment.

Eliminate non-business valuation discounts.—Under current law, taxpayers are claiming large discounts on the valuation of gifts and bequests of interests in entities holding marketable assets. Because these discounts are inappropriate, the Administration proposes to eliminate valuation discounts except as they apply to active businesses. Interests in entities generally would be required to be valued for gift and estate tax purposes at a proportional share of the net asset value of the entity to the extent that the entity holds non-business assets. The proposal would be effective for gifts made after, and decedents dying after, the date of enactment.

Eliminate gift tax exemption for personal residence trusts.—Current law excepts transfers of personal residences in trust from the special valuation rules applicable when a grantor retains an interest in a trust. The Administration proposes to repeal this personal residence trust exception. Thereafter, if a residence is to be used to fund a grantor retained interest trust, the trust would be required to pay out the required annuity or unitrust amount or else the grantor's retained interest would be valued at zero for gift tax purposes. This proposal would be effective for transfers in trust after the date of enactment.

Increase the proration percentage for property casualty (P&C) insurance companies.—In computing their underwriting income, P&C insurance companies deduct reserves for losses and loss expenses incurred. These loss reserves are funded in part with the company's investment income. In 1986, Congress reduced the reserve deductions of P&C insurance companies by 15 percent of the tax-exempt interest or the deductible portion of certain dividends received. In 1997, Congress expanded the 15-percent proration rule to apply to the inside buildup on certain insurance contracts. The existing 15-percent proration rule still enables P&C insurance companies to fund a substantial portion of their deductible reserves with tax-exempt or tax-deferred income. Other financial intermediaries, such as life insurance companies, banks and brokerage firms, are subject to more stringent proration rules that substantially reduce or eliminate their ability to use tax-exempt or tax-deferred investments to fund currently deductible reserves or deductible interest expense. Effective for taxable years beginning after the date of enactment, with respect to investments acquired on or after the date of first committee action, the Administration proposes to increase the proration percentage to 25 percent.

OTHER PROVISIONS THAT AFFECT RECEIPTS

Reinstate environmental tax imposed on corporate taxable income and deposited in the Hazardous Substance Superfund Trust Fund.—Under prior law, a tax equal to 0.12 percent of alternative minimum taxable income (with certain modifications) in excess of $2 million was levied on all corporations and deposited in the Hazardous Substance Superfund Trust Fund. The Administration proposes to reinstate this tax, which expired on December 31, 1995, for taxable years beginning after December 31, 1998 and before January 1, 2010.

Reinstate excise taxes deposited in the Hazardous Substance Superfund Trust Fund.—The excise taxes that were levied on petroleum, chemicals, and imported substances and deposited in the Hazardous Substance Superfund Trust Fund are proposed to be reinstated for the period after the date of enactment and before October 1, 2009. These taxes expired on December 31, 1995.

Convert a portion of the excise taxes deposited in the Airport and Airway Trust Fund to cost-based user fees assessed for Federal Aviation Administration (FAA) services.—The excise taxes that are levied on domestic air passenger tickets and flight segments, international departures and arrivals, and domestic air cargo are proposed to be reduced over time as more efficient, cost-based user fees for air traffic services are phased in beginning in fiscal year 2000. The excise taxes are proposed to be reduced as necessary to ensure that the amount collected each year from the new user fees and the excise taxes together is equal to the total budget resources requested for the FAA in each succeeding year.

Receipts from tobacco legislation.—The Administration includes receipts from tobacco legislation in the 2000 budget. These receipts, which total approximately $34 billion for the five years 2000 through 2004, would provide reimbursements for tobacco-related health care costs.

Assess fees for examination of bank holding companies and State-chartered member banks (receipt effect).—The Administration proposes to require the Federal Reserve and the Federal Deposit Insurance Corporation (FDIC) to assess fees for the examination of bank holding companies and State-chartered banks. The Federal Reserve currently funds the costs of such examinations from earnings; therefore, deposits of earnings by the Federal Reserve, which are classified as governmental receipts, will increase by the amount of the fees.

Restore premiums for the United Mine Workers of America Combined Benefit Fund.—The Administration proposes legislation to restore the previous calculation of premiums charged to coal companies that employed the retired miners that have been assigned to them. By reversing the court decision of *National Coal v. Chater*, this legislation will restore a premium calculation that supports medical cost containment.

Assess mortgage transaction fees for flood hazard determination.—The Administration proposes to establish a $15 fee on mortgage originations and refinancings to support a multi-year program to update and modernize FEMA's inventory of floodplain maps (100,000 maps). Accurate and easy to use flood hazard maps are essential in determining if a property is located in a floodplain. The maps allow lenders to meet their statutory obligation of requiring risk-prone homes with a mortgage to carry flood insurance, and allow homeowners to assess their risk of flood damage. These maps are the basis for developing appropriate risk-based flood insurance premium charges, and improved maps will result in a more actuarially sound insurance program.

Replace Harbor Maintenance Tax with the Harbor Services User Fee (receipt effect).—The Administration proposes to replace the ad valorem Harbor Maintenance Tax with a cost-based user fee, the Harbor Services User Fee. The user fee will finance harbor construction, operation, and maintenance activities performed by the Army Corps of Engineers, the costs of operating and maintaining the Saint Lawrence Seaway, and the costs of administering the fee. The fee will raise an average of $980 million annually through FY 2004, which is less than would have been raised by the Harbor Maintenance Tax before the Supreme Court decision that the ad valorem tax on exports was unconstitutional.

Allow members of the clergy to revoke exemption from Social Security and Medicare coverage.—Under current law, ministers of a church who are opposed to participating in the Social Security and Medicare programs on religious principles may reject coverage by filing with the Internal Revenue Service before the tax filing date for their second year of work in the ministry. This proposal would provide an opportunity for members of the clergy to revoke their exemptions from Social Security and Medicare coverage.

Create solvency incentive for State Unemployment Trust Fund accounts.—The Administration proposes to create an incentive for States to improve the solvency of their State accounts in the Federal Unemployment Trust Fund. This is intended to improve the ability of States to continue paying benefits in the event of a recession. The incentive consists of tying a portion of the projected distributions to the States under the Reed Act to demonstrated improvements in solvency.

Table 3–3. EFFECT OF PROPOSALS ON RECEIPTS

(In millions of dollars)

	Estimate						
	1999	2000	2001	2002	2003	2004	2000–2004
Provide tax relief and extend expiring provisions:							
Make health care more affordable:							
Provide tax relief for long-term care needs	....	–52	–1,107	–1,144	–1,312	–1,408	–5,023
Provide tax relief for workers with disabilities	....	–21	–151	–169	–187	–196	–724
Provide tax relief to encourage small business health plans	....	–1	–5	–10	–15	–13	–44
Subtotal, make health care more affordable	....	–74	–1,263	–1,323	–1,514	–1,617	–5,791
Expand education initiatives:							
Provide incentives for public school construction and modernization	....	–146	–570	–939	–1,035	–1,045	–3,735
Extend employer-provided educational assistance and include graduate education	–72	–267	–719	–236	....	....	–1,222
Provide tax credit for workplace literacy and basic education programs	....	–3	–18	–25	–38	–55	–139
Encourage sponsorship of qualified zone academies	....	–22	–43	–55	–24	....	–144
Eliminate 60-month limit on student loan interest deduction	....	–18	–61	–62	–67	–73	–281
Eliminate tax when forgiving student loans subject to income contingent repayment	....	....	....	....	....	....	....
Provide tax relief for participants in certain Federal education programs	....	–3	–7	–7	–7	–6	–30
Subtotal, expand education initiatives	–72	–459	–1,418	–1,324	–1,171	–1,179	–5,551
Make child care more affordable:							
Increase, expand, and simplify child and dependent care tax credit	....	–338	–1,585	–1,426	–1,471	–1,503	–6,323
Provide tax incentives for employer-provided child-care facilities	....	–40	–84	–114	–131	–140	–509
Subtotal, make child care more affordable	....	–378	–1,669	–1,540	–1,602	–1,643	–6,832

Table 3–3. EFFECT OF PROPOSALS ON RECEIPTS—Continued

(In millions of dollars)

	Estimate						
	1999	2000	2001	2002	2003	2004	2000–2004
Provide incentives to revitalize communities:							
Increase low-income housing tax credit per capita cap	....	–46	–186	–330	–474	–620	–1,656
Provide Better America Bonds to improve the environment	....	–8	–49	–127	–205	–284	–673
Provide New Markets Tax Credit	....	–12	–88	–207	–297	–376	–980
Expand tax incentives for SSBICs	–*	–*	–*	–*	–*	–*	–*
Extend wage credit for two new EZs	....	....	....	....	....	....	....
Subtotal, provide incentives to revitalize communities	....	–66	–323	–664	–976	–1,280	–3,309
Promote energy efficiency and improve the environment:							
Provide tax credit for energy-efficient building equipment	....	–230	–407	–376	–393	–127	–1,533
Provide tax credit for new energy-efficient homes	....	–60	–109	–92	–72	–96	–429
Extend electric vehicle tax credit; provide tax credit for fuel-efficient vehicles	....	....	....	–4	–178	–712	–894
Provide investment tax credit for CHP systems	–1	–64	–99	–110	–52	–7	–332
Provide tax credit for rooftop solar systems	....	–9	–19	–25	–34	–45	–132
Extend wind and biomass tax credit and expand eligible biomass sources	....	–20	–48	–73	–88	–94	–323
Subtotal, promote energy efficiency and improve the environment	–1	–383	–682	–680	–817	–1,081	–3,643
Promote expanded retirement savings, security and portability	–27	–144	–204	–218	–213	–218	–997
Extend expiring provisions:							
Allow personal tax credits against the AMT	–67	–679	–707	....	....	....	–1,386
Extend work opportunity tax credit	–23	–116	–164	–81	–38	–16	–415
Extend welfare-to-work tax credit	–3	–19	–36	–21	–9	–2	–87
Extend R&E tax credit	–311	–933	–656	–281	–133	–53	–2,056
Make permanent the expensing of brownfields remediation costs	....	....	–106	–170	–168	–167	–611
Extend tax credit for first-time DC homebuyers	1	–1	–10	–1	....	....	–12
Subtotal, extend expiring provisions	–403	–1,748	–1,679	–554	–348	–238	–4,567
Simplify the tax laws	–64	–141	–159	–154	–104	–41	–599
Miscellaneous provisions:							
Make first $2,000 of severance pay exempt from income tax	....	–42	–168	–173	–133	....	–516
Allow steel companies to carryback NOLs up to five years	–19	–190	–28	–30	–24	–20	–292
Subtotal, miscellaneous provisions	–19	–232	–196	–203	–157	–20	–808
Electricity restructuring:							
Deny tax-exempt status for new electric utility bonds except for distribution related expenses; repeal cost of service limitation for determining deductible contributions to nuclear decommissioning funds	....	4	11	20	30	41	106
Subtotal, electricity restructuring	....	4	11	20	30	41	106
Modify international trade provisions:							
Extend and modify Puerto Rico economic-activity tax credit	....	–24	–46	–71	–106	–141	–388
Extend GSP and modify other trade provisions [1]	–84	–484	–223	–93	–96	–99	–995
Levy tariff on certain textiles/apparel produced in the CNMI [1]	....	....	187	187	187	187	748
Expand Virgin Island tariff credits [1]	....	....	–*	–*	–2	–1	–3
Subtotal, modify international trade provisions	–84	–508	–82	23	–17	–54	–638
Subtotal, provide tax relief and extend expiring provisions	**–670**	**–4,129**	**–7,664**	**–6,617**	**–6,889**	**–7,330**	**–32,629**
Eliminate unwarranted benefits and adopt other revenue measures:							
Limit benefits of corporate tax shelter transactions:							
Deny tax benefits resulting from non-economic transactions; modify substantial understatement penalty for corporate tax shelters; deny deductions for certain tax advice and impose excise taxes on certain fees, rescission provisions and provisions guaranteeing tax benefits	....	11	76	162	194	214	657
Preclude taxpayers from taking tax positions inconsistent with the form of their transactions	5	50	52	55	58	62	277
Tax income from corporate tax shelters involving tax-indifferent parties	15	150	155	165	175	185	830
Require accrual of income on forward sale of corporate stock	1	4	9	13	21	31	78
Modify treatment of built-in losses and other attribute trafficking	9	113	185	192	200	208	898
Modify treatment of ESOP as S corporation shareholder	17	64	102	145	183	202	696
Prevent serial liquidation of U.S. subsidiaries of foreign corporations	....	12	20	19	19	19	89
Prevent capital gains avoidance through basis shift transactions involving foreign shareholders	65	301	114	64	45	27	551
Limit inappropriate tax benefits for lessors of tax-exempt use property	1	35	79	119	147	163	543
Prevent mismatching of deductions and income exclusions in transactions with related foreign persons	....	60	104	108	112	117	501

Table 3–3. EFFECT OF PROPOSALS ON RECEIPTS—Continued

(In millions of dollars)

	Estimate						
	1999	2000	2001	2002	2003	2004	2000–2004
Restrict basis creation through Section 357(c)	3	9	19	28	39	50	145
Modify anti-abuse rule related to assumption of liabilities	1	2	4	5	7	9	27
Modify COLI rules	....	240	366	398	427	451	1,882
Subtotal, limit benefits of corporate tax shelter transactions	117	1,051	1,285	1,473	1,627	1,738	7,174
Other proposals:							
Require banks to accrue interest on short-term obligations	....	72	2	3	4	4	85
Require current accrual of market discount by accrual method taxpayers	3	7	11	15	20	25	78
Limit conversion of character of income from constructive ownership transactions with respect to partnership interests	19	30	37	32	32	35	166
Modify rules for debt-financed portfolio stock	1	5	9	14	20	26	74
Modify and clarify certain rules relating to debt-for-debt exchanges	15	76	109	108	107	106	506
Modify and clarify straddle rules	16	40	50	48	47	49	234
Conform control test for tax-free incorporations, distributions, and reorganizations	7	18	22	22	21	21	104
Tax issuance of tracking stock	40	105	128	127	127	127	614
Require consistent treatment and provide basis allocation rules for transfers of intangibles in certain nonrecognition transactions	2	66	83	86	90	95	420
Modify tax treatment of downstream mergers	14	42	55	59	63	67	286
Modify partnership distribution rules	–28	131	162	173	162	147	775
Deny change in method treatment to tax-free formations	6	94	64	65	67	70	360
Repeal installment method for accrual basis taxpayers	....	685	757	438	114	16	2,010
Deny deduction for punitive damages	16	88	124	130	137	143	622
Apply uniform capitalization rules to tollers	....	25	39	40	42	21	167
Provide consistent amortization periods for intangibles	....	–219	–189	48	255	435	330
Clarify recovery period of utility grading costs	9	30	49	61	69	75	284
Require recapture of policyholder surplus accounts	....	134	222	219	217	215	1,007
Modify rules for capitalizing policy acquisition costs of life insurance companies	....	379	977	946	914	880	4,096
Subject investment income of trade associations to tax	....	172	294	309	325	341	1,441
Restore phaseout of unified credit for large estates	....	27	61	66	72	76	302
Require consistent valuation for estate and income tax purposes	....	3	8	13	17	22	63
Require basis allocation for part sale/part gift transactions	....	2	3	4	5	6	20
Conform treatment of surviving spouses in community property States	3	15	33	46	59	72	225
Expand section 864(c)(4)(B) to interest and dividend equivalents	....	9	15	16	16	17	73
Recapture overall foreign losses when CFC stock is disposed	....	6	6	6	6	7	31
Increase elective withholding rate for nonperiodic distributions from deferred compensation plans	....	42	2	2	2	2	50
Increase section 4973 excise tax for excess IRA contributions	....	1	12	12	13	14	52
Limit pre-funding of welfare benefits for 10 or more employer plans	....	92	156	159	150	149	706
Subject signing bonuses to employment taxes	....	5	3	3	3	3	17
Expand reporting of cancellation of indebtedness income	....	7	7	7	7	7	35
Require taxpayers to include rental income of residence in income without regard to the period of rental	....	4	11	11	12	12	50
Repeal lower-of-cost-or-market inventory accounting method	18	422	525	431	433	201	2,012
Defer interest deduction and OID on certain convertible debt	2	9	20	32	44	55	160
Modify deposit requirement for FUTA	....	....	....	....	....	....	....
Reinstate Oil Spill Liability Trust Fund tax[1]	26	254	256	257	261	264	1,292
Deny DRD for certain preferred stock	4	13	26	38	52	66	195
Disallow interest on debt allocable to tax-exempt obligations	4	11	17	23	28	33	112
Repeal percentage depletion for non-fuel minerals mined on Federal and formerly Federal lands	....	92	94	96	97	99	478
Modify rules relating to foreign oil and gas extraction income	....	5	65	107	112	118	407
Increase penalties for failure to file correct information returns	....	6	12	15	19	13	65
Tighten the substantial understatement penalty for large corporations	....	....	25	42	43	37	147
Require withholding on certain gambling winnings	....	17	4	1	1	1	24
Simplify foster child definition under EITC	....	....	6	7	7	7	27
Replace sales-source rules with activity-based rules	....	310	540	570	600	630	2,650
Repeal tax-free conversions of large C corporations into S corporations	....	10	32	46	56	68	212
Eliminate the income recognition exception for accrual method service providers	1	32	44	46	48	50	220
Modify structure of businesses indirectly conducted by REITs	4	27	27	27	28	28	137
Modify treatment of closely held REITs	....	24	10	12	14	15	75
Impose excise tax on purchase of structured settlements	6	8	6	3	1	–2	16
Amend 80/20 company rules	28	48	49	51	52	53	253
Modify foreign office material participation exception applicable to inventory sales attributable to nonresident's U.S. office	1	7	10	10	11	11	49
Stop abuse of CFC exception to ownership requirements of section 883	....	4	9	7	5	5	30
Include QTIP trust assets in surviving spouse's estate	....	....	2	2	2	2	8
Eliminate non-business valuation discounts	....	206	425	443	477	494	2,045

Table 3–3. EFFECT OF PROPOSALS ON RECEIPTS—Continued

(In millions of dollars)

	1999	Estimate 2000	2001	2002	2003	2004	2000–2004
Eliminate gift tax exemption for personal residence trusts	....	–1	–1	–1	3	12	12
Increase proration percentage for P&C insurance companies	....	–4	49	64	87	107	303
Subtotal, other proposals	217	3,693	5,574	5,617	5,676	5,652	26,212
Subtotal, eliminate unwarranted benefits and adopt other revenue measures [1]	**334**	**4,744**	**6,859**	**7,090**	**7,303**	**7,390**	**33,386**
Other provisions that affect receipts:							
Reinstate environmental tax on corporate taxable income [2]	....	794	460	463	476	481	2,674
Reinstate Superfund excise taxes [1]	109	738	747	756	766	778	3,785
Convert Airport and Airway Trust Fund taxes to a cost-based user fee system [1]	....	1,122	1,184	1,091	1,007	910	5,314
Receipts from tobacco legislation [1]	–77	7,987	7,105	6,589	6,418	6,400	34,499
Assess fees for examination of bank holding companies and State-chartered member banks (receipt effect) [1]	....	82	86	90	94	98	450
Restore premiums for United Mine Workers of America Combined Benefit Fund	8	15	14	13	12	12	66
Assess mortgage transaction fees for flood hazard determination [1]	....	58	59	62	65	68	312
Replace Harbor Maintenance tax with the Harbor Services User Fee (receipt effect) [1]	....	–472	–505	–541	–578	–619	–2,715
Allow members of the clergy to revoke exemption from Social Security and Medicare coverage	....	5	8	10	10	11	44
Create solvency incentive for State unemployment trust fund accounts [1]	....	224	312	96	....	....	632
Subtotal, other provisions that affect receipts [1]	**40**	**10,553**	**9,470**	**8,629**	**8,270**	**8,139**	**45,061**
Total effect of proposals [1]	**–296**	**11,168**	**8,665**	**9,102**	**8,684**	**8,199**	**45,818**

* $500,000 or less.

[1] Net of income offsets.

[2] Net of deductibility for income tax purposes.

Table 3–4. RECEIPTS BY SOURCE

(In millions of dollars)

Source	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Individual income taxes (federal funds):							
Existing law	828,586	869,160	902,059	918,399	947,596	975,721	1,022,940
Proposed Legislation (PAYGO)	....	–144	–1,484	–5,181	–4,277	–4,516	–4,727
Legislative proposal, discretionary offset	....	–71	–834	–741	–569	–502	–478
Total individual income taxes	**828,586**	**868,945**	**899,741**	**912,477**	**942,750**	**970,703**	**1,017,735**
Corporation income taxes:							
Federal funds:							
Existing law	188,598	182,346	186,496	192,604	199,217	207,884	217,189
Proposed Legislation (PAYGO)	....	–123	2,056	3,452	3,679	3,837	3,662
Legislative proposal, discretionary offset	....	–13	–418	–208	–171	–151	–138
Total Federal funds corporation income taxes	188,598	182,210	188,134	195,848	202,725	211,570	220,713
Trust funds:							
Hazardous substance superfund	79	....	....	....	....	....	....
Legislative proposal, discretionary offset	....	....	1,222	707	713	732	740
Total corporation income taxes	**188,677**	**182,210**	**189,356**	**196,555**	**203,438**	**212,302**	**221,453**
Social insurance and retirement receipts (trust funds):							
Employment and general retirement:							
Old-age and survivors insurance (Off-budget)	358,784	383,176	398,777	412,564	428,922	446,411	464,104
Proposed Legislation (non-PAYGO)	....	....	3	6	8	8	9
Disability insurance (Off-budget)	57,015	60,860	66,534	70,065	72,833	75,804	78,813
Proposed Legislation (non-PAYGO)	....	....	....	1	1	1	1
Hospital insurance	119,863	127,363	131,982	136,933	142,483	148,429	154,624
Proposed Legislation (PAYGO)	....	....	2	2	2	2	2
Railroad retirement:							
Social Security equivalent account	1,769	1,685	1,720	1,749	1,769	1,792	1,813
Rail pension and supplemental annuity	2,583	2,656	2,693	2,750	2,789	2,824	2,848
Total employment and general retirement	540,014	575,740	601,711	624,070	648,807	675,271	702,214
On-budget	124,215	131,704	136,397	141,434	147,043	153,047	159,287
Off-budget	415,799	444,036	465,314	482,636	501,764	522,224	542,927
Unemployment insurance:							
Deposits by States [1]	21,047	22,208	23,464	24,689	26,165	25,934	26,371
Proposed Legislation (PAYGO)	....	....	280	390	120	....	....
Federal unemployment receipts [1]	6,369	6,446	6,536	6,557	6,650	6,699	6,773
Proposed Legislation (PAYGO)	....	....	....	....	....	....	....
Railroad unemployment receipts [1]	68	111	77	37	70	124	130
Total unemployment insurance	27,484	28,765	30,357	31,673	33,005	32,757	33,274
Other retirement:							
Federal employees' retirement—employee share	4,259	4,248	4,396	4,493	4,482	3,912	3,659
Non-Federal employees retirement [2]	74	71	65	60	54	44	39
Total other retirement	4,333	4,319	4,461	4,553	4,536	3,956	3,698
Total social insurance and retirement receipts	**571,831**	**608,824**	**636,529**	**660,296**	**686,348**	**711,984**	**739,186**
On-budget	156,032	164,788	171,215	177,660	184,584	189,760	196,259
Off-budget	415,799	444,036	465,314	482,636	501,764	522,224	542,927
Excise taxes:							
Federal funds:							
Alcohol taxes	7,215	7,240	7,249	7,251	7,235	7,220	7,207
Tobacco taxes	5,657	5,028	6,264	6,705	7,370	7,575	7,553
Legislative proposal, discretionary offset	....	185	1,441	906	217	....	....
Transportation fuels tax	589	811	717	735	720	739	746
Telephone and teletype services	4,910	5,213	5,489	5,780	6,097	6,439	6,801
Ozone depleting chemicals and products	98	52	26	13	3	....	....
Other Federal fund excise taxes	3,196	–564	1,766	1,721	1,686	1,606	1,607

Table 3–4. RECEIPTS BY SOURCE—Continued

(In millions of dollars)

Source	1998 Actual	Estimate 1999	2000	2001	2002	2003	2004
Proposed Legislation (PAYGO)	....	8	13	15	16	18	19
Legislative proposal, discretionary offset	....	–381	381	....	....	....	....
Total Federal fund excise taxes	21,665	17,592	23,346	23,126	23,344	23,597	23,933
Trust funds:							
Highway	26,628	38,464	33,097	33,642	34,252	34,890	35,539
Airport and airway	8,111	10,397	9,251	9,693	10,441	11,060	11,736
Legislative proposal, discretionary offset	....	....	1,496	1,579	1,455	1,341	1,214
Aquatic resources	290	376	334	340	377	381	398
Black lung disability insurance	636	638	656	674	690	705	720
Inland waterway	91	102	105	107	109	111	113
Hazardous substance superfund	....	....	....	....	....	....	....
Legislative proposal, discretionary offset	....	147	985	996	1,008	1,022	1,037
Oil spill liability	....	....	....	....	....	....	....
Proposed Legislation (PAYGO)	....	35	339	341	344	348	351
Vaccine injury compensation	116	112	113	114	116	116	117
Leaking underground storage tank	136	212	180	183	187	190	194
Total trust funds excise taxes	36,008	50,483	46,556	47,669	48,979	50,164	51,419
Total excise taxes	**57,673**	**68,075**	**69,902**	**70,795**	**72,323**	**73,761**	**75,352**
Estate and gift taxes:							
Federal funds	24,076	25,932	26,740	27,880	29,979	31,046	33,318
Proposed Legislation (PAYGO)	....	....	232	487	510	554	584
Total estate and gift taxes	**24,076**	**25,932**	**26,972**	**28,367**	**30,489**	**31,600**	**33,902**
Customs duties:							
Federal funds	17,585	17,110	18,941	19,953	21,219	22,767	24,663
Proposed Legislation (PAYGO)	....	–112	–645	–48	125	119	115
Trust funds	712	656	697	744	792	844	901
Legislative proposal, discretionary offset	....	....	–629	–674	–721	–771	–825
Total customs duties	**18,297**	**17,654**	**18,364**	**19,975**	**21,415**	**22,959**	**24,854**
MISCELLANEOUS RECEIPTS: [3]							
Miscellaneous taxes	112	120	123	126	128	131	134
Receipts from tobacco legislation (discretionary offset)	....	165	6,525	6,426	6,426	6,418	6,400
United Mine Workers of America combined benefit fund	340	281	291	282	275	270	263
Proposed Legislation (PAYGO)	....	8	15	14	13	12	12
Deposit of earnings, Federal Reserve System	24,540	26,354	25,121	26,008	26,941	27,973	28,896
Proposed Legislation (PAYGO)	....	....	110	115	120	125	130
Defense cooperation	....	6	6	6	6	6	6
Fees for permits and regulatory and judicial services	5,560	5,629	7,752	9,713	14,244	14,620	15,033
Proposed Legislation (PAYGO)	....	....	78	80	83	87	91
Fines, penalties, and forfeitures	1,925	1,962	1,963	1,984	1,968	1,977	1,988
Gifts and contributions	222	206	181	134	128	131	129
Refunds and recoveries	–41	–37	–37	–37	–37	–37	–37
Total miscellaneous receipts	**32,658**	**34,694**	**42,128**	**44,851**	**50,295**	**51,713**	**53,045**
Total budget receipts	**1,721,798**	**1,806,334**	**1,882,992**	**1,933,316**	**2,007,058**	**2,075,022**	**2,165,527**
On-budget	1,305,999	1,362,298	1,417,678	1,450,680	1,505,294	1,552,798	1,622,600
Off-budget	415,799	444,036	465,314	482,636	501,764	522,224	542,927
MEMORANDUM							
Federal funds	1,113,467	1,146,637	1,200,714	1,224,894	1,271,291	1,312,435	1,374,499
Trust funds	385,631	413,274	426,370	443,257	461,895	479,001	496,908
Interfund transactions	–193,099	–197,613	–209,406	–217,471	–227,892	–238,638	–248,807
Total on-budget	**1,305,999**	**1,362,298**	**1,417,678**	**1,450,680**	**1,505,294**	**1,552,798**	**1,622,600**
Off-budget (trust funds)	**415,799**	**444,036**	**465,314**	**482,636**	**501,764**	**522,224**	**542,927**

Table 3–4. RECEIPTS BY SOURCE—Continued

(In millions of dollars)

Source	1998 Actual	Estimate 1999	2000	2001	2002	2003	2004
Total	**1,721,798**	**1,806,334**	**1,882,992**	**1,933,316**	**2,007,058**	**2,075,022**	**2,165,527**

[1] Deposits by States cover the benefit part of the program. Federal unemployment receipts cover administrative costs at both the Federal and State levels. Railroad unemployment receipts cover both the benefits and adminstrative costs of the program for the railroads.

[2] Represents employer and employee contributions to the civil service retirement and disability fund for covered employees of Government-sponsored, privately owned enterprises and the District of Columbia municipal government.

[3] Includes both Federal and trust funds.

4. USER FEES AND OTHER COLLECTIONS

The Federal Government sometimes charges user fees to those who directly benefit from a particular activity. The term "user fee" is defined as fees, charged, and assessments levied on a class directly benefitting from, or subject to regulation by, a government program or activity, to be utilized solely to support the program or activity. In addition, the payers of the fee must be limited to those benefitting from, or subject to regulation by, the program or activity, and may not include the general public or a broad segment of the public. The user fee must be authorized for use only to fund the specified programs or activities for which they are charged, including directly associated agency functions, not for unrelated programs or activities and not for the broad purposes of the Government or an agency.

User fees include: collections from non-Federal sources for goods and services provided (such as the sale of postage stamps and electricity); voluntary payments to social insurance programs (such as Medicare Part B premiums); miscellaneous customs fees (such as United States Customs Service merchandise processing fees); and certain specific taxes and duties (such as collections for agricultural quarantine inspection).

The term "user fee" is not a separate budget category for collections. Depending primarily on whether the user charge is based on the Government's sovereign power or business-type activity, it may be classified as a governmental receipt, or as an offsetting collection. User fees classified as governmental receipts are included along with the taxes and other governmental receipts discussed in the previous chapter. Those fees classified as offsetting collections are subtracted from gross outlays. The purpose of this treatment is to produce budget totals for receipts, outlays, and budget authority in terms of the amount of resources allocated governmentally, through collective political choice rather than through the market.

Offsetting collections are classified into two major categories: offsetting receipts, which are deposited in receipt accounts; and offsetting collections credited to appropriations (expenditure) accounts, which are deposited directly in these accounts and usually can be spent without further action by the Congress. Both categories include collections from other accounts within the Government as well as the public. While most offsetting receipts and collections result from business-like activity or are collected from other Government accounts, some result from the Government's sovereign or governmental powers and would be classified as governmental receipts but are required by law to be treated as offsetting. Chapter 23, "Budget System and Concepts," explains the budgetary treatment of these collections more fully.

Not all offsetting collections are user fees. User fees do not include collections from other Federal accounts; collections deposited in general fund receipt accounts; collections associated with credit programs; realizations upon loans and investments; interest, dividends, and other earnings; involuntary payments to social insurance programs; excise taxes; customs duties; fines, penalties, and forfeitures; cost sharing contributions; proceeds from asset sales (property, plant, and equipment); Outer Continental Shelf receipts; spectrum auction proceeds; and Federal Reserve earnings.

As shown in Table 4–1, total user fee collections (including those proposed in this budget) are estimated to be $146.9 billion in 2000, rising to $170.1 billion in 2004. User fee collections by the United States Postal Service, Medicare premiums, service charges on foreign military sales, the Tennessee Valley Authority and other power marketing agencies, and fees collected by the Department of Defense at commissaries, for housing, and for other miscellaneous activities are estimated to be nearly 80 percent of all existing user fee collections.

User fee collections are used to offset outlays in both the discretionary and mandatory categories of the budget. User fee collections are estimated to provide $17.4 billion to offset discretionary spending. These offsets include both offsetting collections credited directly to appropriations accounts and collections credited to offsetting receipt accounts. The Administration is proposing to augment offsetting collections available for discretionary spending by making collections from Federal Aviation Administration (FAA) cost-based user fees and the new harbor services fee, approximately $2.1 billion, available for discretionary spending.

Mandatory user fee collections are estimated to provide $127.4 billion in 2000. Of this amount, approximately $126.5 billion offsets mandatory outlays, while the remaining collections, from the Harbor Services fee, would be made available to offset discretionary spending.

A small portion of governmental receipts are considered to be user fee collections. In 2000, an estimated $2.1 billion in governmental receipts are user fees. Of these fees, about 72 percent are part of the proposal that would make FAA's cost-based user fees available to offset discretionary spending. The remaining fees in this category are made available to finance the regulatory program or activity for which they are charged through the appropriations process.

Table 4–3 provides more detail for offsetting receipts collected from the public and includes offsetting receipts collected from other accounts within the Government.

Table 4–1. TOTAL USER FEE COLLECTIONS

(In millions of dollars)

	1998 actual	Estimates						Total 1999–2004
		1999	2000	2001	2002	2003	2004	
Governmental receipts:								
Proposed FAA user fees to replace excise taxes [1]	....	....	1,496	1,579	1,455	1,341	1,214	7,085
Harbor maintenance and inland waterway fees [2]	622	588	....	....	....	....	....	588
Agricultural quarantine inspection fees	152	160	219	232	239	246	253	1,349
FEMA, flood map modernization	....	....	78	80	83	87	91	419
Other governmental receipt user fees	223	244	295	298	303	304	308	1,508
Total, governmental receipts	997	992	2,088	2,189	2,080	1,978	1,866	10,201
Offsetting collections by function and category:								
Discretionary								
National Defense, Housing and commissary fees paid by military personnel and other fees	7,594	7,313	7,253	7,255	7,239	7,239	7,239	43,538
Energy, Nuclear Regulatory Commission, Federal Energy Regulatory Commission and other fees	814	858	870	870	870	870	870	5,208
Science, Reimbursement for the use of NASA services	682	863	838	838	838	838	838	5,053
Commerce and Housing Credit, Patent and Trademark Office, Federal Communications Commission, Securities and Exchange Commission and other fees	1,754	1,703	1,931	1,914	1,906	1,893	1,829	11,176
Transportation, Panamal Canal and other fees	884	896	434	558	558	558	558	3,562
Health, Food and Drug Administration, Health Care Financing Administration, food safety and other fees	404	400	1,202	1,202	1,202	1,202	1,202	6,410
Veterans, medical care and other fees	700	641	765	929	1,146	1,153	1,179	5,813
Justice, Customs, bankruptcy and other fees	259	283	771	771	771	771	771	4,138
General Government, Bureau of Engraving and Printing, U.S. Mint and IRS fees	1,573	1,821	1,848	1,848	1,848	1,848	1,848	11,061
All other functions, discretionary	753	944	1,444	1,448	1,449	1,451	1,453	8,189
Total discretionary offsetting collections	15,417	15,722	17,356	17,633	17,827	17,823	17,787	104,148
Mandatory								
International, Service charges on foreign military sales	14,135	13,280	12,690	12,140	12,050	9,720	8,610	68,490
Energy, Tennessee Valley Authority and other power marketing fees	10,046	8,951	9,136	9,332	9,325	9,531	9,795	56,070
Natural resources and the environment:								
Harbor Services fees [2]	....	966	963	960	996	1,014	4,899	
Recreation and admission fees and other fees	649	629	651	661	697	706	724	4,068
Subtotal, Natural resources and environmental fees	649	629	1,617	1,624	1,657	1,702	1,738	8,967
Agriculture, Crop insurance premiums, inspection, grading and other fees	801	1,080	1,125	1,166	1,200	1,240	1,285	7,096
Commerce and Housing Credit:.								
United States Postal Service	59,757	62,639	65,036	67,900	71,000	74,000	77,000	417,575
Deposit Insurance and other fees	900	698	834	944	1,075	1,353	1,690	6,594
Subtotal, Commerce and housing credit	60,657	63,337	65,870	68,844	72,075	75,353	78,713	424,192
Community development, Flood insurance and other fees	1,355	1,461	1,560	1,666	1,773	1,887	2,018	10,365
Health, Federal Employee Health Benefits and other fees	4,492	4,845	5,489	6,011	6,519	7,066	7,585	37,515
Medicare premiums	20,747	21,299	22,834	25,279	27,615	30,647	32,939	160,613
Income Maintenance, Pension Benefit Guaranty Corporation, Federal employees life insurance premiums	1,930	1,965	2,163	2,331	2,461	2,601	2,733	14,254
Veterans, Insurance premiums and other fees	1,739	1,706	1,683	1,643	1,603	1,566	1,525	9,726
Justice, Immigration, Customs and other justice fees	2,430	2,542	2,794	2,837	2,895	2,976	3,039	17,083
All other functions, mandatory	406	455	1,424	1,428	1,414	1,452	1,496	7,669
Total mandatory offsetting collections	119,387	121,550	127,419	133,338	139,627	144,745	150,439	817,118
Total offsetting collections	**134,804**	**137,272**	**144,775**	**150,971**	**157,454**	**162,568**	**168,226**	**921,266**
Total, User fees	**135,801**	**138,264**	**146,863**	**153,160**	**159,534**	**164,546**	**170,092**	**932,459**

[1] Gross revenue increase from proposed fees. Current aviation excise taxes, which are not user fees, will gradually be converted to cost-based user fees. While considered governmental receipts, the following proceeds from the fees, net of income tax offsets, would be made available to offset discretionary spending:

	1998	1999	2000	2001	2002	2003	2004	1999–04
FAA collections available for spending	....	....	1,122	1,184	1,091	1,007	910	5,314

[2] The Budget proposes to convert proceeds to offsetting collections. While the fee collection will be mandatory, proceeds from the fee will be made available to offset discretionary spending.

Why User Fees?

- The term "user fee" refers to Government charges to those who use a Government good or service or are subject to Government regulation. For example:
  —Park entrance fees charged to visitors to national parks
  —Meat, poultry, and egg inspection fees
  —Tennessee Valley Authority proceeds from power sales
  —Proceeds from the lease of Department of Energy buildings and facilities
  —Flood insurance premiums
  —Sales of commemorative coins
- User fees are dedicated to funding part or all of the cost of providing the service or regulation by crediting them to a program account instead of to the general fund of the Treasury.
- User fees are designated as offsetting collections or receipts so that they offset the spending they are designated to fund.
- User fees are different from general revenue, because they are not collected from the general public or broad segments of the public (like income taxes) and they are not used for the general purposes of government (like national defense).
- Users are more willing to support and pay fees when they are dedicated to maintaining or improving the quality of the programs that affect them directly.
- Government program managers may be more diligent about collecting and spending fees when funding for their programs is dependent on fees, instead of guaranteed appropriations of general taxpayer money.
- Administration policy is to shift to user fee funding wherever appropriate. However, essential government services will continue to be supported by general fund appropriations from the Treasury as necessary.
- The Administration's user fee proposals generally require authorizing legislation to authorize the fees first and appropriations action before the fees can actually be collected and spent. This is done to preserve the traditional roles of the authorizing and appropriations committees in Congress and to conform to the "scoring" conventions of the Budget Enforcement Act.

The Budget contains a variety of new and expanded user fee and other collections proposals that would yield $4.2 billion in 2000 and $25.8 billion from 2000 through 2004. These proposals establish, increase, or extend fees in order to recover more of the costs of providing government services. The proposals, would make the program funding levels at least partly dependent on the amount of fees actually collected. Therefore, in many cases, resources available for the program could be greater or less than estimated. Table 4–2 splits the proposals between discretionary and mandatory categories for the appropriate scoring under the Budget Enforcement Act of 1997 (BEA). It includes user fees classified as offsetting collections and governmental receipts.

Table 4–2. PROPOSED USER FEE COLLECTIONS

(In millions of dollars)

Discretionary fee proposals	2000	2001	2002	2003	2004	2000–2004
User Fee Proposals To Offset Discretionary Spending						
Offsetting collections deposited in appropriations accounts:						
Department of Agriculture:						
Food Safety Inspection Service fees	504	504	504	504	504	2,520
Tobacco program support fees	60	60	60	60	60	300
Animal and Plant Health Inspection Service fees	9	9	9	9	9	45
Grain Inspection, Packers, and Stockyards fees	19	19	19	19	19	95
Forest Service timber sales preparation fees	20	20	20	20	20	100
Department of Commerce:						
National Oceanic and Atmospheric Administration Navigational assistance fees	14	14	14	14	14	70
Fisheries management fees	20	20	20	20	20	100
Patent and Trademark Office, indirect health and life insurance cost fee	20	20	20	20	20	100
International Trade Administration, trade promotion service fees	3	3	3	3	3	15
Department of Health and Human Services:						
Food and Drug Administration increased user fees	17	17	17	17	17	85
Health Care Financing Administration fee proposals:.						
Physician, provider, and supplier enrollment registration fees	20	20	20	20	20	100
Managed care organization application and renewal fees	37	37	37	37	37	185
Initial provider certification fees	10	10	10	10	10	50
Provider recertification fees	55	55	55	55	55	275
Paper claims submission fees	55	110	110	110	110	495
Duplicate and unprocessable claims fees	18	36	36	36	36	162
Increase Medicare+Choice fees	50	50	50	50	50	250
Department of Justice:						
Increase Bankruptcy filing fee	28	28	28	28	28	140
Department of Labor:						
Alien Labor Certification fees	65	65	65	65	65	325
Employment Tax Credit fees	20	20	20	20	20	100
Department of Transportation:						
Coast Guard, navigational services fees	41	165	165	165	165	701

Table 4–2. PROPOSED USER FEE COLLECTIONS—Continued

(In millions of dollars)

Discretionary fee proposals	2000	2001	2002	2003	2004	2000–2004
Hazardous Material Transportation safety fee	18	18	18	18	18	90
Surface Transportation Board fees	14	14	14	14	14	70
Department of the Treasury:						
Customs, air and sea passenger fee	312	312	312	312	312	1,560
Customs, access fee	163	163	163	163	163	815
Army Corps of Engineers:						
Regulatory program fees	7	7	7	7	7	35
National Transportation Safety Board:						
Commercial accident investigation fees	10	10	10	10	10	50
Subotal, Offsetting collections deposited in appropriations accounts	1,608	1,806	1,806	1,806	1,806	8,833
Offsetting collections deposited in receipt accounts:						
Department of Transportation:						
Federal Railroad Administration, rail safety inspection fees	88	88	88	88	88	440
Department of Housing and Urban Development:						
Government Sponsored Enterprise (GSE) oversight fees	10	10	10	10	10	50
Environmental Protection Agency:						
Pre-Manufacture Notice (PMN) fee	4	8	8	8	8	36
Pesticide Registration Fees	16	16	16	16	16	80
Federal Communications Commission:						
Analog spectrum lease fee	200	200	200	200	200	1,000
Nuclear Regulatory Commission:						
Extend NRC user fees	300	300	300	300	300	1,500
Social Security Administration:						
Social Security Administration, claimant representative fees	19	19	19	19	19	95
Subotal, offsetting collections deposited in receipt accounts	637	641	641	641	641	3,201
Mandatory collections made available to offset discretionary spending:						
Department of Transportation:						
Federal Aviation Administration, proposed user fees[1]	1,496	1,579	1,455	1,341	1,214	7,085
Army Corps of Engineers:						
Harbor Services Fees (Replacing Harbor Maintenance Tax[2]	337	296	245	231	248	1,357
Subtotal, mandatory collections available to offset discretionary	1,833	1,875	1,700	1,572	1,462	8,442
Total, user fees to offset discretionary spending	**4,078**	**4,322**	**4,147**	**4,019**	**3,909**	**20,476**
User Fee Proposals to Offset Mandatory Spending						
Offsetting collections deposited in appropriations accounts:						
Federal Deposit Insurance Corporation:						
FDIC State Bank exam fees	84	88	91	95	100	458
Offsetting collections deposited in receipt accounts:						
Department of Health and Human Services:						
Medicare Premiums	–135	275	482	560	686	1,868
Department of Agriculture:						
Forest Service, increased recreation and entrance fees	....	....	24	34	44	102
Department of the Interior:						
Increased recreation and entrance fees	....	68	70	72	210	
Filming and special use permits	3	3	4	4	5	19
Hardrock mining production fees	....	8	26	26	26	86
Department of Justice:						
Increase Immigration user fee	121	128	135	142	150	676
Department of the Treasury:						
Extend Customs conveyance and passenger fees	....	....	....	....	497	497
Extend Customs merchandise processing fees	....	....	....	....	1,025	1,025
Subotal, offsetting collections deposited in receipt accounts	–11	414	739	836	2,505	4,483
Total, user fee proposals to offset mandatory spending	**73**	**502**	**830**	**931**	**2,605**	**4,941**
Collections deposited to governmental receipt accounts:						
Federal Emergency Management Agency:						
Mortgage transaction fees for flood plain certification[3]	75	76	77	78	80	386
Total, user fee proposals	**4,226**	**4,900**	**5,054**	**5,028**	**6,594**	**25,803**

[1] Gross revenue increase from proposed fees. Current aviation excise taxes, which are not user fees, will gradually be converted to cost-based user fees. While considered governmental receipts, the following proceeds from the fees, net of income tax offsets, would be made available to offset discretionary spending:

	1998	1999	2000	2001	2002	2003	2004	1999–04
FAA collections available for spending	....	....	1,122	1,184	1,091	1,007	910	5,314

[2] Collections shown for the Harbor Services user fee represent the increase in receipts over current law collections remaining after collections from exporters were halted.

[3] Represents the gross revenue. Approximately $58 million would be available to spend in FY 2000.

Discretionary offsetting collections:

The following proposed fees are classified as discretionary because they would result from provisions in appropriations acts. In most cases, the Administration will propose authorizing legislation to establish, increase, or extend fees. However, the legislation will make both the fee collection and spending contingent on appropriations action, so that both can be scored as discretionary. The budget includes the appropriations language needed to trigger the fee collection. When the user fees are enacted, they will finance part or all of the cost of the affected programs in lieu of some amount of the general fund appropriation for the program. While the appropriations language proposed under current law includes the full amount of funding needed for the program, the trigger language would reduce that amount upon enactment of the fee authorization. (If general fund appropriations were not reduced, the total resources provided would exceed the funding requirements for the programs.)

Collections from the following proposals are to be deposited directly in appropriations accounts:

DEPARTMENT OF AGRICULTURE

Food Safety and Inspection Service meat, poultry and egg inspection fee.—The 2000 Budget proposes a new user fee for the Department of Agriculture's Food Safety and Inspection Service (FSIS). Under the proposed fee, the meat, poultry and egg industries would be required to reimburse the Federal government for the cost of the salaries and benefits and other direct costs for all in-plant inspection. The proposal would transfer the cost of Federal inspection services to the industries that directly benefit, and would ensure that sufficient resources are available to provide the level of in-plant inspection necessary to meet the demands of industry. The cost of the user fee would amount to less than one cent per pound of meat inspected.

Tobacco program support fees.—The 2000 Budget proposes to extend and increase the marketing assessment on price supported tobacco and on similar imported tobacco. The current assessment equal to 1 percent of the support price expires with the 1998 crop year. The assessment on domestic tobacco is equally divided between producers and purchasers, while importers pay the entire assessment on imported tobacco. The proposal would extend the assessment to 2000 and thereafter at a rate of about two percent of the support price. The current rate of 0.5 percent of the support price paid by producers would be continued, while purchasers and importers would be assessed at an increased rate. The assessment would raise revenues equivalent to the estimated costs incurred by the Agriculture Department's for activities that support the production and marketing of tobacco.

Animal and Plant Health Inspection Service (APHIS).—The budget proposes to establish fees to cover the cost of providing animal welfare inspections to recipients of APHIS services such as animal research centers, humane societies, and kennels. Fees would also be established to cover the cost of issuing biotechnology certificates to firms that manufacture products derived through biotechnological innovation.

Grain Inspection, Packers and Stockyards Administration (GIPSA) licensing fees.—The budget proposes to charge the grain industry GIPSA's costs to review and maintain standards (such as grain quality and classification) used by the grain industry. In addition, an annual licensing fee is proposed to fund GIPSA activities that ensure the integrity of the livestock, meat and poultry market and marketplace, such as fostering open competition, and protecting consumers and businesses from unfair practices.

Forest Service, timber sales preparation fee pilot.—The Administration proposes to require timber companies to reimburse the Forest Service for the costs of timber sales preparation on National Forests. Timber purchasers would bear the direct costs for timber sales preparation (direct costs do not include legal and certain environmental planning costs) for commodity-oriented timber sales.

DEPARTMENT OF COMMERCE

National Oceanic and Atmospheric Administration (NOAA), navigational assistance fees.—The Administration proposes to levy a fee on U.S. and foreign commercial cargo carriers to recover the cost of navigational assistance services, such as nautical charting, provided by NOAA.

Fisheries management fees.—The budget proposes to levy a fee to recover a portion of the costs of providing fisheries management and enforcement services.

Patent and Trademark Office indirect cost fees.—The Administration proposes to increase Patent and Trademark Office fees to cover the costs associated with current PTO employees' post-retirement health and life insurance. Under current law, the FY 2000 program level is expected to impose $20 million in future costs on the Federal Treasury. Collections from the fee increase would be transferred to the Office of Personnel Management.

Trade promotion services fees.—The Administration proposes to charge U.S. businesses for counseling and other promotional services provided by the International Trade Administration.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Food and Drug Administration (FDA) fees.—The budget seeks $17 million in new fees to finance FDA activities for the review of medical device applications, food additive petitions, and pre-market notifications for food contact substances. These fees will be used to augment current funding for these activities.

Health Care Financing Administration (HCFA).—These proposals would establish fees for a variety of activities associated with the Medicare Program, including:

Physician, provider, and supplier enrollment registration fees.—The Administration proposes to charge physicians, providers, and suppliers an initial enrollment fee and a renewal fee in order to participate in the Medicare program. Physicians would be required to re-enroll every 5 years. Durable medical equipment suppliers, hospitals, skilled nursing facilities, home health agencies, and all other providers would be required to re-enroll every 3 years. Proceeds from the fee would be used to offset Contractor funding related to enrollment costs.

Managed care organization application and renewal fees.—The Administration proposes to charge managed care organizations a fee to cover the cost of reviewing initial applications and renewing annual contracts with Medicare. Proceeds from this fee would be used to offset Federal Administration funding related to managed care organization applications and renewals.

Initial provider certification fee.—The Administration proposes to levy a fee on providers (e.g., home health agencies and skilled nursing facilities) who wish to enter the Medicare program. The fee would vary by type of provider. Proceeds from this fee would be used to offset survey and certification funding.

Provider recertification fee.—The Administration proposes to levy a fee on providers who are recertified for the Medicare program. By statute, skilled nursing facilities must be surveyed every year, home health agencies every three years, and other providers about once every ten years. The fee would be charged every year to spread the costs of the certification program over time. Proceeds from this fee would be used to offset survey and certification funding.

Paper claims submission fee.—The Administration proposes to charge providers $1.00 for every paper claim submitted for payment because of the additional cost of processing paper rather than electronic claims. Rural providers and very small providers who may not be able to purchase the necessary hardware to comply with electronic claims transmission would be exempt from the fee. Proceeds from the fee would be used to offset Contractor funding related to claims processing.

Duplicate and unprocessable claims fees.—The Administration proposes to charge Medicare providers $1.00 for each duplicate and unprocessable claim submitted for payment to the Health Care Financing Administration. Proceeds from the fee would be used to offset Contractor funding related to claims processing.

Increase in the Medicare+Choice fee.—The Administration proposes to increase the fee on Medicare+Choice plans by $50 million in FY 2000. The fee was authorized at $100 million in the Balanced Budget Act of 1997. This increase would be used to maintain the current level of effort in providing information to Medicare beneficiaries regarding the Medicare+Choice program.

DEPARTMENT OF JUSTICE

Bankruptcy filing fee.—The Administration proposes to increase the filing fee for cases filed under chapters 7 (liquidation) and 13 (wage earner repayment) of the Bankruptcy Code by $25, from $130 to $155, with the increased collections to be used by the U.S. Trustee Program. This would allow the program to continue to be funded entirely through bankruptcy fees. The U.S. trustees supervise the administration of bankruptcy cases and private trustees in the Federal Bankruptcy Courts. The program currently receives $30 of the $130 filing fee.

DEPARTMENT OF LABOR

Alien labor certification fee.—The proposal would establish a new fee, charged to businesses, for processing of alien labor certification applications by the Department of Labor. The fee proceeds would offset the costs of administering and enforcing the alien labor program, and provide reemployment and training assistance to U.S. workers who have been dislocated from their jobs.

Employment tax credit fees.—The proposal would establish a new fee, charged to businesses, for processing requests for certifications under the Work Opportunity Tax Credit and the Welfare-to-Work Tax Credit. These fees would be used to cover the State administrative costs of certifying the eligibility of new hires under these tax credits.

DEPARTMENT OF TRANSPORTATION

Coast Guard, navigational assistance fee.—The Administration proposes to levy a fee on U.S. and foreign commercial cargo carriers for the use of Coast Guard navigational assistance services. Navigational assistance services include the placement and maintenance of buoys and other short-range aids-to-navigation, radio navigation, and vessel traffic services. Fishing and recreational vessels would be exempt.

Federal Railroad Administration, rail safety inspection fees.—This proposed would offset the costs of the Federal Railroad Administration's safety inspection program. An estimated $88 million in fees would be collected from railroad carriers based upon a calculation of their rail usage.

Hazardous Materials Transportation Safety fees.—Beginning late in 2000, hazardous materials transportation safety activities previously financed by general fund appropriations to the Research and Special Programs Administration are proposed to be financed instead by an increase in hazardous materials registration fees. Authorizing legislation will be proposed to increase the fees paid by shippers and carriers of hazardous materials by an estimated $18 million in 2000 to fund these safety activities.

Surface Transportation Board fees.—The Administration proposes to create a fee mechanism to completely offset the expenses of the Surface Transportation Board (STB), the successor to the Interstate Commerce Commission (ICC). The fees would be collected from those who benefit from the continuation of the ICC functions transferred to the STB, i.e. railroads and shippers.

DEPARTMENT OF THE TREASURY

Customs, air/sea passenger fee.—The Administration proposes to increase an existing fee paid by travelers arriving by commercial aircraft and commercial vessels from a place outside of the United States, and to remove certain exemptions from this fee. Proceeds of the fee increase would partially offset Customs costs associated with air and sea passenger processing. Subsequent to the budget, authorization legislation will be transmitted to allow the Secretary to increase the fee paid by air and sea passengers and to remove existing exemptions from this fee.

Customs, automation enhancement fee.—The Administration proposes to establish a fee for the use of Customs automated systems. The fee would be charged to users of any Customs automated system based on the amount of user data input. Proceeds of the fee would offset the costs of modernizing Customs automated commercial operations and an international trade data system, and would be available for obligation after FY 2000. Subsequent to the budget, authorization legislation will be transmitted to allow the Secretary to establish a fee for the use of Customs automated systems.

ARMY CORPS OF ENGINEERS

Regulatory program fees.—The Army Corps of Engineers has not changed the fee structure of its regulatory program since 1977. The Budget proposes to pursue reasonable changes that would reduce the fees paid from many applicants and increase recovery from commercial applicants.

NATIONAL TRANSPORTATION SAFETY BOARD

Commercial accident investigation fees.—To offset a portion of the NTSB's growing cost of commercial accident investigations, a new aviation accident recovery and investigation fee is proposed. This fee, which would be paid by commercial air, motor, ocean, and rail carriers based on a proxy for risk, would collect an estimated $10 million in 2000.

Collections from the following discretionary proposals be deposited in offsetting receipt accounts:

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

GSE Oversight Assessment Fee.—This proposal would assess Fannie Mae and Freddie Mac for the cost incurred by HUD offices (other than the Office of Federal Housing Enterprise Oversight) from regulating the activities of these government-sponsored enterprises. The fee would offset the actual costs incurred by HUD.

ENVIRONMENTAL PROTECTION AGENCY

Pesticide registration fees.—The budget proposes to reinstate pesticide registration fees that are statutorily suspended through 2001. These fees would be used to offset the cost of reviewing applications for pesticide registrations, amendments to registrations, and experimental use permits.

Chemical pre-manufacturing notification (PMN) fees.—The Administration proposes to eliminate the statutory cap on PMN fees and to increase fees charged to chemical producers to recover the cost of reviewing notifications of new chemicals prior to production.

FEDERAL COMMUNICATIONS COMMISSION

Analog spectrum lease fee.—The Administration proposes to set a lease fee on commercial television broadcasters' use of spectrum for analog broadcasting. The lease fee would raise $200 million annually to fund programs in the Department of Justice, the Department of the Treasury, and the Department of the Interior to expand and upgrade public safety wireless communications.

NUCLEAR REGULATORY COMMISSION

Nuclear Regulatory Commission.—Under current law, the NRC must recover 100 percent of its costs from licensing, inspection, and annual fees charged to its applicants and licensees through 1999. Unless the law is extended, the fee covering requirement will revert to 33 percent of NRC's cost of operations. The Administration proposes to extend fees at approximately 100 percent of the NRC's cost of operations through 2004.

SOCIAL SECURITY ADMINISTRATION

Claimant representation fee.—The Budget proposes to impose a fee on persons who represent Supplemental Security Income claimants in administrative or judicial proceedings. This fee is designed to recover the cost of processing attorney fee agreements and determining the allowable charge under the fee petition process. This assessment would be imposed only if the claimant is awarded past due benefits and a fee for representation is approved by the Social Security Administration.

Mandatory Receipts used to offset discretionary spending

In some cases, the Administration is proposing to authorize collections that are not subject to action by the appropriators, while making those collections available to offset discretionary spending. The budget proposes authorizing legislation that will increase governmental or mandatory offsetting receipts. The savings from these proposals would be applied to discretionary spending.

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration (FAA), cost based user fees.—The Budget proposes to reduce the existing aviation excise taxes over time as more efficient, cost-based user fees for air traffic services are phased in beginning in 2000. Under this proposal, the collections each year from the new cost-based user fees and the existing excise taxes combined would be equal to the total budget resources requested for the FAA in each succeeding year. In FY 2000, this proposal would result in the collection of $1.5 billion in additional aviation user charges. These charges will be deposited into a governmental receipt account and be made available for discretionary spending.

ARMY CORPS OF ENGINEERS

Harbor services fees.—The Administration proposes to replace collection of the ad valorem Harbor Maintenance Tax with a cost-based user fee, the Harbor Services User Fee. The user fee will finance construction and operation and maintenance of harbor activities performed by the Army Corps of Engineers, the costs of operating and maintaining the Saint Lawrence Seaway, and the costs of administering the fee. Through appropriations acts, the fee will raise an average of $980 million annually through FY 2004, which is less than would have been raised by the Harbor Maintenance Tax before the Supreme Court decision that the ad valorem tax on exports was unconstitutional. While the collections from the harbor services fee would be mandatory, collections would be available to offset discretionary spending.

Mandatory Fee Proposals

The following new and increased fees are classified as mandatory because they are proposed to be included in authorizing legislation and neither the collection or spending of the fee would be contingent upon appropriations action.

Collections from the following proposal are to be deposited directly an appropriations accounts:

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC)

State bank examination fee.—The Administration proposes to require the FDIC and the Federal Reserve to assess fees for examinations of bank holding companies and state-chartered FDIC-insured banks. The costs of such examinations are currently funded from deposit insurance premiums and Federal Reserve earnings from monetary policy activities. The FDIC fee proceeds would be used to finance the examination operation. The Federal Reserve collections do not meet the technical definition of a user fee, but will be reflected in higher governmental receipts, and are discussed in the preceding chapter on governmental receipts.

Collections from the following proposals are to be deposited in receipt accounts:

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Medicare premiums for retirees under the age of 65 and displaced workers.—The Administration proposes to charge premiums based on an actuarially fair rate to people between the ages of 62 and 65 and displaced workers between 55 and 61 who elect to participate in the Medicare buy-in premium based program. This increase in premium collectons is partially offset by the reduction in premium collections due to the Medicare savings proposals.

DEPARTMENT OF THE INTERIOR AND AGRICULTURE

Increased recreation and entrance fee.—The Administration proposes to permanently extend the current pilot program which expires in 2001. The National Park Service, Fish and Wildlife Service, the Bureau of Land Management, and the Forest Service would be allowed to collect increased recreation and entrance fees and use the receipts without further appropriation for facility improvements and new services. The Forest Service would also be authorized to use collections from existing fees for similar improvements and services.

Hardrock mining production fees.—The Administration proposes to charge mining companies a 5% fee on net smelter production from hard rock mining on Federal Lands.

Filming and special use permits fee.—The Administration proposes to authorize the National Park Service and other land management agencies, including the Department of Agriculture's Forest Service to increase fees for permits to use land and facilities for the making of motion pictures, television productions, still photos, sound tracks and other similar purposes. Collections would be available without further appropriations to cover related Government costs (as currently authorized) and provide a fair return to the Government.

DEPARTMENT OF JUSTICE

Immigration user fee.—The Administration proposes to increase the fee for inspection of passengers at air and seaports by the Immigration and Naturalization Service (INS) by $2.00 to $8.00. The immigration user fee recovers the costs of INS' air and seaport inspection of passengers entering the United States and other activities authorized to be funded by the fee. The current fee of $6.00 per passenger is insufficient to maintain fee operations. In addition, the Administration is proposing to charge $3.00 for the inspection of commercial vessel passengers whose journey originated in Mexico, Canada, the United States or its territories and possession or any adjacent island. This inspection fee would be expanded to cover cruise ship passengers who, in the past, have been exempt from any inspection fee.

DEPARTMENT OF THE TREASURY

Extend Customs conveyance and passenger and merchandise processing fees.—Under existing legislation, the Customs Conveyance/Passenger Fee and the Merchandise Processing Fee will expire on September 30, 2003. The Administration proposes to extend both of these fees starting on October 1, 2003.

The following proposal is classified as mandatory because it will be included in authorizing legislation, and their collection will not be contingent on appropriations language. Collections are recorded as governmental receipts, not as an offset to outlays.

FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)

Mortgage transaction fees for flood hazard determination.—The Administration proposes to establish a $15 on all fee mortgage originations and refinancings to support a multi-year program to update and modernize FEMA's inventory of flood plain maps (100,000 maps). Accurate and easy to use flood hazard maps are essential in determining if a property is located in a flood plain. The maps allow lenders to meet their statutory obligation of requiring the risk-prone homes they insure to carry flood insurance, and allow homeowners to assess their risk of flood damage. These maps are the basis for developing appropriate risk-based flood insurance premium charges, and improved maps will result in a more actuarially sound insurance program.

OFFSETTING RECEIPTS

Table 4–3 itemizes all offsetting collections deposited in receipt accounts. These include payments from one part of the Government to another, called intra-governmental transactions, and collections from the public. These receipts are offset (deducted) from outlays in the Federal budget. In total, offsetting receipts are estimated at $371.3 billion in 2000.

Table 4–3. OFFSETTING RECEIPTS BY TYPE

(In millions of dollars)

Source	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
INTRAGOVERNMENTAL TRANSACTIONS							
On-budget receipts:							
Federal intrafund transactions:							
Distributed by agency:							
Interest from the Federal Financing Bank	4,141	2,736	2,352	2,153	1,996	1,845	1,859
Interest on Government capital in enterprises	1,758	1,443	1,371	1,217	1,093	995	916
Other	4,157	1,656	1,716	1,810	1,908	2,024	2,130
Proposed Legislation (non-PAYGO)	....	....	50	50	50	50	50
Total Federal intrafunds	10,056	5,835	5,489	5,230	5,047	4,914	4,955
Trust intrafund transactions:							
Distributed by agency:							
Payments to railroad retirement	3,819	3,712	3,630	3,528	3,638	3,640	3,636
Other	....	1	1	1	1	1	1
Total trust intrafunds	3,819	3,713	3,631	3,529	3,639	3,641	3,637
Total intrafund transactions	13,875	9,548	9,120	8,759	8,686	8,555	8,592
Interfund transactions:							
Distributed by agency:							
Federal fund payments to trust funds:							
Contributions to insurance programs:							
Military retirement fund	15,119	15,250	15,900	16,500	17,200	17,800	18,600
Supplementary medical insurance	59,919	61,879	68,690	75,479	82,157	89,322	95,276
Proposed Legislation (non-PAYGO)	....	....	–469	–648	–713	–775	–728
Hospital insurance	5,259	7,056	7,091	7,232	7,638	8,088	8,551
Railroad social security equivalent fund	58	94	74	74	75	77	78
Rail industry pension fund	196	195	201	204	207	211	216
Civilian supplementary retirement contributions	21,654	21,952	22,117	22,317	22,559	22,977	23,357
Unemployment insurance	508	473	496	571	574	570	584
Other contributions	383	416	407	408	411	412	420
Proposed Legislation (PAYGO)	....	....	42	....	....	....	....
Miscellaneous payments	568	581	429	436	437	413	405
Subtotal	103,664	107,896	114,978	122,573	130,545	139,095	146,759
Trust fund payments to Federal funds:							
Quinquennial adjustment for military service credits	....	....	....	1,121	....	....	....
Other	1,123	1,062	1,052	1,076	1,103	1,131	1,160
Proposed Legislation (non-PAYGO)	....	....	1,847	....	....	....	....
Subtotal	1,123	1,062	2,899	2,197	1,103	1,131	1,160
Total interfunds distributed by agency	104,787	108,958	117,877	124,770	131,648	140,226	147,919
Undistributed by agency:							
Employer share, employee retirement (on-budget):							
Civil service retirement and disability insurance	8,682	8,817	9,163	9,657	10,073	10,152	10,704
CSRDI from Postal Service	6,109	6,071	6,274	6,451	6,620	6,760	6,849
Hospital insurance (contribution as employer) [1]	1,892	1,957	2,046	2,112	2,223	2,327	2,440
Postal employer contributions to FHI	607	610	638	663	690	718	747
Military retirement fund	10,421	10,534	10,740	10,981	11,268	11,585	11,969
Legislative proposal, discretionary offset	....	....	849	1,058	1,159	1,231	1,270
Other Federal employees retirement	109	114	120	125	131	134	139
Total employer share, employee retirement (on-budget)	27,820	28,103	29,830	31,047	32,164	32,907	34,118
Interest received by on-budget trust funds	67,208	67,160	68,454	69,545	70,826	72,229	73,441
Proposed Legislation (non-PAYGO)	....	73	157	251	369	458	529
Legislative proposal, discretionary offset	....	....	....	93	195	296	396
Total interfund transactions undistributed by agency	95,028	95,336	98,441	100,936	103,554	105,890	108,484
Total interfund transactions	199,815	204,294	216,318	225,706	235,202	246,116	256,403

Table 4–3. OFFSETTING RECEIPTS BY TYPE—Continued

(In millions of dollars)

Source	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Total on-budget receipts	213,690	213,842	225,438	234,465	243,888	254,671	264,995
Off-budget receipts:							
Interfund transactions:							
Distributed by agency:							
Federal fund payments to trust funds:							
Old-age, survivors, and disability insurance	9,140	11,278	10,340	10,818	11,383	12,033	12,785
Undistributed by agency:							
Employer share, employee retirement (off-budget)	7,052	7,355	7,969	8,442	9,102	9,746	10,442
Proposed Legislation (non-PAYGO)	....	....	–264	–271	–261	–260	–261
Interest received by off-budget trust funds	46,629	51,869	56,492	62,107	68,500	75,448	82,749
Total off-budget receipts:	62,821	70,502	74,537	81,096	88,724	96,967	105,715
Total intragovernmental transactions	**276,511**	**284,344**	**299,975**	**315,561**	**332,612**	**351,638**	**370,710**
PROPRIETARY RECEIPTS FROM THE PUBLIC							
Distributed by agency:							
Interest:							
Interest on foreign loans and deferred foreign collections	799	768	638	684	641	706	695
Interest on deposits in tax and loan accounts	1,228	1,050	1,115	1,105	1,105	1,105	1,105
Other interest (domestic—civil) [2]	6,036	7,142	8,149	9,193	10,231	11,264	12,234
Total interest	8,063	8,960	9,902	10,982	11,977	13,075	14,034
Royalties and rents	1,248	1,324	1,368	1,378	1,399	1,420	1,433
Proposed Legislation (PAYGO)	....	....	....	8	26	26	26
Sale of products:							
Sale of timber and other natural land products	461	466	487	466	450	434	433
Sale of minerals and mineral products	237	31	35	35	49	49	20
Sale of power and other utilities	754	733	680	771	766	762	752
Other	28	61	59	51	67	63	54
Total sale of products	1,480	1,291	1,261	1,323	1,332	1,308	1,259
Fees and other charges for services and special benefits:							
Medicare premiums and other charges (trust funds)	20,747	21,299	22,969	25,004	27,127	30,085	32,252
Proposed Legislation (PAYGO)	....	....	–135	275	488	562	687
Nuclear waste disposal revenues	600	642	632	632	631	632	632
Veterans life insurance (trust funds)	217	207	196	184	171	159	147
Other [2]	2,279	1,909	1,890	1,894	1,825	1,831	1,840
Proposed Legislation (non-PAYGO)	....	....	19	19	19	19	19
Proposed Legislation (PAYGO)	....	....	3	3	95	107	120
Legislative proposal, discretionary offset	....	....	966	963	960	996	1,014
Total fees and other charges	23,843	24,057	26,540	28,974	31,316	34,391	36,711
Sale of Government property:							
Sale of land and other real property	58	34	85	70	571	71	70
Proposed Legislation (PAYGO)	....	....	2	4	11	11	11
Military assistance program sales (trust funds)	14,135	13,280	12,690	12,140	12,050	9,720	8,610
Other	146	541	346	177	177	143	83
Total sale of Government property	14,339	13,855	13,123	12,391	12,809	9,945	8,774
Realization upon loans and investments:							
Dollar repayments of loans, Agency for International Development	1	....	....	....	....	....	....
Foreign military credit sales	534	371	....	....	....	....	....
Negative subsidies and downward reestimates	4,300	8,296	933	691	2,491	2,577	2,814
Repayment of loans to foreign nations	134	285	251	252	134	72	80
Other	153	76	78	82	131	111	108
Total realization upon loans and investments	5,122	9,028	1,262	1,025	2,756	2,760	3,002
Recoveries and refunds [2]	3,375	3,844	3,977	4,244	5,416	4,350	4,443
Proposed Legislation (PAYGO)	....	142	168	300	349	276	194
Legislative proposal, discretionary offset	....	....	788	....	....	....	....

Table 4–3. OFFSETTING RECEIPTS BY TYPE—Continued

(In millions of dollars)

Source	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Miscellaneous receipt accounts [2]	2,493	4,730	1,375	1,380	1,379	1,380	1,379
Total proprietary receipts from the public distributed by agency	59,963	67,231	59,764	62,005	68,759	68,931	71,255
Undistributed by agency:							
Other interest: Interest received from Outer Continental Shelf escrow account	3	1,264	9	....	....	....	....
Rents and royalties on the Outer Continental Shelf:							
Rents and bonuses	1,500	846	327	324	248	194	194
Royalties	3,022	2,277	2,452	2,474	2,558	2,479	2,414
Sale of major assets	5,158	....	323	....	....	....	....
Total proprietary receipts from the public undistributed by agency	9,683	4,387	3,111	2,798	2,806	2,673	2,608
Total proprietary receipts from the public [3]	**69,646**	**71,618**	**62,875**	**64,803**	**71,565**	**71,604**	**73,863**
OFFSETTING GOVERNMENTAL RECEIPTS							
Distributed by agency:							
Regulatory fees	2,861	3,164	3,360	3,395	3,360	3,437	1,975
Proposed Legislation (non-PAYGO)	....	....	20	20	20	20	20
Proposed Legislation (PAYGO)	....	....	....	....	....	....	1,522
Other	73	75	77	79	81	6	6
Undistributed by agency:							
Spectrum auction proceeds	2,642	1,447	4,819	2,801	7,065	1,770	775
Proposed Legislation (non-PAYGO)	....	....	200	200	200	200	200
Total offsetting governmental receipts	5,576	4,686	8,476	6,495	10,726	5,433	4,498
Total offsetting receipts	**351,733**	**360,648**	**371,326**	**386,859**	**414,903**	**428,675**	**449,071**

[1] Includes provision for covered Federal civilian employees and military personnel.
[2] Includes both Federal funds and trust funds.
[3] Consists of:

	1998 Actual	*Estimate*					
		1999	*2000*	*2001*	*2002*	*2003*	*2004*
On-budget:							
Federal funds	33,181	32,184	26,053	26,150	30,726	30,097	31,204
Trust funds	36,445	39,414	36,783	38,614	40,800	41,468	42,620
Off-budget	20	20	39	39	39	39	39

5. TAX EXPENDITURES

Tax expenditures are revenue losses due to preferential provisions of the Federal tax laws, such as special exclusions, exemptions, deductions, credits, deferrals, or tax rates. They are alternatives to other policy instruments, such as spending or regulatory programs, as means of achieving Federal policy goals. Tax expenditures are created for a variety of reasons, including to encourage certain activities, to improve fairness, to ease compliance with and administration of the tax system, and to reduce certain tax-induced distortions. The Congressional Budget Act of 1974 (Public Law 93–344) requires that a list of tax expenditures be included in the budget.

The largest tax expenditures tend to be associated with the individual income tax. For example, tax preferences are provided for pension contributions and earnings, employer contributions for medical insurance, mortgage interest payments on owner-occupied homes, capital gains, and payments of State and local individual income and property taxes. Tax expenditures under the corporate income tax tend to be related to the rate of cost recovery for various investments; as is discussed below, the extent to which these provisions are classified as tax expenditures varies according to the conceptual baseline used. Charitable contributions and credits for State taxes on bequests are the largest tax expenditures under the unified transfer (i.e., estate and gift) tax.

Because of potential interactions among provisions, this chapter does not present a grand total revenue loss estimate for tax expenditures. Moreover, past tax changes entailing broad elimination of tax expenditures were generally accompanied by changes in tax rates or other basic provisions, so that the net effects on Federal revenues were considerably (if not totally) offset. Nevertheless, in aggregate, tax expenditures have revenue impacts of hundreds of billions of dollars, and are some of the most important ways in which the Federal Government affects economic decisions and social welfare.

Tax expenditures relating to the individual and corporate income taxes are considered first in this chapter. They are estimated for fiscal years 1998–2004 using three methods of accounting: revenue loss, outlay equivalent, and present value. The present value approach provides estimates of the revenue losses for tax expenditures that involve deferrals of tax payments into the future or have similar long-term effects. Tax expenditures relating to the unified transfer tax are considered in a section at the end of the chapter.

The section in this chapter on Performance Measures and the Economic Effects of Tax Expenditures presents information related to assessment of the effect of tax expenditures on the achievement of program performance goals. This section was prepared under the Government Performance and Results Act of 1993 and is included by reference in the government-wide performance plan required by this Act (see also Sections III, IV, and VI of the Budget volume). Tax expenditures are also discussed in Section VI of the Budget, which considers the Federal Government's spending, regulatory, and tax policies across functional areas.

TAX EXPENDITURES IN THE INCOME TAX

Tax Expenditure Estimates

The Treasury Department prepared all tax expenditure estimates presented here based upon tax law enacted as of December 31, 1998. The analysis includes new tax expenditures that were enacted in the Tax and Trade Relief Extension Act of 1998. Expired or repealed provisions are not listed if their revenue effects result only from taxpayer activity occurring before fiscal year 1998. Due to the time required to estimate the large number of tax expenditures, the estimates are based on mid-session economic assumptions; exceptions are the earned income tax credit and child credit provisions, which involve outlay components and hence are updated to reflect the economic assumptions used elsewhere in the budget.

The total revenue loss estimates for tax expenditures for fiscal years 1998–2004 are displayed by the budget's functional categories in table 5–1. Descriptions of the specific tax expenditure provisions follow the tables of estimates and discussion of general features of the tax expenditure concept.

As in prior years, two baseline concepts—the normal tax baseline and the reference tax law baseline—are used to identify tax expenditures. For the most part, the two concepts coincide. However, items treated as tax expenditures under the normal tax baseline, but not the reference tax law baseline, are indicated by the designation "normal tax method" in the tables. The revenue losses for these items are zero using the reference tax rules. The alternative baseline concepts are discussed in detail following the estimates.

Table 5–2 reports the respective portions of the total revenue losses that arise under the individual and corporate income taxes. Listing revenue loss estimates under the individual and corporate headings does not imply that these categories of filers benefit from the special tax provisions in proportion to the respective tax expenditure amounts shown. Rather, these breakdowns show the specific tax accounts through which the various provisions are cleared. The ultimate beneficiaries of corporate tax expenditures could be stockholders, employees, customers, or others, depending on economic forces.

Table 5–3 ranks the major tax expenditures by fiscal year 2000 revenue loss. This table merges several individual entries provided in table 5–1; for example, table 5–3 contains one merged entry for charitable contributions instead of the three separate entries found in table 5–1.

Interpreting Tax Expenditure Estimates

Tax expenditure revenue loss estimates do not necessarily equal the increase in Federal revenues (or the change in the budget balance) that would result from repealing the special provisions, for the following reasons:

- Eliminating a tax expenditure may have incentive effects that alter economic behavior. These incentives can affect the resulting magnitudes of the formerly subsidized activity or of other tax preferences or Government programs. For example, if deductibility of mortgage interest were limited, some taxpayers would hold smaller mortgages, with a concomitantly smaller effect on the budget than if no such limits were in force.
- Tax expenditures are interdependent even without incentive effects. Repeal of a tax expenditure provision can increase or decrease the revenue losses associated with other provisions. For example, even if behavior does not change, repeal of an itemized deduction could increase the revenue losses from other deductions because some taxpayers would be moved into higher tax brackets. Alternatively, repeal of an itemized deduction could lower the revenue loss from other deductions if taxpayers are led to claim the standard deduction instead of itemizing. Similarly, if two provisions were repealed simultaneously, the increase in tax liability could be greater or less than the sum of the two separate tax expenditures, since each is estimated assuming that the other remains in force. In addition, the estimates reported in Table 5–1 are the totals of individual and corporate income tax revenue losses reported in Table 5–2 and do not reflect any possible interactions between the individual and corporate income tax receipts. For this reason, the figures in Table 5–1 (as well as those in Table 5–5, which are also based on summing individual and corporate estimates) should be regarded as approximations.
- Revenues raised by changes to tax expenditures are sensitive to timing effects and effective dates. Changes in some provisions would yield their full potential revenue gains relatively quickly, whereas changes to other provisions would only gradually yield their full revenue potential, as certain deductions or exemptions would likely be grandfathered.
- The annual value of tax expenditures for tax deferrals is reported on a cash basis in all tables except Table 5–4. Cash-based estimates reflect the difference between taxes deferred in the current year and incoming revenues that are received due to deferrals of taxes from prior years. While such estimates are useful as a measure of cash flows into the Government, they do not accurately reflect the true economic cost of these provisions. For example, for a provision where activity levels have changed, so that incoming tax receipts from past deferrals are greater than deferred receipts from new activity, the cash-basis tax expenditure estimate can be negative, despite the fact that in present-value terms current deferrals do have a real cost to the Government. Alternatively, in the case of a newly enacted deferral provision, a cash-based estimate can overstate the real cost to the Government because the newly deferred taxes will ultimately be received. Present-value estimates, which are a useful supplement to the cash-basis estimates for provisions involving deferrals, are discussed below.
- Repeal of some provisions could affect overall levels of income and rates of economic growth. In principle, repeal of major tax provisions may have some impact on the budget economic assumptions. In general, however, most changes in particular provisions are unlikely to have significant macroeconomic effects.

Present-Value Estimates

Discounted present-value estimates of revenue losses are presented in Table 5–4 for certain provisions that involve tax deferrals or other long-term revenue effects. These estimates complement the cash-based tax expenditure estimates presented in the other tables.

The present-value estimates represent the revenue losses, net of future tax payments, that follow from activities undertaken during calendar year 1999 which cause the deferrals or other long-term revenue effects. For instance, a pension contribution in 1999 would cause a deferral of tax payments on wages in 1999 and on pension earnings on this contribution (e.g., interest) in later years. In some future year, however, the 1999 pension contribution and accrued earnings will be paid out and taxes will be due; these receipts are included in the present-value estimate. In general, this conceptual approach is similar to the one used for reporting the budgetary effects of credit programs, where direct loans and guarantees in a given year affect future cash flows.

Table 5–1. TOTAL REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX

(In millions of dollars)

		Total revenue loss from corporate and individual Income taxes							
		1998	1999	2000	2001	2002	2003	2004	2000–2004
	National Defense:								
1	Exclusion of benefits and allowances to armed forces personnel	2,095	2,120	2,140	2,160	2,180	2,200	2,220	10,900
	International affairs:								
2	Exclusion of income earned abroad by U.S. citizens	1,990	2,235	2,500	2,800	3,125	3,460	3,830	15,715
3	Exclusion of income of foreign sales corporations	2,150	2,250	2,400	2,550	2,700	2,900	3,100	13,650
4	Inventory property sales source rules exception	1,000	1,050	1,100	1,150	1,250	1,350	1,450	6,300
5	Deferral of income from controlled foreign corporations (normal tax method)	5,500	5,800	6,200	6,600	7,000	7,450	7,900	35,150
6	Deferred taxes for financial firms on certain income earned overseas	400	1,075	65	0	0	0	0	65
	General science, space, and technology:								
7	Expensing of research and experimentation expenditures (normal tax method)	260	330	510	610	675	735	765	3,295
8	Credit for increasing research activities	2,125	1,655	980	425	180	60	0	1,645
	Energy:								
9	Expensing of exploration and development costs, fuels	–110	–70	–10	–15	0	30	40	45
10	Excess of percentage over cost depletion, fuels	250	260	265	270	275	280	290	1,380
11	Alternative fuel production credit	860	810	760	720	675	435	125	2,715
12	Exception from passive loss limitation for working interests in oil and gas properties	30	35	35	35	40	40	40	190
13	Capital gains treatment of royalties on coal	60	65	65	70	70	75	80	360
14	Exclusion of interest on energy facility bonds	110	110	110	115	115	115	115	570
15	Enhanced oil recovery credit	140	160	180	210	240	275	320	1,225
16	New technology credit	25	30	35	40	40	35	35	185
17	Alcohol fuel credits [1]	15	15	15	15	15	15	15	75
18	Tax credit and deduction for clean-fuel burning vehicles	75	80	90	95	90	75	60	410
19	Exclusion from income of conservation subsidies provided by public utilities	80	80	80	75	75	75	80	385
	Natural resources and environment:								
20	Expensing of exploration and development costs, nonfuel minerals	25	25	25	25	25	30	30	135
21	Excess of percentage over cost depletion, nonfuel minerals	225	240	245	255	270	280	295	1,345
22	Exclusion of interest on bonds for water, sewage, and hazardous waste facilities	440	440	445	455	455	460	465	2,280
23	Capital gains treatment of certain timber income	60	65	65	70	70	75	80	360
24	Expensing of multiperiod timber growing costs	485	500	510	530	550	570	590	2,750
25	Investment credit and seven-year amortization for reforestation expenditures	10	10	10	10	15	15	15	65
26	Tax incentives for preservation of historic structures	215	235	255	275	285	305	315	1,435
	Agriculture:								
27	Expensing of certain capital outlays	65	70	70	75	75	80	85	385
28	Expensing of certain multiperiod production costs	80	85	85	90	95	100	105	475
29	Treatment of loans forgiven for solvent farmers	10	10	10	10	10	10	10	50
30	Capital gains treatment of certain income	605	630	655	685	715	750	785	3,590
31	Income averaging for farmers	10	75	75	80	80	80	85	400
32	Deferral of gain on sale of farm refiners	10	10	10	10	10	15	15	60
	Commerce and housing:								
	Financial institutions and insurance:								
33	Exemption of credit union income	785	840	905	970	1,040	1,120	1,200	5,235
34	Excess bad debt reserves of financial institutions	70	30	10	5	5	5	0	25
35	Exclusion of interest on life insurance savings	13,465	14,200	14,990	15,810	16,680	17,595	18,840	83,915
36	Special alternative tax on small property and casualty insurance companies	5	5	5	5	5	5	5	25
37	Tax exemption of certain insurance companies owned by tax-exempt organizations	210	225	240	260	275	310	325	1,410
38	Small life insurance company deduction	100	100	100	105	105	110	100	520
	Housing:								
39	Exclusion of interest on owner-occupied mortgage subsidy bonds	860	875	880	885	900	905	915	4,485
40	Exclusion of interest on rental housing bonds	150	150	150	150	155	155	155	765
41	Deductibility of mortgage interest on owner-occupied homes	51,700	52,990	55,100	57,590	60,415	63,425	66,615	303,145
42	Deductibility of State and local property tax on owner-occupied homes	17,770	18,595	19,495	20,535	21,625	22,635	23,645	107,935
43	Deferral of income from post-1987 installment sales	975	995	1,015	1,035	1,055	1,075	1,095	5,275
44	Capital gains exclusion on home sales	17,475	18,000	18,540	19,095	19,670	20,260	20,870	98,435
45	Exception from passive loss rules for $25,000 of rental loss	4,735	4,455	4,215	4,000	3,785	3,575	3,375	18,950
46	Credit for low-income housing investments	3,120	3,225	3,335	3,485	3,540	3,620	3,615	17,595
47	Accelerated depreciation on rental housing (normal tax method)	2,405	2,740	3,095	4,170	4,590	4,495	4,570	20,920
	Commerce:								
48	Cancellation of indebtedness	50	30	20	15	20	20	25	100
49	Exceptions from imputed interest rules	155	160	160	160	165	165	165	815
50	Capital gains (except agriculture, timber, iron ore, and coal) (normal tax method)	38,275	39,415	40,585	41,795	43,035	44,310	45,625	215,350
51	Capital gains exclusion of small corporation stock	0	5	5	5	5	5	5	25
52	Step-up basis of capital gains at death	24,570	25,800	27,090	28,240	29,370	30,545	31,765	147,010
53	Carryover basis of capital gains on gifts	170	175	185	195	205	210	220	1,015
54	Ordinary income treatment of loss from small business corporation stock sale	35	35	35	40	40	40	40	195
55	Accelerated depreciation of buildings other than rental housing (normal tax method)	6,270	4,895	3,430	2,385	2,365	1,875	585	10,640

Table 5–1. TOTAL REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(In millions of dollars)

		Total revenue loss from corporate and individual Income taxes							
		1998	1999	2000	2001	2002	2003	2004	2000–2004
56	Accelerated depreciation of machinery and equipment (normal tax method)	28,885	32,505	35,465	36,830	36,985	36,510	35,855	181,645
57	Expensing of certain small investments (normal tax method)	1,185	1,235	1,275	1,175	1,730	1,605	995	6,780
58	Amortization of start-up costs (normal tax method)	205	215	220	225	225	230	240	1,140
59	Graduated corporation income tax rate (normal tax method)	5,400	5,360	5,360	5,620	6,120	6,680	7,120	30,900
60	Exclusion of interest on small issue bonds	295	300	305	305	305	310	310	1,535
	Transportation:								
61	Deferral of tax on shipping companies	15	15	15	15	15	15	15	75
62	Exclusion of reimbursed employee parking expenses	1,560	1,595	1,630	1,690	1,750	1,815	1,885	8,770
63	Exclusion for employer-provided transit passes	70	80	95	105	130	155	170	655
	Community and regional development:								
64	Investment credit for rehabilitation of structures (other than historic)	30	30	30	30	30	30	30	150
65	Exclusion of interest for airport, dock, and similar bonds	695	705	710	715	725	730	740	3,620
66	Exemption of certain mutuals' and cooperatives' income	45	50	50	50	50	50	55	255
67	Empowerment zones and enterprise communities	290	380	430	435	415	305	290	1,875
68	Expensing of environmental remediation costs	90	110	145	60	–10	–25	–35	135
	Education, training, employment, and social services:								
	Education:								
69	Exclusion of scholarship and fellowship income (normal tax method)	910	955	995	1,040	1,085	1,135	1,185	5,440
70	HOPE tax credit	200	4,015	4,855	5,325	5,730	5,765	5,950	27,625
71	Lifetime Learning tax credit	110	2,510	2,655	2,970	3,015	3,355	4,565	16,560
72	Education Individual Retirement Accounts	20	100	230	380	540	710	885	2,745
73	Deductibility of student-loan interest	70	245	265	315	360	385	425	1,750
74	Deferral for State prepaid tuition plans	85	125	180	235	285	330	365	1,395
75	Exclusion of interest on student-loan bonds	235	235	240	245	245	250	250	1,230
76	Exclusion of interest on bonds for private nonprofit educational facilities	560	570	570	575	580	590	595	2,910
77	Credit for holders of zone academy bonds	0	10	20	30	35	35	35	155
78	Exclusion of interest on savings bonds redeemed to finance educational expenses	10	10	15	15	15	15	20	80
79	Parental personal exemption for students age 19 or over	875	915	965	1,015	1,055	1,105	1,155	5,295
80	Child credit [2]	3,525	18,740	18,725	18,430	18,160	17,745	17,155	90,215
81	Deductibility of charitable contributions (education)	2,880	2,940	3,065	3,195	3,350	3,505	3,680	16,795
82	Exclusion of employer-provided educational assistance	215	215	210	15	0	0	0	225
	Training, employment, and social services:								
83	Work opportunity tax credit	170	335	330	160	40	5	0	535
84	Welfare-to-work tax credit	15	35	35	20	10	5	0	70
85	Exclusion of employer-provided child care	1,325	1,385	1,445	1,510	1,575	1,645	1,715	7,890
86	Adoption assistance	125	295	345	390	385	235	170	1,525
87	Exclusion of employee meals and lodging (other than military)	620	650	680	710	740	775	810	3,715
88	Credit for child and dependent care expenses	2,485	2,455	2,425	2,395	2,365	2,340	2,310	11,835
89	Credit for disabled access expenditures	45	50	50	50	55	60	60	275
90	Expensing of costs of removing certain architectural barriers to the handicapped	0	5	5	5	5	5	5	25
91	Deductibility of charitable contributions, other than education and health	18,580	19,150	20,055	21,005	22,050	23,150	24,335	110,595
92	Exclusion of certain foster care payments	35	35	40	40	45	45	50	220
93	Exclusion of parsonage allowances	315	340	360	385	410	440	470	2,065
	Health:								
94	Exclusion of employer contributions for medical insurance premiums and medical care	67,920	72,535	77,670	83,095	88,830	94,960	101,520	446,075
95	Self-employed medical insurance premiums	765	980	1,310	1,405	1,550	2,055	2,905	9,225
96	Workers' compensation insurance premiums	4,260	4,420	4,585	4,755	4,935	5,120	5,315	24,710
97	Medical Savings Accounts	15	20	25	25	20	20	15	105
98	Deductibility of medical expenses	3,615	3,775	3,985	4,215	4,475	4,750	5,035	22,460
99	Exclusion of interest on hospital construction bonds	1,160	1,170	1,185	1,190	1,205	1,220	1,230	6,030
100	Deductibility of charitable contributions (health)	2,560	2,630	2,730	2,860	3,000	3,145	3,300	15,035
101	Tax credit for orphan drug research	40	50	55	60	70	80	90	355
02	Special Blue Cross/Blue Shield deduction	210	230	250	280	325	290	250	1,395
	Income security:								
103	Exclusion of railroad retirement system benefits	420	420	425	425	430	435	440	2,155
104	Exclusion of workers' compensation benefits	5,140	5,330	5,475	5,940	6,205	6,480	6,755	30,855
105	Exclusion of public assistance benefits (normal tax method)	440	345	360	375	390	405	420	1,950
106	Exclusion of special benefits for disabled coal miners	85	80	75	70	70	65	60	340
107	Exclusion of military disability pensions	120	125	130	135	140	140	145	690
	Net exclusion of pension contributions and earnings:								
108	Employer plans	82,215	82,195	84,350	86,670	89,155	91,810	94,455	446,440
109	Individual Retirement Accounts	10,565	10,770	11,170	11,440	11,550	11,485	11,270	56,915
110	Keogh plans	3,930	4,025	4,255	4,495	4,750	5,010	5,285	23,795
	Exclusion of other employee benefits:								
111	Premiums on group term life insurance	2,030	2,075	2,120	2,170	2,220	2,270	2,335	11,115

Table 5–1. TOTAL REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(In millions of dollars)

		Total revenue loss from corporate and individual Income taxes							
		1998	1999	2000	2001	2002	2003	2004	2000–2004
112	Premiums on accident and disability insurance	175	185	195	205	215	225	235	1,075
113	Income of trusts to finance supplementary unemployment benefits	5	5	5	5	5	5	5	25
114	Special ESOP rules	920	950	980	1,020	1,060	1,100	1,140	5,300
115	Additional deduction for the blind	30	30	30	30	35	35	35	165
116	Additional deduction for the elderly	1,690	1,720	1,740	1,795	1,880	1,945	2,020	9,380
117	Tax credit for the elderly and disabled	40	40	40	40	40	40	40	200
118	Deductibility of casualty losses	225	235	245	255	270	280	290	1,340
119	Earned income tax credit [3]	6,351	5,118	4,971	5,142	5,275	5,471	5,672	26,531
	Social Security:								
	Exclusion of social security benefits:								
120	Social Security benefits for retired workers	16,780	17,210	18,125	19,045	20,100	21,260	22,460	100,990
121	Social Security benefits for disabled	2,265	2,420	2,615	2,820	3,060	3,325	3,625	15,445
122	Social Security benefits for dependents and survivors	3,725	3,785	3,910	4,065	4,235	4,405	4,575	21,190
	Veterans benefits and services:								
123	Exclusion of veterans death benefits and disability compensation	2,820	2,940	3,070	3,210	3,350	3,495	3,650	16,775
124	Exclusion of veterans pensions	65	65	70	75	80	85	85	395
125	Exclusion of GI bill benefits	65	75	85	90	90	95	100	460
126	Exclusion of interest on veterans housing bonds	40	40	40	40	40	40	40	200
	General purpose fiscal assistance:								
127	Exclusion of interest on public purpose bonds	20,050	20,250	20,450	20,660	20,865	21,075	21,285	104,335
128	Deductibility of nonbusiness State and local taxes other than on owner-occupied homes	32,795	34,925	37,000	39,235	41,715	44,490	47,400	209,840
129	Tax credit for corporations receiving income from doing business in U.S. possessions	3,960	4,000	4,120	4,245	4,285	4,150	4,215	21,015
	Interest:								
130	Deferral of interest on U.S. savings bonds	965	1,015	1,065	1,115	1,175	1,235	1,295	5,885
	Addendum—Aid to State and local governments:								
	Deductibility of:								
	Property taxes on owner-occupied homes	17,770	18,595	19,495	20,535	21,625	22,635	23,645	107,935
	Nonbusiness State and local taxes other than on owner-occupied homes	32,795	34,925	37,000	39,235	41,715	44,490	47,400	209,840
	Exclusion of interest on:								
	Public purpose State and local debt	20,050	20,250	20,450	20,660	20,865	21,075	21,285	104,335
	IDBs for certain energy facilities	110	110	110	115	115	115	115	570
	IDBs for pollution control and sewage and waste disposal facilities	440	440	445	455	455	460	465	2,280
	Small-issue IDBs	295	300	305	305	305	310	310	1,535
	Owner-occupied mortgage revenue bonds	860	875	880	885	900	905	915	4,485
	State and local debt for rental housing	150	150	150	150	155	155	155	765
	IDBs for airports, docks, and sports and convention facilities	695	705	710	715	725	730	740	3,620
	State and local student loan bonds	235	235	240	245	245	250	250	1,230
	State and local debt for private nonprofit educational facilities	560	570	570	575	580	590	595	2,910
	State and local debt for private nonprofit health facilities	1,160	1,170	1,185	1,190	1,205	1,220	1,230	6,030
	State and local debt for veterans housing	40	40	40	40	40	40	40	200

[1] In addition, the partial exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts (in millions of dollars) as follows: 1998 $680; 1999 $725; 2000 $755; 2001 $765; 2002 $790; 2003 $805; and 2004 $830.

[2] The figures in the table indicate the effect of the child tax credit on receipts. The effect on outlays (in millions of dollars) is as follows: 1998 $0; 1999 $415; 2000 $528; 2001 $496; 2002 $483; 2003 $453; and 2004 $425.

[3] The figures in the table indicate the effect of the earned income tax credit on receipts. The effect on outlays (in millions of dollars) is as follows: 1998 $23,239; 1999 $26,273; 2000 $26,882; 2001 $27,667; 2002 $28,632; 2003 $29,566; and 2004 $30,578.

Note: Provisions with estimates denoted ''normal tax method'' have no revenue loss under the reference tax law method.

All estimates have been rounded to the nearest $5 million. Provisions with estimates that rounded to zero in each year are not included in the table.

Table 5–2. CORPORATE AND INDIVIDUAL INCOME TAX REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES

(In millions of dollars)

		Revenue Loss															
		Corporations								Individuals							
		1998	1999	2000	2001	2002	2003	2004	2000–2004	1998	1999	2000	2001	2002	2003	2004	2000–2004
	National Defense																
1	Exclusion of benefits and allowances to armed forces personnel	....	....	....	....	....	....	....	....	2,095	2,120	2,140	2,160	2,180	2,200	2,220	10,900
	International affairs:																
2	Exclusion of income earned abroad by U.S. citizens	....	....	....	....	....	....	....	....	1,990	2,235	2,500	2,800	3,125	3,460	3,830	15,715
3	Exclusion of income of foreign sales corporations	2,150	2,250	2,400	2,550	2,700	2,900	3,100	13,650	....	....	....	....	....	....	....	....
4	Inventory property sales source rules exception	1,000	1,050	1,100	1,150	1,250	1,350	1,450	6,300	....	....	....	....	....	....	....	....
5	Deferral of income from controlled foreign corporations (normal tax method)	5,500	5,800	6,200	6,600	7,000	7,450	7,900	35,150	....	....	....	....	....	....	....	....
6	Deferred taxes for financial firms on certain income earned overseas	400	1,075	65	0	0	0	0	65	....	....	....	....	....	....	....	....
	General science, space, and technology:																
7	Expensing of research and experimentation expenditures (normal tax method)	255	325	500	600	665	720	750	3,235	5	5	10	10	10	15	15	60
8	Credit for increasing research activities	2,095	1,625	965	425	180	60	0	1,630	30	30	15	0	0	0	0	15
	Energy:																
9	Expensing of exploration and development costs, fuels	–90	–55	–10	–15	0	25	30	30	–20	–15	0	0	0	5	10	15
10	Excess of percentage over cost depletion, fuels	200	205	210	215	220	225	235	1,105	50	55	55	55	55	55	55	275
11	Alternative fuel production credit	815	765	720	680	640	420	120	2,580	45	45	40	40	35	15	5	135
12	Exception from passive loss limitation for working interests in oil and gas properties	....	....	....	....	....	....	....	....	30	35	35	35	40	40	40	190
13	Capital gains treatment of royalties on coal	....	....	....	....	....	....	....	....	60	65	65	70	70	75	80	360
14	Exclusion of interest on energy facility bonds	30	30	30	30	30	30	30	150	80	80	80	85	85	85	85	420
15	Enhanced oil recovery credit	130	150	170	195	225	260	300	1,150	10	10	10	15	15	15	20	75
16	New technology credit	25	30	35	40	40	35	35	185	....	....	....	....	....	....	....	....
17	Alcohol fuel credits [1]	10	10	10	10	10	10	10	50	5	5	5	5	5	5	5	25
18	Tax credit and deduction for clean-fuel burning vehicles	60	65	75	80	75	60	50	340	15	15	15	15	15	15	10	70
19	Exclusion from income of conservation subsidies provided by public utilities	....	....	....	....	....	....	....	....	80	80	80	75	75	75	80	385
	Natural resources and environment:																
20	Expensing of exploration and development costs, nonfuel minerals	20	20	20	20	20	25	25	110	5	5	5	5	5	5	5	25
21	Excess of percentage over cost depletion, nonfuel minerals	180	190	195	205	215	225	235	1,075	45	50	50	50	55	55	60	270
22	Exclusion of interest on bonds for water, sewage, and hazardous waste facilities	115	115	115	120	120	120	120	595	325	325	330	335	335	340	345	1,685
23	Capital gains treatment of certain timber income	....	....	....	....	....	....	....	....	60	65	65	70	70	75	80	360
24	Expensing of multiperiod timber growing costs	300	310	315	330	340	355	365	1,705	185	190	195	200	210	215	225	1,045
25	Investment credit and seven-year amortization for reforestation expenditures	....	....	....	....	....	....	....	....	10	10	10	10	15	15	15	65
26	Tax incentives for preservation of historic structures	175	195	210	225	235	250	260	1,180	40	40	45	50	50	55	55	255
	Agriculture:																
27	Expensing of certain capital outlays	10	10	10	10	10	10	10	50	55	60	60	65	65	70	75	335
28	Expensing of certain multiperiod production costs	10	10	10	10	10	10	10	50	70	75	75	80	85	90	95	425
29	Treatment of loans forgiven for solvent farmers	....	....	....	....	....	....	....	....	10	10	10	10	10	10	10	50
30	Capital gains treatment of certain income	....	....	....	....	....	....	....	....	605	630	655	685	715	750	785	3,590
31	Income averaging for farmers	....	....	....	....	....	....	....	....	10	75	75	80	80	80	85	400
32	Deferral of gain on sale of farm refiners	10	10	10	10	10	15	15	60								
	Commerce and housing:																
	Financial institutions and insurance:																
33	Exemption of credit union income	785	840	905	970	1,040	1,120	1,200	5,235	....	....	....	....	....	....	....	....
34	Excess bad debt reserves of financial institutions	70	30	10	5	5	5	0	25	....	....	....	....	....	....	....	....
35	Exclusion of interest on life insurance savings	200	210	225	235	250	260	275	1,245	13,265	13,990	14,765	15,575	16,430	17,335	18,565	82,670
36	Special alternative tax on small property and casualty insurance companies	5	5	5	5	5	5	5	25	....	....	....	....	....	....	....	....
37	Tax exemption of certain insurance companies owned by tax-exempt organizations	210	225	240	260	275	310	325	1,410	....	....	....	....	....	....	....	....

Table 5–2. CORPORATE AND INDIVIDUAL INCOME TAX REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES—Continued
(In millions of dollars)

		Revenue Loss															
		Corporations								Individuals							
		1998	1999	2000	2001	2002	2003	2004	2000–2004	1998	1999	2000	2001	2002	2003	2004	2000–2004
38	Small life insurance company deduction	100	100	100	105	105	110	100	520	....	....	....	....	....	....	....	....
	Housing:																
39	Exclusion of interest on owner-occupied mortgage subsidy bonds	225	230	230	230	235	235	240	1,170	635	645	650	655	665	670	675	3,315
40	Exclusion of interest on rental housing bonds	40	40	40	40	40	40	40	200	110	110	110	110	115	115	115	565
41	Deductibility of mortgage interest on owner-occupied homes	....	....	....	....	....	....	....	....	51,700	52,990	55,100	57,590	60,415	63,425	66,615	303,145
42	Deductibility of State and local property tax on owner-occupied homes	....	....	....	....	....	....	....	....	17,770	18,595	19,495	20,535	21,625	22,635	23,645	107,935
43	Deferral of income from post-1987 installment sales	255	260	265	270	275	280	285	1,375	720	735	750	765	780	795	810	3,900
44	Capital gains exclusion on home sales	....	....	....	....	....	....	....	....	17,475	18,000	18,540	19,095	19,670	20,260	20,870	98,435
45	Exception from passive loss rules for $25,000 of rental loss	....	....	....	....	....	....	....	....	4,735	4,455	4,215	4,000	3,785	3,575	3,375	18,950
46	Credit for low-income housing investments	2,340	2,420	2,500	2,615	2,655	2,715	2,710	13,195	780	805	835	870	885	905	905	4,400
47	Accelerated depreciation on rental housing (normal tax method)	1,650	1,880	2,125	2,845	3,135	3,090	3,155	14,350	755	860	970	1,325	1,455	1,405	1,415	6,570
	Commerce:																
48	Cancellation of indebtedness	....	....	....	....	....	....	....	....	50	30	20	15	20	20	25	100
49	Exceptions from imputed interest rules	....	....	....	....	....	....	....	....	155	160	160	160	165	165	165	815
50	Capital gains (except agriculture, timber, iron ore, and coal) (normal tax method)	....	....	....	....	....	....	....	....	38,275	39,415	40,585	41,795	43,035	44,310	45,625	215,350
51	Capital gains exclusion of small corporation stock	....	....	....	....	....	....	....	....	0	5	5	5	5	5	5	25
52	Step-up basis of capital gains at death	....	....	....	....	....	....	....	....	24,570	25,800	27,090	28,240	29,370	30,545	31,765	147,010
53	Carryover basis of capital gains on gifts	....	....	....	....	....	....	....	....	170	175	185	195	205	210	220	1,015
54	Ordinary income treatment of loss from small business corporation stock sale	....	....	....	....	....	....	....	....	35	35	35	40	40	40	40	195
55	Accelerated depreciation of buildings other than rental housing (normal tax method)	4,635	3,620	2,550	1,785	1,720	1,360	450	7,865	1,635	1,275	880	600	645	515	135	2,775
56	Accelerated depreciation of machinery and equipment (normal tax method)	22,025	24,645	26,800	27,835	28,050	27,790	27,380	137,855	6,860	7,860	8,665	8,995	8,935	8,720	8,475	43,790
57	Expensing of certain small investments (normal tax method)	805	840	875	820	1,200	1,125	730	4,750	380	395	400	355	530	480	265	2,030
58	Amortization of start-up costs (normal tax method)	120	125	130	130	130	135	140	665	85	90	90	95	95	95	100	475
59	Graduated corporation income tax rate (normal tax method)	5,400	5,360	5,360	5,620	6,120	6,680	7,120	30,900	....	....	....	....	....	....	....	....
60	Exclusion of interest on small issue bonds	75	80	80	80	80	80	80	400	220	220	225	225	225	230	230	1,135
	Transportation:																
61	Deferral of tax on shipping companies	15	15	15	15	15	15	15	75	....	....	....	....	....	....	....	....
62	Exclusion of reimbursed employee parking expenses	....	....	....	....	....	....	....	....	1,560	1,595	1,630	1,690	1,750	1,815	1,885	8,770
63	Exclusion for employer-provided transit passes	....	....	....	....	....	....	....	....	70	80	95	105	130	155	170	655
	Community and regional development:																
64	Investment credit for rehabilitation of structures (other than historic)	15	15	15	15	15	15	15	75	15	15	15	15	15	15	15	75
65	Exclusion of interest for airport, dock, and similar bonds	180	185	185	185	190	190	195	945	515	520	525	530	535	540	545	2,675
66	Exemption of certain mutuals' and cooperatives' income	45	50	50	50	50	50	55	255	....	....	....	....	....	....	....	....
67	Empowerment zones and enterprise communities	135	185	205	190	170	130	115	810	155	195	225	245	245	175	175	1,065
68	Expensing of environmental remediation costs	75	90	120	50	–10	–20	–30	110	15	20	25	10	0	–5	–5	25
	Education, training, employment, and social services:																
	Education:																
69	Exclusion of scholarship and fellowship income (normal tax method)	....	....	....	....	....	....	....	....	910	955	995	1,040	1,085	1,135	1,185	5,440
70	HOPE tax credit	....	....	....	....	....	....	....	....	200	4,015	4,855	5,325	5,730	5,765	5,950	27,625
71	Lifetime Learning tax credit	....	....	....	....	....	....	....	....	110	2,510	2,655	2,970	3,015	3,355	4,565	16,560
72	Education Individual Retirement Accounts	....	....	....	....	....	....	....	....	20	100	230	380	540	710	885	2,745
73	Deductibility of student-loan interest	....	....	....	....	....	....	....	....	70	245	265	315	360	385	425	1,750
74	Deferral for State prepaid tuition plans	....	....	....	....	....	....	....	....	85	125	180	235	285	330	365	1,395
75	Exclusion of interest on student-loan bonds	60	60	65	65	65	65	65	325	175	175	175	180	180	185	185	905
76	Exclusion of interest on bonds for private nonprofit educational facilities	145	150	150	150	150	155	155	760	415	420	420	425	430	435	440	2,150

Table 5–2. CORPORATE AND INDIVIDUAL INCOME TAX REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES—Continued

(In millions of dollars)

		Revenue Loss															
		Corporations								Individuals							
		1998	1999	2000	2001	2002	2003	2004	2000–2004	1998	1999	2000	2001	2002	2003	2004	2000–2004
77	Credit for holders of zone academy bonds	0	10	20	30	35	35	35	155								
78	Exclusion of interest on savings bonds redeemed to finance educational expenses	......	......	......	......	......	......	......	......	10	10	15	15	15	15	20	80
79	Parental personal exemption for students age 19 or over	......	......	......	......	......	......	......	......	875	915	965	1,015	1,055	1,105	1,155	5,295
80	Child credit [2]	......	......	......	......	......	......	......	......	3,525	18,740	18,725	18,430	18,160	17,745	17,155	90,215
81	Deductibility of charitable contributions (education)	970	970	990	1,020	1,065	1,105	1,160	5,340	1,910	1,970	2,075	2,175	2,285	2,400	2,520	11,455
82	Exclusion of employer-provided educational assistance	......	......	......	......	......	......	......	......	215	215	210	15	0	0	0	225
	Training, employment, and social services:																
83	Work opportunity tax credit	145	285	280	135	35	5	0	455	25	50	50	25	5	0	0	80
	Welfare-to-work tax credit	15	30	30	15	10	5	0	60	0	5	5	5	0	0	0	10
85	Exclusion of employer-provided child care	......	......	......	......	......	......	......	......	1,325	1,385	1,445	1,510	1,575	1,645	1,715	7,890
86	Adoption assistance	......	......	......	......	......	......	......	......	125	295	345	390	385	235	170	1,525
87	Exclusion of employee meals and lodging (other than military)	......	......	......	......	......	......	......	......	620	650	680	710	740	775	810	3,715
88	Credit for child and dependent care expenses	......	......	......	......	......	......	......	......	2,485	2,455	2,425	2,395	2,365	2,340	2,310	11,835
89	Credit for disabled access expenditures	15	15	15	15	15	20	20	85	30	35	35	35	40	40	40	190
90	Expensing of costs of removing certain architectural barriers to the handicapped	0	5	5	5	5	5	5	25								
91	Deductibility of charitable contributions, other than education and health	1,190	1,190	1,215	1,255	1,310	1,360	1,425	6,565	17,390	17,960	18,840	19,750	20,740	21,790	22,910	104,030
92	Exclusion of certain foster care payments	......	......	......	......	......	......	......	......	35	35	40	40	45	45	50	220
93	Exclusion of parsonage allowances	......	......	......	......	......	......	......	......	315	340	360	385	410	440	470	2,065
	Health:																
94	Exclusion of employer contributions for medical insurance premiums and medical care	......	......	......	......	......	......	......	......	67,920	72,535	77,670	83,095	88,830	94,960	101,520	446,075
95	Self-employed medical insurance premiums	......	......	......	......	......	......	......	......	765	980	1,310	1,405	1,550	2,055	2,905	9,225
96	Workers' compensation insurance premiums	......	......	......	......	......	......	......	......	4,260	4,420	4,585	4,755	4,935	5,120	5,315	24,710
97	Medical Savings Accounts	......	......	......	......	......	......	......	......	15	20	25	25	20	20	15	105
98	Deductibility of medical expenses	......	......	......	......	......	......	......	......	3,615	3,775	3,985	4,215	4,475	4,750	5,035	22,460
99	Exclusion of interest on hospital construction bonds	305	305	310	310	315	320	320	1,575	855	865	875	880	890	900	910	4,455
100	Deductibility of charitable contributions (health)	610	610	620	640	670	695	730	3,355	1,950	2,020	2,110	2,220	2,330	2,450	2,570	11,680
101	Tax credit for orphan drug research	40	50	55	60	70	80	90	355	......	......	......	......	......	......	......	......
102	Special Blue Cross/Blue Shield deduction	210	230	250	280	325	290	250	1,395	......	......	......	......	......	......	......	......
	Income security:																
103	Exclusion of railroad retirement system benefits	......	......	......	......	......	......	......	......	420	420	425	425	430	435	440	2,155
104	Exclusion of workers' compensation benefits	......	......	......	......	......	......	......	......	5,140	5,330	5,475	5,940	6,205	6,480	6,755	30,855
105	Exclusion of public assistance benefits (normal tax method)	......	......	......	......	......	......	......	......	440	345	360	375	390	405	420	1,950
106	Exclusion of special benefits for disabled coal miners	......	......	......	......	......	......	......	......	85	80	75	70	70	65	60	340
107	Exclusion of military disability pensions	......	......	......	......	......	......	......	......	120	125	130	135	140	140	145	690
	Net exclusion of pension contributions and earnings:																
108	Employer plans	......	......	......	......	......	......	......	......	82,215	82,195	84,350	86,670	89,155	91,810	94,455	446,440
109	Individual Retirement Accounts	......	......	......	......	......	......	......	......	10,565	10,770	11,170	11,440	11,550	11,485	11,270	56,915
110	Keogh plans	......	......	......	......	......	......	......	......	3,930	4,025	4,255	4,495	4,750	5,010	5,285	23,795
	Exclusion of other employee benefits:																
111	Premiums on group term life insurance	......	......	......	......	......	......	......	......	2,030	2,075	2,120	2,170	2,220	2,270	2,335	11,115
112	Premiums on accident and disability insurance	......	......	......	......	......	......	......	......	175	185	195	205	215	225	235	1,075
113	Income of trusts to finance supplementary unemployment benefits	......	......	......	......	......	......	......	......	5	5	5	5	5	5	5	25
114	Special ESOP rules	660	680	700	730	760	790	820	3,800	260	270	280	290	300	310	320	1,500
115	Additional deduction for the blind	......	......	......	......	......	......	......	......	30	30	30	30	35	35	35	165
116	Additional deduction for the elderly	......	......	......	......	......	......	......	......	1,690	1,720	1,740	1,795	1,880	1,945	2,020	9,380
117	Tax credit for the elderly and disabled	......	......	......	......	......	......	......	......	40	40	40	40	40	40	40	200
118	Deductibility of casualty losses	......	......	......	......	......	......	......	......	225	235	245	255	270	280	290	1,340
119	Earned income tax credit [3]	......	......	......	......	......	......	......	......	6,351	5,118	4,971	5,142	5,275	5,471	5,672	26,531
	Social Security:																
	Exclusion of social security benefits:																
120	Social Security benefits for retired workers	......	......	......	......	......	......	......	......	16,780	17,210	18,125	19,045	20,100	21,260	22,460	100,990
121	Social Security benefits for disabled	......	......	......	......	......	......	......	......	2,265	2,420	2,615	2,820	3,060	3,325	3,625	15,445

Table 5–2. CORPORATE AND INDIVIDUAL INCOME TAX REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES—Continued

(In millions of dollars)

		Revenue Loss															
		Corporations								Individuals							
		1998	1999	2000	2001	2002	2003	2004	2000–2004	1998	1999	2000	2001	2002	2003	2004	2000–2004
122	Social Security benefits for dependents and survivors	....	....	....	....	....	....	....	....	3,725	3,785	3,910	4,065	4,235	4,405	4,575	21,190
	Veterans benefits and services:																
123	Exclusion of veterans death benefits and disability compensation	....	....	....	....	....	....	....	....	2,820	2,940	3,070	3,210	3,350	3,495	3,650	16,775
124	Exclusion of veterans pensions	....	....	....	....	....	....	....	....	65	65	70	75	80	85	85	395
125	Exclusion of GI bill benefits	....	....	....	....	....	....	....	....	65	75	85	90	90	95	100	460
126	Exclusion of interest on veterans housing bonds	10	10	10	10	10	10	10	50	30	30	30	30	30	30	30	150
	General purpose fiscal assistance:																
127	Exclusion of interest on public purpose bonds	5,240	5,295	5,345	5,400	5,455	5,510	5,565	27,275	14,810	14,955	15,105	15,260	15,410	15,565	15,720	77,060
128	Deductibility of nonbusiness State and local taxes other than on owner-occupied homes	....	....	....	....	....	....	....	....	32,795	34,925	37,000	39,235	41,715	44,490	47,400	209,840
129	Tax credit for corporations receiving income from doing business in U.S. possessions	3,960	4,000	4,120	4,245	4,285	4,150	4,215	21,015	....	....	....	....	....	....	....	....
	Interest:																
130	Deferral of interest on U.S. savings bonds	....	....	....	....	....	....	....	....	965	1,015	1,065	1,115	1,175	1,235	1,295	5,885
	Addendum—Aid to State and local governments:																
	Deductibility of:																
	Property taxes on owner-occupied homes	....	....	....	....	....	....	....	....	17,770	18,595	19,495	20,535	21,625	22,635	23,645	107,935
	Nonbusiness State and local taxes other than on owner-occupied homes	....	....	....	....	....	....	....	....	32,795	34,925	37,000	39,235	41,715	44,490	47,400	209,840
	Exclusion of interest on:																
	Public purpose State and local debt	5,240	5,295	5,345	5,400	5,455	5,510	5,565	27,275	14,810	14,955	15,105	15,260	15,410	15,565	15,720	77,060
	IDBs for certain energy facilities	30	30	30	30	30	30	30	150	80	80	80	85	85	85	85	420
	IDBs for pollution control and sewage and waste disposal facilities	115	115	115	120	120	120	120	595	325	325	330	335	335	340	345	1,685
	Small-issue IDBs	75	80	80	80	80	80	80	400	220	220	225	225	225	230	230	1,135
	Owner-occupied mortgage revenue bonds	225	230	230	230	235	235	240	1,170	635	645	650	655	665	670	675	3,315
	State and local debt for rental housing	40	40	40	40	40	40	40	200	110	110	110	110	115	115	115	565
	IDBs for airports, docks, and sports and convention facilities	180	185	185	185	190	190	195	945	515	520	525	530	535	540	545	2,675
	State and local student loan bonds	60	60	65	65	65	65	65	325	175	175	175	180	180	185	185	905
	State and local debt for private nonprofit educational facilities	145	150	150	150	150	155	155	760	415	420	420	425	430	435	440	2,150
	State and local debt for private nonprofit health facilities	305	305	310	310	315	320	320	1,575	855	865	875	880	890	900	910	4,455
	State and local debt for veterans housing	10	10	10	10	10	10	10	50	30	30	30	30	30	30	30	150

[1] In addition, the partial exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts (in millions of dollars) as follows: 1998 $680; 1999 $725; 2000 $755; 2001 $765; 2002 $790; 2003 $805; and 2004 $830.

[2] The figures in the table indicate the effect of the child tax credit on receipts. The effect on outlays (in millions of dollars) is as follows: 1998 $0; 1999 $415; 2000 $528; 2001 $496; 2002 $483; 2003 $453; and 2004 $425.

[3] The figures in the table indicate the effect of the earned income tax credit on receipts. The effect on outlays (in millions of dollars) is as follows: 1998 $23,239; 1999 $26,273; 2000 $26,882; 2001 $27,667; 2002 $28,632; 2003 $29,566; and 2004 $30,578.

Note: Provisions with estimates denoted normal tax method have no revenue loss under the reference tax law method.

All estimates have been rounded to the nearest $5 million. Provisions with estimates that rounded to zero in each year are not included in the table.

Table 5–3. MAJOR TAX EXPENDITURES IN THE INCOME TAX, RANKED BY TOTAL 2000 REVENUE LOSS

(In millions of dollars)

Provision	2000	2000–2004
Net exclusion of pension contributions and earnings: Employer plans	84,350	446,440
Exclusion of employer contributions for medical insurance premiums and medical care	77,670	446,075
Deductibility of mortgage interest on owner-occupied homes	55,100	303,145
Capital gains (except agriculture, timber, iron ore, and coal) (normal tax method)	40,585	215,350
Deductibility of nonbusiness State and local taxes other than on owner-occupied homes	37,000	209,840
Accelerated depreciation of machinery and equipment (normal tax method)	35,465	181,645
Step-up basis of capital gains at death	27,090	147,010
Deductibility of charitable contributions, total	25,850	142,425
Exclusion of interest on public purpose bonds	20,450	104,335
Deductibility of State and local property tax on owner-occupied homes	19,495	107,935
Child credit [2]	18,725	90,215
Capital gains exclusion on home sales	18,540	98,435
Exclusion of Social Security benefits for retired workers	18,125	100,990
Exclusion of interest on life insurance savings	14,990	83,915
Net exclusion of pension contributions and earnings: Individual Retirement Accounts	11,170	56,915
Deferral of income from controlled foreign corporations (normal tax method)	6,200	35,150
Exclusion of workers' compensation benefits	5,475	30,855
Graduated corporation income tax rate (normal tax method)	5,360	30,900
Earned income tax credit [3]	4,971	26,531
HOPE tax credit	4,855	27,625
Exclusion of interest on non-public purpose State and local debt	4,635	23,625
Workers' compensation insurance premiums	4,585	24,710
Net exclusion of pension contributions and earnings: Keogh plans	4,255	23,795
Exception from passive loss rules for $25,000 of rental loss	4,215	18,950
Tax credit for corporations receiving income from doing business in U.S. possessions	4,120	21,015
Deductibility of medical expenses	3,985	22,460
Exclusion of Social Security benefits for dependents and survivors	3,910	21,190
Accelerated depreciation of buildings other than rental housing (normal tax method)	3,430	10,640
Credit for low-income housing investments	3,335	17,595
Accelerated depreciation on rental housing (normal tax method)	3,095	20,920
Exclusion of veterans death benefits and disability compensation	3,070	16,775
Lifetime Learning tax credit	2,655	16,560
Exclusion of Social Security benefits for disabled	2,615	15,445
Exclusion of income earned abroad by U.S. citizens	2,500	15,715
Credit for child and dependent care expenses	2,425	11,835
Exclusion of income of foreign sales corporations	2,400	13,650
Exclusion of benefits and allowances to armed forces personnel	2,140	10,900
Exclusion of other employee benefits: Premiums on group term life insurance	2,120	11,115
Additional deduction for the elderly	1,740	9,380
Exclusion of reimbursed employee parking expenses	1,630	8,770
Exclusion of employer-provided child care	1,445	7,890
Self-employed medical insurance premiums	1,310	9,225
Expensing of certain small investments (normal tax method)	1,275	6,780
Inventory property sales source rules exception	1,100	6,300
Deferral of interest on U.S. savings bonds	1,065	5,885
Deferral of income from post-1987 installment sales	1,015	5,275
Exclusion of scholarship and fellowship income (normal tax method)	995	5,440
Credit for increasing research activities	980	1,645
Special ESOP rules	980	5,300
Parental personal exemption for students age 19 or over	965	5,295
Exemption of credit union income	905	5,235
Alternative fuel production credit	760	2,715
Exclusion of employee meals and lodging (other than military)	680	3,715
Capital gains treatment of certain income	655	3,590
Expensing of research and experimentation expenditures (normal tax method)	510	3,295
Expensing of multiperiod timber growing costs	510	2,750
Excess of percentage over cost depletion, fuels and nonfuel minerals	510	2,725
Empowerment zones and enterprise communities	430	1,875
Exclusion of railroad retirement system benefits	425	2,155
Exclusion of parsonage allowances	360	2,065
Exclusion of public assistance benefits (normal tax method)	360	1,950
Adoption assistance	345	1,525
Work opportunity tax credit	330	535
Deductibility of student-loan interest	265	1,750
Tax incentives for preservation of historic structures	255	1,435
Special Blue Cross/Blue Shield deduction	250	1,395
Deductibility of casualty losses	245	1,340
Tax exemption of certain insurance companies owned by tax-exempt organizations	240	1,410
Education Individual Retirement Accounts	230	2,745

Table 5–3. MAJOR TAX EXPENDITURES IN THE INCOME TAX, RANKED BY TOTAL 2000 REVENUE LOSS—Continued

(In millions of dollars)

Provision	2000	2000–2004
Amortization of start-up costs (normal tax method)	220	1,140
Exclusion of employer-provided educational assistance	210	225
Exclusion of other employee benefits: Premiums on accident and disability insurance	195	1,075
Carryover basis of capital gains on gifts	185	1,015
Deferral for State prepaid tuition plans	180	1,395
Enhanced oil recovery credit	180	1,225
Exceptions from imputed interest rules	160	815
Expensing of environmental remediation costs	145	135
Exclusion of military disability pensions	130	690
Small life insurance company deduction	100	520
Exclusion for employer-provided transit passes	95	655
Tax credit and deduction for clean-fuel burning vehicles	90	410
Exclusion of GI bill benefits	85	460
Expensing of certain multiperiod production costs	85	475
Exclusion from income of conservation subsidies provided by public utilities	80	385
Exclusion of special benefits for disabled coal miners	75	340
Income averaging for farmers	75	400
Exclusion of veterans pensions	70	395
Expensing of certain capital outlays	70	385
Capital gains treatment of certain timber income	65	360
Deferred taxes for financial firms on certain income earned overseas	65	65
Capital gains treatment of royalties on coal	65	360
Tax credit for orphan drug research	55	355
Credit for disabled access expenditures	50	275
Exemption of certain mutuals' and cooperatives' income	50	255
Exclusion of certain foster care payments	40	220
Tax credit for the elderly and disabled	40	200
Exception from passive loss limitation for working interests in oil and gas properties	35	190
New technology credit	35	185
Ordinary income treatment of loss from small business corporation stock sale	35	195
Welfare-to-work tax credit	35	70
Investment credit for rehabilitation of structures (other than historic)	30	150
Additional deduction for the blind	30	165
Medical Savings Accounts	25	105
Expensing of exploration and development costs, nonfuel minerals	25	135
Cancellation of indebtedness	20	100
Credit for holders of zone academy bonds	20	155
Deferral of tax on shipping companies	15	75
Exclusion of interest on savings bonds redeemed to finance educational expenses	15	80
Alcohol fuel credits [1]	15	75
Treatment of loans forgiven for solvent farmers	10	50
Excess bad debt reserves of financial institutions	10	25
Deferral of gain on sale of farm refiners	10	60
Investment credit and seven-year amortization for reforestation expenditures	10	65
Capital gains exclusion of small corporation stock	5	25
Expensing of costs of removing certain architectural barriers to the handicapped	5	25
Income of trusts to finance supplementary unemployment benefits	5	25
Special alternative tax on small property and casualty insurance companies	5	25
Expensing of exploration and development costs, fuels	(10)	45

[1] In addition, the partial exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts (in millions of dollars) as follows: 1998 $680; 1999 $725; 2000 $755; 2001 $765; 2002 $790; 2003 $805; and 2004 $830

[2] The figures in the table indicate the effect of the child tax credit on receipts. The effect on outlays (in millions of dollars) is as follows: 1998 $0; 1999 $415; 2000 $528; 2001 $496; 2002 $483; 2003 $453; and 2004 $425.

[3] The figures in the table indicate the effect of the earned income tax credit on receipts. The effect on outlays (in millions of dollars) is as follows: 1998 $23,239; 1999 $26,273; 2000 $26,882; 2001 $27,667; 2002 $28,632; 2003 $29,566; and 2004 $30,578.

Note: Provisions with estimates denoted ''normal tax method'' have no revenue loss under the reference tax law method. All estimates have been rounded to the nearest $5 million. Provisions with estimates that rounded to zero in each year are not included in the able.

Note: Three categories in the table are aggregated: Deductibility of chartable contributions, exclusion of interest for non-public purpose State and local debt, and excess of percentage over cost depletion, fuels and nonfuel minerals.

Table 5–4. PRESENT VALUE OF SELECTED TAX EXPENDITURES FOR ACTIVITY IN CALENDAR YEAR 1998

(In millions of dollars)

	Provision	Present Value of Revenue Loss
1	Deferral of income from controlled foreign corporations (normal tax method)	5,700
2	Deferred taxes for financial firms on income earned overseas	550
3	Expensing of research and experimentation expenditures (normal tax method)	1,650
4	Expensing of exploration and development costs—fuels	90
5	Expensing of exploration and development costs—nonfuels	20
6	Expensing of multiperiod timber growing costs	250
7	Expensing of certain multiperiod production costs—agriculture	90
8	Expensing of certain capital outlays—agriculture	75
9	Deferral of income on life insurance and annuity contracts	20,615
10	Accelerated depreciation of rental housing (normal tax method)	3,415
11	Accelerated depreciation of buildings other than rental housing (normal tax method)	560
12	Accelerated depreciation of machinery and equipment (normal tax method)	39,670
13	Expensing of certain small investments (normal tax method)	1,375
14	Amortization of start-up costs (normal tax method)	180
15	Deferral of tax on shipping companies	15
16	Credit for holders of zone academy bonds	180
17	Credit for low-income housing investments	2,745
18	Exclusion of pension contributions—employer plans	84,430
19	Exclusion of IRA contributions and earnings	13,285
20	Exclusion of contributions and earnings for Keogh plans	3,555
21	Exclusion of interest on public-purpose bonds	22,360
22	Exclusion of interest on non-public purpose bonds	3,435
23	Deferral of interest on U.S. savings bonds	390

Outlay Equivalents

The concept of "outlay equivalents" complements "revenue losses" as a measure of the budget effect of tax expenditures. It is the amount of outlay that would be required to provide the taxpayer the same after-tax income as would be received through the tax preference. The outlay equivalent measure allows a comparison of the cost of the tax expenditure with that of a direct Federal outlay. Outlay equivalents are reported in table 5–5.

The measure is larger than the revenue loss estimate when the tax expenditure is judged to function as a Government payment for service. This occurs because an outlay program would increase the taxpayer's pre-tax income. For some tax expenditures, however, the revenue loss equals the outlay equivalent measure. This occurs when the tax expenditure is judged to function like a price reduction or tax deferral that does not directly enter the taxpayer's pre-tax income.[1]

[1] Budget outlay figures generally reflect the pre-tax price of the resources. In some instances, however, Government purchases or subsidies are exempted from tax by a special tax provision. When this occurs, the outlay figure understates the resource cost of the program and is, therefore, not comparable with other outlay amounts. For example, the outlays for certain military personnel allowances are not taxed. If this form of compensation were treated as part of the employee's taxable income, the Defense Department would have to make larger cash payments to its military personnel to leave them as well off after tax as they are now. The tax subsidy must be added to the tax-exempt budget outlay to make this element of national defense expenditures comparable with other outlays.

Table 5–5. OUTLAY EQUIVALENT ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX

(In millions of dollars)

		Outlay Equivalents							
		1998	1999	2000	2001	2002	2003	2004	2000–2004
	National Defense:								
1	Exclusion of benefits and allowances to armed forces personnel	2,445	2,470	2,495	2,520	2,545	2,570	2,595	12,725
	International affairs:								
2	Exclusion of income earned abroad by U.S. citizens	2,640	2,965	3,315	3,710	4,145	4,590	5,080	20,840
3	Exclusion of income of foreign sales corporations	3,310	3,460	3,700	3,920	4,150	4,460	4,770	21,000
4	Inventory property sales source rules exception	1,550	1,620	1,690	1,770	1,920	2,080	2,230	9,690
5	Deferral of income from controlled foreign corporations (normal tax method)	5,500	5,800	6,200	6,600	7,000	7,450	7,900	35,150
6	Deferred taxes for financial firms on income earned overseas	400	1,075	65	0	0	0	0	65
	General science, space, and technology:								
7	Expensing of research and experimentation expenditures (normal tax method)	260	330	510	610	675	735	765	3,295
8	Credit for increasing research activities	3,270	2,550	1,500	650	275	90	15	2,530
	Energy:								
9	Expensing of exploration and development costs, fuels	(130)	(90)	(20)	(25)	0	40	45	40
10	Excess of percentage over cost depletion, fuels	285	295	300	310	320	325	335	1,590
11	Alternative fuel production credit	1,100	1,030	975	915	860	555	165	3,470
12	Exception from passive loss limitation for working interests in oil and gas properties	30	35	35	35	40	40	40	190
13	Capital gains treatment of royalties on coal	80	85	85	95	95	100	105	480
14	Exclusion of interest on energy facility bonds	155	155	155	165	165	165	165	815
15	Enhanced oil recovery credit	215	245	285	325	375	425	490	1,900
16	New technology credit	30	40	45	50	55	55	40	245
17	Alcohol fuel credits [1]	15	15	15	15	15	15	15	75
18	Tax credit and deduction for clean-fuel burning vehicles	95	105	115	130	120	95	65	525
19	Exclusion from income of conservation subsidies provided by public utilities	110	110	105	105	100	105	105	520
	Natural resources and environment:								
20	Expensing of exploration and development costs, nonfuel minerals	30	30	30	30	30	40	40	170
21	Excess of percentage over cost depletion, nonfuel minerals	275	280	300	310	325	340	350	1,625
22	Exclusion of interest on bonds for water, sewage, and hazardous waste facilities	630	630	640	650	650	655	665	3,260
23	Capital gains treatment of certain timber income	80	85	85	95	95	100	105	480
24	Expensing of multiperiod timber growing costs	485	500	510	530	550	570	590	2,750
25	Investment credit and seven-year amortization for reforestation expenditures	15	15	15	15	15	15	15	75
26	Tax incentives for preservation of historic structures	215	235	255	275	285	305	315	1,435
	Agriculture:								
27	Expensing of certain capital outlays	65	70	70	75	75	80	85	385
28	Expensing of certain multiperiod production costs	80	85	85	90	95	100	105	475
29	Treatment of loans forgiven for solvent farmers	10	10	10	10	10	10	10	50
30	Capital gains treatment of certain income	805	840	875	915	955	1,000	1,045	4,790
31	Income averaging for farmers	10	75	75	80	80	80	85	400
32	Deferral of gain on sale of farm refiners	10	10	10	10	10	15	15	60
	Commerce and housing:								
	Financial institutions and insurance:								
33	Exemption of credit union income	1,000	1,070	1,150	1,235	1,325	1,425	1,530	6,665
34	Excess bad debt reserves of financial institutions	70	30	10	5	5	5	0	25
35	Exclusion of interest on life insurance savings	13,465	14,200	14,990	15,810	16,680	17,595	18,840	83,915
36	Special alternative tax on small property and casualty insurance companies	5	5	5	5	5	5	5	25
37	Tax exemption of certain insurance companies owned by tax-exempt organizations	290	315	335	345	365	415	450	1,910
38	Small life insurance company deduction	140	140	140	150	150	150	150	740
	Housing:								
39	Exclusion of interest on owner-occupied mortgage subsidy bonds	1,230	1,255	1,260	1,270	1,290	1,295	1,315	6,430
40	Exclusion of interest on rental housing bonds	215	215	215	215	220	220	220	1,090
41	Deductibility of mortgage interest on owner-occupied homes	51,700	52,990	55,100	57,590	60,415	63,425	66,615	303,145
42	Deductibility of State and local property tax on owner-occupied homes	17,770	18,595	19,495	20,535	21,625	22,635	23,645	107,935
43	Deferral of income from post-1987 installment sales	975	995	1,015	1,035	1,055	1,075	1,095	5,275
44	Capital gains exclusion on home sales	21,845	22,500	23,175	23,870	24,590	25,325	26,090	123,050
45	Exception from passive loss rules for $25,000 of rental loss	4,735	4,455	4,215	4,000	3,785	3,575	3,375	18,950
46	Credit for low-income housing investments	4,065	4,210	4,340	4,540	4,610	4,720	4,705	22,915
47	Accelerated depreciation on rental housing (normal tax method)	2,405	2,740	3,095	4,170	4,590	4,495	4,570	20,920
	Commerce:								
48	Cancellation of indebtedness	50	30	20	15	20	20	25	100
49	Exceptions from imputed interest rules	155	160	160	160	165	165	165	815
50	Capital gains (except agriculture, timber, iron ore, and coal) (normal tax method)	51,035	52,555	54,115	55,725	57,380	59,080	60,835	287,135
51	Capital gains exclusion of small corporation stock	0	5	5	5	5	5	5	25
52	Step-up basis of capital gains at death	32,760	34,400	36,120	37,655	39,160	40,725	42,355	196,015
53	Carryover basis of capital gains on gifts	170	175	185	195	205	210	220	1,015
54	Ordinary income treatment of loss from small business corporation stock sale	45	45	45	55	55	55	55	265
55	Accelerated depreciation of buildings other than rental housing (normal tax method)	6,270	4,895	3,430	2,385	2,365	1,875	585	10,640

Table 5–5. OUTLAY EQUIVALENT ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(In millions of dollars)

		Outlay Equivalents							
		1998	1999	2000	2001	2002	2003	2004	2000–2004
56	Accelerated depreciation of machinery and equipment (normal tax method)	28,885	32,505	35,465	36,830	36,985	36,510	35,855	181,645
57	Expensing of certain small investments (normal tax method)	1,185	1,235	1,275	1,175	1,730	1,605	995	6,780
58	Amortization of start-up costs (normal tax method)	205	215	220	225	225	230	240	1,140
59	Graduated corporation income tax rate (normal tax method)	7,400	7,340	7,340	7,700	8,385	9,150	9,755	42,330
60	Exclusion of interest on small issue bonds	425	430	435	435	435	445	445	2,195
	Transportation:								
61	Deferral of tax on shipping companies	20	20	20	20	20	20	20	100
62	Exclusion of reimbursed employee parking expenses	2,010	2,060	2,105	2,180	2,260	2,345	2,430	11,320
63	Exclusion for employer-provided transit passes	95	115	130	150	180	215	240	915
	Community and regional development:								
64	Investment credit for rehabilitation of structures (other than historic)	30	30	30	30	30	30	30	150
65	Exclusion of interest for airport, dock, and similar bonds	995	1,010	1,015	1,025	1,040	1,045	1,060	5,185
66	Exemption of certain mutuals' and cooperatives' income	45	50	50	50	50	50	55	255
67	Empowerment zones and enterprise communities	290	380	430	435	415	305	290	1,875
68	Expensing of environmental remediation costs	120	145	195	80	(15)	(35)	(45)	180
	Education, training, employment, and social services:								
	Education:								
69	Exclusion of scholarship and fellowship income (normal tax method)	1,015	1,060	1,105	1,155	1,210	1,265	1,320	6,055
70	HOPE tax credit	255	5,150	6,225	6,830	7,345	7,390	7,625	35,415
71	Lifetime Learning tax credit	140	3,215	3,405	3,805	3,865	4,305	5,850	21,230
72	Education Individual Retirement Accounts	25	125	295	480	685	895	1,120	3,475
73	Deductibility of student-loan interest	90	305	330	390	450	485	530	2,185
74	Deferral for State prepaid tuition plans	85	125	180	235	285	330	365	1,395
75	Exclusion of interest on student-loan bonds	340	340	345	350	350	360	360	1,765
76	Exclusion of interest on bonds for private nonprofit educational facilities	800	820	820	825	835	845	850	4,175
77	Credit for holders of zone academy bonds	0	15	30	45	50	50	50	225
78	Exclusion of interest on savings bonds redeemed to finance educational expenses	15	15	20	20	20	20	30	110
79	Parental personal exemption for students age 19 or over	970	1,010	1,070	1,125	1,165	1,225	1,280	5,865
80	Child credit [2]	4,700	24,985	24,965	24,575	24,215	23,660	22,875	120,290
81	Deductibility of charitable contributions (education)	3,995	4,090	4,250	4,435	4,650	4,870	5,125	23,330
82	Exclusion of employer-provided educational assistance	270	270	260	20	0	0	0	280
	Training, employment, and social services:								
83	Work opportunity tax credit	170	335	330	160	40	5	0	535
84	Welfare-to-work tax credit	15	35	35	20	10	5	0	70
85	Exclusion of employer-provided child care	1,765	1,845	1,925	2,015	2,100	2,195	2,285	10,520
86	Adoption assistance	155	355	415	470	460	285	205	1,835
87	Exclusion of employee meals and lodging (other than military)	760	795	830	865	905	945	990	4,535
88	Credit for child and dependent care expenses	3,315	3,275	3,235	3,195	3,155	3,115	3,080	15,780
89	Credit for disabled access expenditures	60	65	65	65	75	80	85	370
90	Expensing of costs of removing certain architectural barriers to the handicapped	0	5	5	5	5	5	5	25
91	Deductibility of charitable contributions, other than education and health	25,000	25,780	27,015	28,320	29,770	31,310	32,980	149,395
92	Exclusion of certain foster care payments	45	45	50	50	50	55	60	265
93	Exclusion of parsonage allowances	390	415	445	475	505	540	580	2,545
	Health:								
94	Exclusion of employer contributions for medical insurance premiums and medical care	86,925	92,985	99,735	106,890	114,465	122,580	131,280	574,950
95	Self-employed medical insurance premiums	935	1,195	1,600	1,715	1,890	2,505	3,545	11,255
96	Workers' compensation insurance premiums	5,320	5,520	5,730	5,945	6,170	6,400	6,645	30,890
97	Medical Savings Accounts	20	30	30	35	30	30	25	150
98	Deductibility of medical expenses	3,615	3,775	3,985	4,215	4,475	4,750	5,035	22,460
99	Exclusion of interest on hospital construction bonds	1,665	1,680	1,695	1,705	1,725	1,750	1,765	8,640
100	Deductibility of charitable contributions (health)	3,520	3,600	3,760	3,930	4,120	4,330	4,560	20,700
101	Tax credit for orphan drug research	60	75	80	90	105	115	130	520
102	Special Blue Cross/Blue Shield deduction	280	310	335	375	435	385	335	1,865
	Income security:								
103	Exclusion of railroad retirement system benefits	420	420	425	425	430	435	440	2,155
104	Exclusion of workers' compensation benefits	5,140	5,330	5,475	5,940	6,205	6,480	6,755	30,855
105	Exclusion of public assistance benefits (normal tax method)	440	345	360	375	390	405	420	1,950
106	Exclusion of special benefits for disabled coal miners	85	80	75	70	70	65	60	340
107	Exclusion of military disability pensions	120	125	130	135	140	140	145	690
	Net exclusion of pension contributions and earnings:								
108	Employer plans	106,170	106,840	109,760	112,750	116,015	119,475	122,975	580,975
109	Individual Retirement Accounts	14,115	14,475	15,095	15,570	15,855	15,940	15,845	78,305
110	Keogh plans	5,010	5,105	5,400	5,705	6,025	6,360	6,710	30,200
	Exclusion of other employee benefits:								
111	Premiums on group term life insurance	2,690	2,750	2,815	2,880	2,945	3,015	3,085	14,740

Table 5–5. OUTLAY EQUIVALENT ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued
(In millions of dollars)

		Outlay Equivalents							
		1998	1999	2000	2001	2002	2003	2004	2000–2004
112	Premiums on accident and disability insurance	225	235	250	260	275	290	305	1,380
113	Income of trusts to finance supplementary unemployment benefits	5	5	5	5	5	5	5	25
114	Special ESOP rules	1,280	1,320	1,360	1,415	1,470	1,530	1,585	7,360
115	Additional deduction for the blind	35	35	35	35	40	40	45	195
116	Additional deduction for the elderly	2,045	2,085	2,105	2,175	2,275	2,355	2,440	11,350
117	Tax credit for the elderly and disabled	50	50	50	50	50	50	55	255
118	Deductibility of casualty losses	245	260	270	285	295	310	320	1,480
119	Earned income tax credit [3]	7,056	5,687	5,523	5,714	5,861	6,079	6,303	29,480
	Social Security:								
	Exclusion of social security benefits:								
120	Social Security benefits for retired workers	16,780	17,210	18,125	19,045	20,100	21,260	22,460	100,990
121	Social Security benefits for disabled	2,265	2,420	2,615	2,820	3,060	3,325	3,625	15,445
122	Social Security benefits for dependents and survivors	3,725	3,785	3,910	4,065	4,235	4,405	4,575	21,190
	Veterans benefits and services:								
123	Exclusion of veterans death benefits and disability compensation	2,820	2,940	3,070	3,210	3,350	3,495	3,650	16,775
124	Exclusion of veterans pensions	65	65	70	75	80	85	85	395
125	Exclusion of GI bill benefits	65	75	85	90	90	95	100	460
126	Exclusion of interest on veterans housing bonds	60	60	60	60	60	60	60	300
	General purpose fiscal assistance:								
127	Exclusion of interest on public purpose bonds	28,720	29,005	29,290	29,595	29,890	30,190	30,490	149,455
128	Deductibility of nonbusiness State and local taxes other than on owner-occupied homes	32,795	34,925	37,000	39,235	41,715	44,490	47,400	209,840
129	Tax credit for corporations receiving income from doing business in U.S. possessions	3,960	4,000	4,120	4,245	4,285	4,150	4,215	21,015
	Interest:								
130	Deferral of interest on U.S. savings bonds	965	1,015	1,065	1,115	1,175	1,235	1,295	5,885
	Addendum—Aid to State and local governments:								
	Deductibility of:								
	Property taxes on owner-occupied homes	17,770	18,595	19,495	20,535	21,625	22,635	23,645	107,935
	Nonbusiness State and local taxes other than on owner-occupied homes	32,795	34,925	37,000	39,235	41,715	44,490	47,400	209,840
	Exclusion of interest on:								
	Public purpose State and local debt	28,720	29,005	29,290	29,595	29,890	30,190	30,490	149,455
	IDBs for certain energy facilities	155	155	155	165	165	165	165	815
	IDBs for pollution control and sewage and waste disposal facilities	630	630	640	650	650	655	665	3,260
	Small-issue IDBs	425	430	435	435	435	445	445	2,195
	Owner-occupied mortgage revenue bonds	1,230	1,255	1,260	1,270	1,290	1,295	1,315	6,430
	State and local debt for rental housing	215	215	215	215	220	220	220	1,090
	IDBs for airports, docks, and sports and convention facilities	995	1,010	1,015	1,025	1,040	1,045	1,060	5,185
	State and local student loan bonds	340	340	345	350	350	360	360	1,765
	State and local debt for private nonprofit educational facilities	800	820	820	825	835	845	850	4,175
	State and local debt for private nonprofit health facilities	1,665	1,680	1,695	1,705	1,725	1,750	1,765	8,640
	State and local debt for veterans housing	60	60	60	60	60	60	60	300

[1] In addition, the partial exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts (in millions of dollars) as follows: 1998 $680; 1999 $725; 2000 $755; 2001 $765; 2002 $790; 2003 $805; and 2004 $830.

[2] The figures in the table indicate the effect of the child tax credit on receipts. The effect on outlays (in millions of dollars) is as follows: 1998 $0; 1999 $415; 2000 $528; 2001 $496; 2002 $483; 2003 $453; and 2004 $425.

[3] The figures in the table indicate the effect of the earned income tax credit on receipts. The effect on outlays (in millions of dollars) is as follows: 1998 $23,240; 1999 $25,650; 2000 $26,525; 2001 $27,265; 2002 $27,975; 2003 $28,705; and 2004 $29,655.

Note: Provisions with estimates denoted normal tax method have no revenue loss under the reference tax law method.

All estimates have been rounded to the nearest $5 million. Provisions with estimates that rounded to zero in each year are not included in the table.

Tax Expenditure Baselines

A tax expenditure is a preferential exception to the baseline provisions of the tax structure. The 1974 Congressional Budget Act does not, however, specify the baseline provisions of the tax law. Deciding whether provisions are preferential exceptions, therefore, is a matter of judgement. As in prior years, this year's tax expenditure estimates are presented using two baselines: the normal tax baseline, which is used by the Joint Committee on Taxation, and the reference tax law baseline, which has been reported by the Administration since 1983.

The normal tax baseline is patterned on a comprehensive income tax, which defines income as the sum of consumption and the change in net wealth in a given period of time. The normal tax baseline allows personal exemptions, a standard deduction, and deductions of the expenses incurred in earning income. It is not limited to a particular structure of tax rates, or by a specific definition of the taxpaying unit.

The reference tax law baseline is also patterned on a comprehensive income tax, but in practice is closer to existing law. Reference law tax expenditures are limited to special exceptions in the tax code that serve programmatic functions. These functions correspond to specific budget categories such as national defense, agriculture, or health care. While tax expenditures under the reference law baseline are generally tax expenditures under the normal tax baseline, the reverse is not always true.

Both the normal and reference tax baselines allow several major departures from a pure comprehensive income tax. For example:

- Income is taxable when realized in exchange. Thus, neither the deferral of tax on unrealized capital gains nor the tax exclusion of imputed income (such as the rental value of owner-occupied housing or farmers' consumption of their own produce) is regarded as a tax expenditure. Both accrued and imputed income would be taxed under a comprehensive income tax.
- There is a separate corporation income tax. Under a comprehensive income tax, corporate income would be taxed only once—at the shareholder level, whether or not distributed in the form of dividends.
- Values of assets and debt are not adjusted for inflation. A comprehensive income tax would adjust the cost basis of capital assets and debt for changes in the price level during the time the assets or debt are held. Thus, under a comprehensive income tax baseline, the failure to take account of inflation in measuring depreciation, capital gains, and interest income would be regarded as a negative tax expenditure (i.e., a tax penalty), and failure to take account of inflation in measuring interest costs would be regarded as a positive tax expenditure (i.e., a tax subsidy).

While the reference law and normal tax baselines are generally similar, areas of difference include:

- *Tax rates.* The separate schedules applying to the various taxpaying units are included in the reference law baseline. Thus, corporate tax rates below the maximum statutory rate do not give rise to a tax expenditure. The normal tax baseline is similar, except that it specifies the current maximum rate as the baseline for the corporate income tax. The lower tax rates applied to the first $10 million of corporate income are thus regarded as a tax expenditure. Similarly, under the reference law baseline, preferential tax rates for capital gains generally do not yield a tax expenditure; only capital gains treatment of otherwise "ordinary income," such as that from coal and iron ore royalties and the sale of timber and certain agricultural products, is considered a tax expenditure. The alternative minimum tax is treated as part of the baseline rate structure under both the reference and normal tax methods.
- *Income subject to the tax.* Income subject to tax is defined as gross income less the costs of earning that income. The Federal income tax defines gross income to include: (1) consideration received in the exchange of goods and services, including labor services or property; and (2) the taxpayer's share of gross or net income earned and/or reported by another entity (such as a partnership). Under the reference tax rules, therefore, gross income does not include gifts—defined as receipts of money or property that are not consideration in an exchange—or most transfer payments, which can be thought of as gifts from the Government.[2] The normal tax baseline also excludes gifts between individuals from gross income. Under the normal tax baseline, however, all cash transfer payments from the Government to private individuals are counted in gross income, and exemptions of such transfers from tax are identified as tax expenditures. The costs of earning income are generally deductible in determining taxable income under both the reference and normal tax baselines.[3]
- *Capital recovery.* Under the reference tax law baseline no tax expenditures arise from accelerated depreciation. Under the normal tax baseline, the depreciation allowance for machinery and equipment is determined using straight-line depreciation over tax lives equal to mid-values of the asset depreciation range (a depreciation system in effect from 1971 through 1980). The normal tax baseline for real property is computed using 40-year straight-line depreciation.
- *Treatment of foreign income.* Both the normal and reference tax baselines allow a tax credit for foreign income taxes paid (up to the amount of U.S. income taxes that would otherwise be due), which prevents double taxation of income earned abroad. Under the normal tax method, however, controlled foreign corporations (CFCs) are not regarded as entities separate from their controlling U.S. shareholders. Thus, the deferral of tax on income received by CFCs is regarded as a tax expenditure under this method. In contrast, except for tax haven activities, the reference law baseline follows current law in treating CFCs as separate taxable entities whose income is not subject to U.S. tax until distributed to U.S. taxpayers. Under this baseline, deferral of tax on CFC income is not a tax expenditure because U.S. taxpayers generally are not taxed on accrued, but unrealized, income.

In addition to these areas of difference, the Joint Committee on Taxation considers a somewhat broader set of tax expenditures under its normal tax baseline than is considered here.

[2] Gross income does, however, include transfer payments associated with past employment, such as social security benefits.

[3] In the case of individuals who hold "passive" equity interests in businesses, however, the pro-rata shares of sales and expense deductions reportable in a year are limited. A passive business activity is defined to be one in which the holder of the interest, usually a partnership interest, does not actively perform managerial or other participatory functions. The taxpayer may generally report no larger deductions for a year than will reduce taxable income from such activities to zero. Deductions in excess of the limitation may be taken in subsequent years, or when the interest is liquidated.

Performance Measures and the Economic Effects of Tax Expenditures

Under the Government Performance and Results Act of 1993 (GPRA), Federal agencies are directed to develop both strategic and annual plans for their programs and activities. These plans set out performance objectives to be achieved over a specific time period. Achieving most of these objectives will largely be the result of direct expenditures of funds. However, tax expenditures may also contribute to goal achievement.

The Senate Governmental Affairs Committee report on this Act[4] called on the Executive branch to undertake a series of analyses to assess the effect of specific tax expenditures on the achievement of the goals and objectives in these strategic and annual plans. As described in OMB's May 1997 report on this Act,[5] Treasury in 1997 initiated pilot studies of three specific tax expenditures in order to explore evaluation methods and resource needs associated with evaluating the relationship between tax expenditures and performance goals. Tax expenditures were selected within the Office of Tax Analysis in each of the three main areas—individual, business, and international taxation. The specific provisions considered were: the tax exemption for worker's compensation benefits; the tax credit for nonconventional fuels; and the tax exclusion for certain amounts of income earned by Americans living abroad. The results of these studies are summarized in the context of the three specific provisions in the section that follows, which provides provision descriptions.

Over the next few years, the Administration's plan is to undertake additional studies that will focus on the availability of the data needed to assess the effects of selected significant tax expenditures, primarily those designed to increase savings. In addition, summarized data on the beneficiaries and other economic properties of such provisions will be developed where feasible. This effort will complement information published by the Joint Committee on Taxation and the Senate Budget Committee on the rationale, beneficiaries, and effects of tax expenditures.[6] One finding of the pilot studies is that much of the data needed for thorough analysis is not currently available. Hence, assessment of data needs and availability from Federal statistical agencies, program-agency studies, or private-sector sources, and, when feasible, publication of data on selected tax expenditures should prove valuable to broader efforts to assess the effects tax expenditures and to compare their effectiveness with outlay, regulatory and other tax polices as means of achieving objectives.

Comparisons of tax expenditure, spending, and regulatory policies. Tax expenditures by definition work through the tax system and, particularly, the income tax. Thus, they may be relatively advantageous policy approaches when the benefit or incentive is related to income and is intended to be widely available.[7] Because there is an existing public administrative and private compliance structure for the tax system, the incremental administrative and compliance costs for a tax expenditure may be low in many, though not all, cases. In addition, tax expenditures may help simplify the tax system, as where they leave certain income sources untaxed (e.g, exemptions for employer fringe benefits or exclusions for up to $500,000 of capital gains on home sales). Tax expenditures also implicitly subsidize certain activities, which benefit recipients; the beneficiaries experience reduced taxes that are offset by higher taxes (or spending reductions) elsewhere. Regulatory or tax-disincentive policies, which can also modify behavior, would have a different distributional impact. Finally, a variety of tax expenditure tools can be used—e.g., deductions, credits, exemptions and deferrals; floors and ceilings; and phase-ins and phase-outs, dependent on income, expenses, or demographic characteristics (age, number of family members, etc.). This wide range means that tax expenditures can be flexible and can have very different distributional and cost-effectiveness properties.

Tax expenditures also have limitations. In some cases they can add to the complexity of the tax system, which can raise both administrative and compliance costs; for example, various holding periods and tax rates for capital gains can complicate filing and decisionmaking. Also, the income tax system does not gather information on wealth, in contrast to certain loan programs that are based on recipients' assets and income. In addition, the tax system may have little or no contact with persons who have no or very low incomes, and incentives for such persons may need to take the form of refunds. These features may reduce the effectiveness of tax expenditures for addressing certain income-transfer objectives. Tax expenditures also generally do not enable the same degree of agency discretion as an outlay program; for example, grant or direct Federal service delivery programs can prioritize which activities are addressed with what amount of resources in a way that is difficult to emulate with tax expenditures. Finally, tax expenditures tend to escape the budget scrutiny afforded to other programs. For instance, a program funded by a tax expenditure does not increase government outlays as a share of national product and it may even decrease receipts as a share of output. However, the effective government compensation to a service provider can be identical to that of a spending program under which the outlay (and possibly the receipts) share of GDP may increase.

Outlay programs, in contrast, have advantages where direct government service provision is particularly warranted—such as equipping and providing the armed forces or administering the system of justice. Outlay

[4] Committee on Government Affairs, United States Senate, "Government Performance and Results Act of 1993" (Report 103–58, 1993).

[5] Director of the Office of Management and Budget, "The Government Performance and Results Act," Report to the President and the Congress, May 1997.

[6] Joint Committee on Taxation, "Estimates of Federal Tax Expenditures for Fiscal Years 1999–1993," JCS-7–98, December 14, 1998; and Committee on the Budget, United States Senate, "Tax Expenditures: Compendium of Background Material on Individual Provisions," prepared by the Congressional Research Service (S. Prt. 104–69, December 1996).

[7] While this section focuses upon tax expenditures under the income tax, tax preferences also arise under the unified transfer, payroll, and excise tax systems. Such preferences can be useful when they relate to the base of those taxes, such as an excise tax exemption for certain types of consumption deemed meritorious.

programs may also be specifically designed to meet the needs of low-income families who would not otherwise be subject to income taxes or need to file a return. Outlay programs may also receive more year-to-year oversight and fine tuning, through the legislative and executive budget process. In addition, many different types of spending programs—including direct government provision; credit programs; and payments to State and local governments, the private sector, or individuals in the form of grants or contracts—provide flexibility for policy design. On the other hand, certain outlay programs—such as direct government service provision—may rely less directly on economic incentives and private-market provision than tax incentives, which may reduce the relative efficiency of spending programs for some goals. Spending programs also require resources to be raised via taxes, user charges, or government borrowing. Finally, spending programs, particularly on the discretionary side, may respond less readily to changing activity levels and economic conditions than tax expenditures.

Regulations have a key distributional difference from outlay and tax-expenditure programs in that the immediate distributional burden of the regulation typically falls on the regulated party (i.e., the intended actor)—generally in the private sector. While the regulated parties can pass costs along through product or input prices, the initial incidence is on the regulated party. Regulations can be fine-tuned more quickly than tax expenditures, as they can generally be changed by the executive branch without legislation. Like tax expenditures, regulations often largely rely upon voluntary compliance, rather than detailed inspections and policing. As such, the public administrative costs tend to be modest, relative to the private resource costs associated with modifying activities. Historically, regulations have tended to rely on proscriptive measures, as opposed to economic incentives. This reliance can diminish their economic efficiency, though this feature can also promote full compliance where (as in certain safety-related cases) policymakers believe that trade-offs with economic considerations are not of paramount importance. Also, regulations generally do not directly affect the Federal budget and outlays and receipts as a percentage of national output. Thus, like tax expenditures, they may escape the type of scrutiny that outlay programs receive. However, most regulations are subjected to a formal type of benefit-cost analysis that goes well beyond the analysis required for outlay and tax-expenditure programs. To some extent, the GPRA requirement for performance evaluation will address this lack of formal analysis.

There are examples of policy objectives that employ multiple approaches. Minimum wage legislation, the earned income tax credit, and the food stamp program are examples of programs that utilize regulatory, tax expenditure, and direct outlay approaches, respectively, in order to improve the economic welfare of low-wage workers. Their relative strengths and weaknesses have merited significant attention.

Tax expenditures, like spending and regulatory programs, have a variety of objectives and effects. These include: encouraging certain types of activities (e.g., saving for retirement or investing in certain sectors); increasing certain types of after-tax income (e.g., favorable tax treatment of social security income); reducing private compliance costs and government administrative costs (e.g., favorable treatment of certain employer-provided fringe benefits); and promoting tax neutrality (e.g., accelerated depreciation in the presence of inflation). Some of these objectives are well suited to quantitative measurement, while others are less well suited. Also, many tax expenditures, including those cited above, may have more than one objective. For example, favorable treatment of employer-provided pensions might be argued to have aspects of most, or even all, of the goals mentioned above. In addition, the economic effects of particular provisions can extend beyond their intended objectives (e.g., a provision intended to promote an activity or raise certain incomes may have positive or negative effects on tax neutrality).

Performance measurement is generally concerned with inputs, outputs, and outcomes. In the case of tax expenditures, the principal input is usually the tax revenue loss. Outputs are quantitative or qualitative measures of goods and services, or changes in income and investment, directly produced by these inputs. Outcomes, in turn, represent the changes in the economy, society, or environment that are the ultimate goals of programs.

Thus, for a provision that reduces taxes on certain investment activity, an increase in the amount of investment would likely be a key output. The resulting production from that investment, and, in turn, the associated improvements in national income, welfare, or security, could be the outcomes of interest. For other provisions, such as those designed to address a potential inequity or unintended consequence in the tax code, an important performance measure might be how they change effective tax rates (the discounted present-value of taxes owed on new investments or incremental earnings) or excess burden (an economic measure of the distortions caused by taxes). Distributional effects on incomes may be an important measure for certain provisions.

An overview of evaluation issues by budget function. The discussion below considers the types of measures that might be useful for some major programmatic groups of tax expenditures. The discussion is intended to be illustrative and not all encompassing. However, it is premised on the assumption that the data needed to perform the analysis are available or can be developed. In practice, data availability is likely to be a major challenge, and data constraints may limit the assessment of the effectiveness of many of the provisions for some time. In addition, such assessments can raise significant challenges in economic modeling. For these reasons, and related time, staffing, and resource constraints, the evaluation process is likely to take a number of years and to include qualitative assessments and estimated ranges of effects, in many cases, as opposed to point estimates.

National defense.—Some tax expenditures are intended to assist governmental activities. For example, tax preferences for military benefits reflect, among other things, the view that benefits such as housing, subsistence, and moving expenses are intrinsic aspects of military service, and are provided, in part, for the benefit of the employer, the U.S. Government. Tax benefits for combat service are intended to reduce tax burdens on military personnel undertaking hazardous service for the Nation. A portion of the tax expenditure associated with foreign earnings is targeted to benefit U.S. Government civilian personnel working abroad by offsetting the living costs that can be higher than those in the United States. These tax expenditures should be considered together with direct agency budget costs in making programmatic decisions.

International affairs.—Tax expenditures are also aimed at promoting U.S. exports. These include the exclusion for income earned abroad by nongovernmental employees and preferences for income from exports and U.S.-controlled foreign corporations. Measuring the effectiveness of these provisions raises challenging issues. In addition to determining their effectiveness in markets of the benefitting firms, analysis should consider the extent to which macroeconomic factors lead to offsetting effects, such as increased imports, which could moderate any net effects on employment, national output, and trade deficits. Similar issues arise in the case of export promotion programs supported by outlays.

General science, space and technology; energy; natural resources and the environment; agriculture; and commerce and housing.—A series of tax expenditures reduces the cost of investment, both in specific activities—such as research and experimentation, extractive industries, and certain financial activities—and more generally, through accelerated depreciation for plant and equipment. These provisions can be evaluated along a number of dimensions. For example, it could be useful to consider the strength of the incentives by measuring their effects on the cost of capital (the interest rate which investments must yield to cover their costs) and effective tax rates. The impact of these provisions on the amounts of corresponding forms of investment—such as research spending, exploration activity, or equipment—could also be estimated. In some cases, such as research, there is evidence that the investment can provide significant positive externalities—that is, economic benefits that are not reflected in the market transactions between private parties. It could be useful to quantify these externalities and compare them with the degree of tax subsidy provided. Measures could also indicate the provisions' effects on production from these investments—such as numbers or values of patents, energy production and reserves, and industrial production. Issues to be considered include the extent to which the preferences increase production (as opposed to benefitting existing output) and their cost-effectiveness relative to other policies. Analysis could also consider objectives that are more difficult to measure but still are ultimate goals, such as promoting the Nation's technological base, energy security, environmental quality, or economic growth. Such an assessment is likely to involve tax analysis as well as consideration of non-tax matters such as market structure, scientific, and other information (such as the effects of increased domestic fuel production on imports from various regions, or the effects of various energy sources on the environment).

Housing investment also benefits from tax expenditures, including the mortgage interest deduction and preferential treatment of capital gains on homes. Measures of the effectiveness of these provisions could include their effects on increasing the extent of home ownership and the quality of housing. In addition, the mortgage interest deduction offsets the taxable nature of investment income received by homeowners, so the relationship between the deduction and such earnings is also relevant to evaluation of this provision. Similarly, analysis of the extent of accumulated inflationary gains is likely to be relevant to evaluation of the capital gains preference for home sales. Deductibility of State and local property taxes assists with making housing more affordable as well as easing the cost of providing community services through these taxes. Provisions intended to promote investment in rental housing could be evaluated for their effects on making such housing more available and affordable. These provisions should then be compared with alternative programs that address housing supply and demand.

Transportation.—Employer-provided parking is a fringe benefit that, for the most part, is excluded from taxation. The tax expenditure revenue loss estimates reflect the cost of parking that is leased by employers for employees; an estimate is not currently available for the value of parking owned by employers and provided to their employees. The exclusion for employer-provided transit passes is intended to promote use of this mode of transportation, which has environmental and congestion benefits. The tax treatments of these different benefits could be compared with alternative transportation policies.

Community and regional development.—A series of tax expenditures is intended to promote community and regional development by reducing the costs of financing specialized infrastructure, such as airports, docks, and stadiums. Empowerment zone and enterprise community provisions are designed to promote activity in disadvantaged areas. These provisions can be compared with grant and other policies designed to spur economic development.

Education, training, employment, and social services.—Major provisions in this function are intended to promote post-secondary education, to offset costs of raising children, and to promote a variety of charitable activities. The education incentives can be compared with loans, grants, and other programs designed to promote higher education and training. The child credits are intended to adjust the tax system for the costs of raising children; as such, they could be compared to other Federal tax and spending policies, including related features of the tax system, such as personal exemptions (which are not defined as a tax expenditure). Evaluation of charitable activities requires consideration of the beneficiaries of these activities, who are generally not the parties receiving the tax reduction.

Health.—Individuals also benefit from favorable treatment of employer-provided health insurance. Measures of these benefits could include increased coverage and the distribution of this coverage across different income groups. The effects of insurance coverage on final outcome measures of actual health (e.g., infant mortality, days of work lost due to illness, or life expectancy) or intermediate outcomes (e.g., use of preventive health care or health care costs) could also be investigated. The distribution of employer-provided health insurance is not readily evident from tax return information; thus, the distribution of benefits from this exclusion must be imputed using tax as well as other forms of information.

Income security, social security, and veterans benefits and services.—Major tax expenditures in the income security function benefit retirement savings, through employer-provided pensions, individual retirement accounts, and Keogh plans. These provisions might be evaluated in terms of their effects on boosting retirement incomes, private savings, and national savings (which would include the effect on private savings as well as public savings or deficits). In considering the provisions' distributional effects, it may be useful to consider beneficiaries' incomes while retired and over their entire lifetimes. Interactions with other programs, including social security, also may merit analysis. As in the case of employer-provided health insurance, analysis of employer-provided pension programs requires imputing the benefits of the firm-level contributions back to individuals.

Other provisions principally have income distribution, rather than incentive, effects. For example, tax-favored treatment of social security benefits, certain veterans benefits, and deductions for the blind and elderly provide increased incomes to eligible parties. The distribution of these benefits may be a useful performance measure. The earned-income tax credit, in contrast, should be evaluated both for its effects on labor force participation and its distributional properties.

General purpose fiscal assistance and interest.—The tax-exemption for public purpose State and local bonds reduces the costs of borrowing for a variety of purposes; borrowing for non-public purposes is reflected under other budget functions. The deductibility of certain State and local taxes reflected under this function primarily relates to personal income taxes; property tax deductibility is reflected under the commerce and housing function. Tax preferences for Puerto Rico and other U.S. possessions are also included here. These provisions can be compared with other tax and spending policies as means of benefitting fiscal and economic conditions in the States, localities, and possessions. Finally, the tax deferral for interest on U.S. savings bonds benefits savers who invest in these instruments; the extent of these benefits and any effects on Federal borrowing costs could be evaluated.

The above illustrative discussion, while broad, is nevertheless incomplete, both for the provisions mentioned and the many that are not explicitly cited. Developing a framework that is sufficiently comprehensive, accurate, and flexible to reflect the objectives and effects of the wide range of tax expenditures will be a significant challenge. OMB, Treasury, and other agencies will work together, as appropriate, to address this challenge. Particularly over the next few years, a significant portion of this effort is likely to be devoted to data issues. Because the compilation of data is resource intensive, and must be balanced with other objectives (including minimizing information collection burdens), careful planning will be essential. Given the challenges inherent in this work, the nature of the analyses is likely to evolve and improve over the next several years.

Other Considerations

The tax expenditure analysis could be extended beyond the income and transfer taxes to include payroll and excise taxes. The exclusion of certain forms of compensation from the wage base, for instance, reduces payroll taxes, as well as income taxes. Payroll tax exclusions are complex to analyze, however, because they also affect social insurance benefits. Certain targeted excise tax provisions might also be considered tax expenditures. In this case challenges include determining an appropriate baseline.

Descriptions of Income Tax Provisions

Descriptions of the individual and corporate income tax expenditures reported upon in this chapter follow.

National Defense

1. ***Benefits and allowances to armed forces personnel.***—The housing and meals provided military personnel, either in cash or in kind, as well as certain amounts of pay related to combat service, are excluded from income subject to tax.

International Affairs

2. ***Income earned abroad.***—In 1998, a U.S. citizen or resident alien who resides or stays overseas for at least 11 of the past 12 months may exclude $72,000 per year of foreign-earned income. The exclusion limit increases in $2,000 annual increments until it reaches $80,000 in 2002. Eligible taxpayers also may exclude or deduct reasonable housing costs in excess of one-sixth of the salary of a civil servant at grade GS-14,

step 1 ($61,656 in 1998). Federal employees working abroad are not eligible for the foreign-earned income exclusion. Federal employees, however, may exclude certain allowances from their taxable income.

The exclusion for certain income earned abroad was one of the tax expenditures examined by the Department of the Treasury in its pilot performance evaluations this year. This tax expenditure consists of two specific components: section 911 of the tax code, which covers private-sector employees, and section 912, which covers civilian government employees.[8]

The benefits for private-sector employees account for about 85 percent of the combined revenue loss from the two tax expenditures. The private-sector provision is intended to promote U.S. exports, help make U.S. companies competitive when doing business abroad, and to offset the costs of living abroad, which can be higher than costs in the United States. Because American workers in higher-tax nations can offset their U.S. taxes through use of the foreign tax credit, in practice the provision primarily benefits U.S. citizens who work in nations with income taxes that are lower than U.S. taxes. Using tax-return data from 1987, Treasury finds that 70 percent of the benefit of the provision goes to taxpayers with income (defined here as adjusted gross income plus the exclusion) above $50,000; over 98 percent of the housing exclusion, went to this group of taxpayers.

The provision benefitting civilian government employees is intended to help them maintain their standard of living when stationed abroad by compensating them for the higher costs of living abroad. To the extent that this compensation is carried out via the tax code, as opposed to agency appropriations, costs are shifted from outlays to revenue losses.

3. ***Income of Foreign Sales Corporations.***—The Foreign Sales Corporation (FSC) provisions exempt from tax a portion of U.S. exporters' foreign trading income to reflect the FSC's sales functions as foreign corporations. These provisions conform to the General Agreement on Tariffs and Trade.

4. ***Sales source rule exceptions.***—The worldwide income of U.S. persons is taxable by the United States and a credit for foreign taxes paid is allowed. The amount of foreign taxes that can be credited is limited to the pre-credit U.S. tax on the foreign source income. The sales source rules for inventory property allow U.S. exporters to use more foreign tax credits by allowing the exporters to attribute a larger portion of their earnings abroad than would be the case if the allocation of earnings was based on actual economic activity.

5. ***Income of U.S.-controlled foreign corporations.***—The income of foreign corporations controlled by U.S. shareholders is not subject to U.S. taxation. The income becomes taxable only when the controlling U.S. shareholders receive dividends or other distributions from their foreign stockholding. Under the normal tax method, the currently attributable foreign source pre-tax income from such a controlling interest is subject to U.S. taxation, whether or not distributed. Thus, the normal tax method considers the amount of controlled foreign corporation income not distributed to a U.S. shareholder as tax-deferred income.

[8] Section 911 was also the subject of a January 1993 Treasury report to Congress, "Taxation of Americans Working Overseas."

6. ***Exceptions under subpart F for active financing income.***—Financial firms can defer taxes on income earned overseas in an active business. This provision was originally enacted in the Taxpayer Relief Act of 1997, was canceled by a line-item veto by the President, and was restored by the Supreme Court decision declaring the line-item veto unconstitutional.

General Science, Space, and Technology

7. ***Expensing R&E expenditures.***—Research and experimentation (R&E) projects can be viewed as investments because, if successful, their benefits accrue for several years. It is often difficult, however, to identify whether a specific R&E project is successful and, if successful, what its expected life will be. Under the normal tax method, the expensing of R&E expenditures is viewed as a tax expenditure. The baseline assumed for the normal tax method is that all R&E expenditures are successful and have an expected life of five years.

8. ***R&E credit.***—The research and experimentation (R&E) credit, which expired on June 30, 1998, was reinstated (retroactively) in the Tax and Trade Relief Extension Act of 1998 for one year (through June 30, 1999). The tax credit is 20 percent of qualified research expenditures in excess of a base amount. The base amount is generally determined by multiplying a "fixed-base percentage" (limited to a maximum of .16) by the average amount of the company's gross receipts for the 1984 to 1988 period. Certain start-up companies are assigned a fixed-base percentage of .03 for the first five taxable years, which is gradually phased out in years 6 through 10 and replaced by the firm's actual fixed-base percentage. Taxpayers may also elect an alternative credit regime. Under the alternative credit regime, the credit rate is reduced and the taxpayer is assigned a three-tiered fixed-base percentage that is lower than the fixed-base percentage that would otherwise apply. A credit with a separate threshold is provided for a taxpayer's payments to universities for basic research.

Energy

9. ***Exploration and development costs.***—For successful investments in domestic oil and gas wells, intangible drilling costs (e.g., wages, the costs of using machinery for grading and drilling, the cost of unsalvageable materials used in constructing wells) may be expensed rather than amortized over the productive life of the property. Integrated oil companies may deduct only 70 percent of such costs and must amortize the remaining 30 percent over five years. The same rule applies to the exploration and development costs of surface stripping and the construction of shafts and tunnels for other fuel minerals.

10. ***Percentage depletion.***—Independent fuel mineral producers and royalty owners are generally allowed to take percentage depletion deductions rather than cost depletion on limited quantities of output. Under cost depletion, outlays are deducted over the productive life of the property based on the fraction of the resource extracted. Under percentage depletion, taxpayers deduct a percentage of gross income from mineral production at rates of 22 percent for uranium; 15 percent for oil, gas and oil shale; and 10 percent for coal. The deduction is limited to 50 percent of net income from the property, except for oil and gas where the deduction can be 100 percent of net property income. Production from geothermal deposits is eligible for percentage depletion at 65 percent of net income, but with no limit on output and no limitation with respect to qualified producers. Unlike depreciation or cost depletion, percentage depletion deductions can exceed the cost of the investment.

11. ***Alternative fuel production credit.***—A nontaxable credit of $3 per barrel (in 1979 dollars) of oil-equivalent production is provided for several forms of alternative fuels. The credit is generally available if the price of oil stays below $29.50 (in 1979 dollars). The credit generally expires on December 31, 2002.

Treasury reviewed the nonconventional fuel production tax credit as one of its pilot studies of tax expenditures under the Government Performance and Results Act. The provision provides a significant credit—currently about $6 per barrel of oil equivalent or $1 per thousand cubic feet of natural gas, or roughly half of the wellhead price of gas. Coalbed methane (natural gas) and gas from tight formations currently account for most of the credit. While the credit has been effective in stimulating the coalbed methane industry, increased domestic production of natural gas tends to discourage imports from stable suppliers (in particular, Canada), so there is relatively little benefit to U.S. energy security. In addition, there are indications that credit-qualified gas displaced some non-qualified domestic gas.

12. ***Oil and gas exception to passive loss limitation.***—Owners of working interests in oil and gas properties are exempt from the "passive income" limitations. As a result, the working interest-holder, who manages on behalf of himself and all other owners the development of wells and incurs all the costs of their operation, may aggregate negative taxable income from such interests with his income from all other sources.

13. ***Capital gains treatment of royalties on coal.***—Sales of certain coal under royalty contracts can be treated as capital gains rather than ordinary income.

14. ***Energy facility bonds.***—Interest earned on state and local bonds used to finance construction of certain energy facilities is tax-exempt. These bonds are generally subject to the state private-activity bond annual volume cap.

15. ***Enhanced oil recovery credit.***—A credit is provided equal to 15 percent of the taxpayer's costs for tertiary oil recovery on U.S. projects. Qualifying costs include tertiary injectant expenses, intangible drilling and development costs on a qualified enhanced oil recovery project, and amounts incurred for tangible depreciable property.

16. ***New technology credits.***—A credit of 10 percent is available for investment in solar and geothermal energy facilities. In addition, a credit of 1.5 cents is provided per kilowatt hour of electricity produced from renewable resources such as wind and biomass. The renewable resources credit applies only to electricity produced by a facility placed in service before July 1, 1999.

17. ***Alcohol fuel credits.***—An income tax credit is provided for ethanol that is derived from renewable sources and used as fuel. The credit equals 54 cents per gallon in 1998, 1999, and 2000. The Transportation Equity Act of the 21st Century made the credit 53 cents per gallon in 2001 and 2002; 52 cents per gallon in 2003 and 2004; and 51 cents per gallon in 2005, 2006, and 2007. To the extent that ethanol is mixed with taxable motor fuel to create gasohol, taxpayers may claim an exemption of the federal excise tax rather than the income tax credit. In addition, small ethanol producers are eligible for a separate 10 cents per gallon credit.

18. ***Credit and deduction for clean-fuel vehicles and property.***—A tax credit of 10 percent (not to exceed $4,000) is provided for purchasers of electric vehicles. Purchasers of other clean-fuel burning vehicles and owners of clean-fuel refueling property may deduct part of their expenditures. The credit and deduction are phased out from 2002 through 2005.

19. ***Exclusion of utility conservation subsidies.***—Subsidies by public utilities for non-business customer expenditures on energy conservation measures are excluded from the gross income of the customer.

Natural Resources and Environment

20. ***Exploration and development costs.***—Certain capital outlays associated with exploration and development of nonfuel minerals may be expensed rather than depreciated over the life of the asset.

21. ***Percentage depletion.***—Most nonfuel mineral extractors may use percentage depletion rather than cost depletion, with percentage depletion rates ranging from 22 percent for sulphur to 5 percent for sand and gravel.

22. ***Sewage, water, and hazardous waste bonds.***—Interest earned on state and local bonds used to finance the construction of sewage, water, or hazardous waste facilities is tax-exempt. These bonds are generally subject to the state private-activity bond annual volume cap.

23. ***Capital gains treatment of certain timber.***—Certain timber sold under a royalty contract can be treated as capital gains rather than ordinary income.

24. ***Expensing multiperiod timber growing costs.***—Most of the production costs of growing timber may be expensed rather than capitalized and deducted when the timber is sold. In most other industries, these

costs are capitalized under the uniform capitalization rules.

25. ***Credit and seven-year amortization for reforestation.***—A 10-percent investment tax credit is allowed for up to $10,000 invested annually to clear land and plant trees for the production of timber. Up to $10,000 in forestation investment may also be amortized over a seven-year period rather than capitalized and deducted when the trees are sold or harvested. The amount of forestation investment that is amortizable is not reduced by any of the allowable investment credit.

26. ***Historic preservation.***—Expenditures to preserve and restore historic structures qualify for a 20-percent investment credit, but the depreciable basis must be reduced by the full amount of the credit taken.

Agriculture

27. ***Expensing certain capital outlays.***—Farmers, except for certain agricultural corporations and partnerships, are allowed to expense certain expenditures for feed and fertilizer, as well as for soil and water conservation measures. Expensing is allowed, even though these expenditures are for inventories held beyond the end of the year, or for capital improvements that would otherwise be capitalized.

28. ***Expensing multiperiod livestock and crop production costs.***—The production of livestock and crops with a production period of less than two years is exempt from the uniform cost capitalization rules. Farmers establishing orchards, constructing farm facilities for their own use, or producing any goods for sale with a production period of two years or more may elect not to capitalize costs. If they do, they must apply straight-line depreciation to all depreciable property they use in farming.

29. ***Loans forgiven solvent farmers.***—Farmers are forgiven the tax liability on certain forgiven debt. Normally, the debtor must include the amount of loan forgiveness as income or reduce his recoverable basis in the property to which the loan relates. If the debtor elects to reduce basis and the amount of forgiveness exceeds his basis in the property, the excess forgiveness is taxable. For insolvent (bankrupt) debtors, however, the amount of loan forgiveness never results in an income tax liability.[9] Farmers with forgiven debt are considered insolvent for tax purposes, and thus qualify for income tax forgiveness.

30. ***Capital gains treatment of certain income.***—Certain agricultural income, such as unharvested crops, can be treated as capital gains rather than ordinary income.

31. ***Income averaging for farmers.***—The Tax and Trade Relief Extension Act of 1998 permanently extended the provision that allows taxpayers to lower their tax liability by averaging, over the prior three-year period, their taxable income from farming. Without extension, the provision generally would have expired on December 31, 2000.

32. ***Deferral of gain on sales of farm refiners.***—A taxpayer who sells stock in a farm refiner to a farmers' cooperative can defer recognition of gain if the taxpayer reinvests the proceeds in qualified replacement property. This provision was originally enacted in the Taxpayer Relief Act of 1997, was canceled by a line-item veto by the President, and was restored by the Supreme Court decision declaring the line-item veto unconstitutional.

Commerce and Housing

This category includes a number of tax expenditure provisions that also affect economic activity in other functional categories. For example, provisions related to investment, such as accelerated depreciation, could be classified under the energy, natural resources and environment, agriculture, or transportation categories.

33. ***Credit union income.***—The earnings of credit unions not distributed to members as interest or dividends are exempt from income tax.

34. ***Bad debt reserves.***—Small (less than $500 million in assets) commercial banks, mutual savings banks, and savings and loan associations may deduct additions to bad debt reserves in excess of actually experienced losses.

35. ***Deferral of income on life insurance and annuity contracts.***—Favorable tax treatment is provided for investment income within qualified life insurance and annuity contracts. Investment income earned on qualified life insurance contracts held until death is permanently exempt from income tax. Investment income distributed prior to the death of the insured is tax-deferred, if not tax-exempt. Investment income earned on annuities is treated less favorably than income earned on life insurance contracts, but it benefits from tax deferral without annual contribution or income limits generally applicable to other tax-favored retirement income plans.

36. ***Small property and casualty insurance companies.***— Insurance companies that have annual net premium incomes of less than $350,000 are exempt from tax; those with $350,000 to $2,100,000 of net premium incomes may elect to pay tax only on the income earned by their investment portfolio.

37. ***Insurance companies owned by exempt organizations.***—Generally, the income generated by life and property and casualty insurance companies is subject to tax, albeit by special rules. Insurance operations conducted by such exempt organizations as fraternal societies and voluntary employee benefit associations, however, are exempt from tax.

38. Small life insurance company deduction.—Small life insurance companies (gross assets of less than $500 million) can deduct 60 percent of the first $3 million of otherwise taxable income. The deduction phases out for otherwise taxable income between $3 million and $15 million.

[9] The insolvent taxpayer's carryover losses and unused credits are extinguished first, and then his basis in assets reduced to no less than amounts still owed creditors. Finally, the remainder of the forgiven debt is excluded from tax.

39. ***Mortgage housing bonds.***—Interest earned on state and local bonds used to finance homes purchased by first-time, low-to-moderate-income buyers is tax-exempt. The amount of state and local tax-exempt bonds that can be issued to finance such private activity is limited. The combined volume cap for mortgage housing bonds, rental housing bonds, student loan bonds, and industrial development bonds is $50 per capita ($150 million minimum) per state. The Tax and Trade Relief Extension Act of 1998 increased the volume cap to $55 per capita ($165 million minimum) in 2003 and ratably annually thereafter until the cap reaches $75 per capita ($225 million minimum) in 2007. States may issue mortgage credit certificates (MCCs) in lieu of mortgage revenue bonds. MCCs entitle home buyers to income tax credits for a specified percentage of interest on qualified mortgages. The total amount of MCCs issued by a state cannot exceed 25 percent of its annual ceiling for mortgage-revenue bonds.

40. ***Rental housing bonds.***—Interest earned on state and local government bonds used to finance multifamily rental housing projects is tax-exempt. At least 20 percent (15 percent in targeted areas) of the units must be reserved for families whose income does not exceed 50 percent of the area's median income; or 40 percent for families with incomes of no more than 60 percent of the area median income. Other tax-exempt bonds for multifamily rental projects are generally issued with the requirement that all tenants must be low or moderate income families. Rental housing bonds are subject to the volume cap discussed in the mortgage housing bond section above.

41. ***Interest on owner-occupied homes.***—Owner-occupants of homes may deduct mortgage interest on their primary and secondary residences as itemized nonbusiness deductions. The mortgage interest deduction is limited to interest on debt no greater than the owner's basis in the residence and, for debt incurred after October 13, 1987, it is limited to no more than $1 million. Interest on up to $100,000 of other debt secured by a lien on a principal or second residence is also deductible, irrespective of the purpose of borrowing, provided the debt does not exceed the fair market value of the residence. Mortgage interest deductions on personal residences are tax expenditures because the taxpayers are not required to report the value of owner-occupied housing services as gross income.

42. ***Taxes on owner-occupied homes.***—Owner-occupants of homes may deduct property taxes on their primary and secondary residences even though they are not required to report the value of owner-occupied housing services as gross income.

43. ***Installment sales.***—Dealers in real and personal property (i.e., sellers that regularly hold property for sale or resale) cannot defer taxable income from installment sales until the receipt of the loan repayment. Nondealers (i.e., sellers of real property used in their business) are required to pay interest on deferred taxes attributable to their total installment obligations in excess of $5 million. Only properties with sales prices exceeding $150,000 are includable in the total. The payment of a market rate of interest eliminates the benefit of the tax deferral. The tax exemption for nondealers with total installment obligations of less than $5,000,000 is, therefore, a tax expenditure.

44. ***Capital gains exclusion on home sales.***—A homeowner can exclude from tax up to $500,000 ($250,000 for singles) of the capital gains from the sale of a principal residence. The exclusion may not be used more than once every two years.

45. ***Passive loss real estate exemption.***—In general, passive losses may not offset income from other sources. Losses up to $25,000 attributable to certain rental real estate activity, however, are exempt from this rule.

46. ***Low-income housing credit.***—Taxpayers who invest in certain low-income housing are eligible for a tax credit. The credit rate is set so that the present value of the credit is equal to 70 percent for new construction and 30 percent for (1) housing receiving other Federal benefits (such as tax-exempt bond financing), or (2) substantially rehabilitated existing housing. The credit is allowed in equal amounts over 10 years. State agencies determine who receives the credit; states are limited in the amount of credit they may authorize annually to $1.25 per resident.

47. ***Accelerated depreciation of rental property.***—The tax depreciation allowance provisions are part of the reference law rules, and thus do not cause tax expenditures under the reference method. Under the normal tax method, however, a 40-year tax life for depreciable real property is the norm. Thus, statutory depreciation period for rental property of 27.5 years is a tax expenditure. In addition, tax expenditures arise from pre-1987 tax allowances for rental property.

48. ***Cancellation of indebtedness.***—Individuals are not required to report the cancellation of certain indebtedness as current income. If the canceled debt is not reported as current income, however, the basis of the underlying property must be reduced by the amount canceled.

49. ***Imputed interest rules.***—Holders (issuers) of debt instruments are generally required to report interest earned (paid) in the period it accrues, not when paid. In addition, the amount of interest accrued is determined by the actual price paid, not by the stated principal and interest stipulated in the instrument.[10] In general, any debt associated with the sale of property worth less than $250,000 is excepted from the general interest accounting rules. This general $250,000 exception is not a tax expenditure under reference law but is under normal law. Exceptions above $250,000 are a tax expenditure under reference law; these exceptions include the following: (1) sales of personal residences worth more than $250,000, and (2) sales of

[10] For example, if a borrower on December 31, 1997 issues a promise to pay $1,000 plus interest at 10 percent on December 30, 1999, for a total repayment of $1,100 and accepts $900 from a lender in exchange for the contract, the rules require that both parties (a) recognize that $900 is the amount lent, so that the effective loan interest rate is not the stated 10 percent but is 22.2 percent, and (b) report $200 as interest paid or received in 1999.

farms and small businesses worth between $250,000 and $1 million.

50. ***Capital gains (other than agriculture, timber, iron ore, and coal).***—Capital gains on assets held for more than 1 year are taxed at a lower rate than ordinary income. The lower rate on capital gains is considered a tax expenditure under the normal tax method but not under the reference law method.

For assets held for more than 1 year and sold after December 31, 1997, the top tax rate is 20 percent (10 percent for taxpayers who would otherwise pay capital gains tax at the 15-percent rate). The IRS Restructuring and Reform Act of 1998 eliminated the 28-percent capital gains rate by lowering the holding period for the 20-percent capital gains rate from 15 years to 1 year.

In addition, for assets acquired after December 31, 2000, the maximum capital gains tax rates for assets held more than 5 years are 8 percent and 18 percent (rather than 10 percent and 20 percent). On January 1, 2001, taxpayers may mark-to-market existing assets to start the 5-year holding period.

51. ***Capital gains exclusion for small business stock.***—An exclusion of 50 percent is provided for capital gains from qualified small business stock held by individuals for more than 5 years. A qualified small business is a corporation whose gross assets do not exceed $50 million as of the date of issuance of the stock.

52. ***Step-up in basis of capital gains at death.***—Capital gains on assets held at the owner's death are not subject to capital gains taxes. The cost basis of the appreciated assets is adjusted upward to the market value at the owner's date of death. The step-up in the heir's cost basis means that, in effect, the tax on the capital gain is forgiven.

53. ***Carryover basis of capital gains on gifts.***—When a gift is made, the transferred property carries to the donee the donor's basis—the cost that was incurred when the property was first acquired. The carryover of the donor's basis allows a continued deferral of unrealized capital gains.

54. ***Ordinary income treatment of losses from sale of small business corporate stock shares.***—Up to $100,000 in losses from the sale of small business corporate stock (capitalization less than $1 million) may be treated as ordinary losses. Such losses would, thus, not be subject to the $3,000 annual capital loss write-off limit.

55. ***Accelerated depreciation of non-rental-housing buildings.***—The tax depreciation allowance provisions are part of the reference law rules, and thus do not cause tax expenditures under reference law. Under normal law, however, a 40-year life for non-rental-housing buildings is the norm. Thus, the 39-year depreciation period for property placed in service after February 25, 1993, the 31.5-year depreciation period for property placed in service from 1987 to February 25, 1993, and the pre-1987 depreciation periods create a tax expenditure.

56. ***Accelerated depreciation of machinery and equipment.***—The tax depreciation allowance provisions are part of the reference law rules, and thus do not cause tax expenditures under reference law. Statutory depreciation of machinery and equipment, however, is accelerated somewhat relative to the normal tax baseline, creating a tax expenditure.

57. ***Expensing of certain small investments.***—In 1998, qualifying investments in tangible property up to $18,500 can be expensed rather than depreciated over time. (The expensing limit increases annually until 2003, when it reaches $25,000). To the extent that qualifying investment during the year exceeds $200,000, the amount eligible for expensing is decreased. In 1998, the amount expensed is completely phased out when qualifying investments exceed $218,500.

58. ***Business start-up costs.***—When taxpayers enter into a new business, certain start-up expenses, such as the cost of legal services, are normally incurred. Taxpayers may elect to amortize these outlays over 60 months even though they are similar to other payments made for nondepreciable intangible assets that are not recoverable until the business is sold. The normal tax method treats this amortization as a tax expenditure; the reference tax method does not.

59. ***Graduated corporation income tax rate schedule.***—The corporate income tax schedule is graduated, with rates of 15 percent on the first $50,000 of taxable income, 25 percent on the next $25,000, and 34 percent on the next $9.925 million. Compared with a flat 34-percent rate, the lower rates provide an $11,750 reduction in tax liability for corporations with taxable income of $10 million. This benefit is recaptured for corporations with taxable incomes exceeding $100,000 by a 5-percent additional tax on corporate incomes in excess of $100,000, but less than $335,000.

The corporate tax rate is 35 percent on income over $10 million. Compared with a flat 35-percent tax rate, the 34-percent rate provides a $100,000 reduction in tax liability for corporations with taxable incomes of $10 million. This benefit is recaptured for corporations with taxable incomes exceeding $15 million by a 3-percent additional tax on income over $15 million but less than $18.33 million. Because the corporate rate schedule is part of reference tax law, it is not considered a tax expenditure under the reference method. A flat corporation income tax rate is taken as the baseline under the normal tax method; therefore the lower rates is considered a tax expenditure under this concept.

60. ***Small issue industrial development bonds.***—Interest earned on small issue industrial development bonds (IDBs) issued by state and local governments to finance manufacturing facilities is tax-exempt. Depreciable property financed with small issue IDBs must be depreciated, however, using the straight-line method. The annual volume of small issue IDBs is subject to the unified volume cap discussed in the mortgage housing bond section above.

Transportation

61. ***Deferral of tax on U.S. shipping companies.***— Certain companies that operate U.S. flag vessels can defer income taxes on that portion of their income used for shipping purposes, primarily construction, modernization and major repairs to ships, and repayment of loans to finance these investments. Once indefinite, the deferral has been limited to 25 years since January 1, 1987.62. ***Exclusion of reimbursed employee parking expenses.***—Parking at or near an employer's business premises that is paid for by the employer is excludable from the income of the employee. In 1998, the maximum amount of the parking exclusion is $175 (indexed, except in 1999) per month. The tax expenditure estimate does not include parking at facilities owned by the employer.

63. ***Exclusion of employer-provided transit passes.***—Transit passes, tokens, and fare cards provided by an employer to defray an employee's commuting costs are excludable from the employee's income if the total value of the benefit does not exceed the transit limit. In 1998, the limit is $65 (indexed, except in 1999) per month.

Community and Regional Development

64. ***Rehabilitation of structures.***—A 10-percent investment tax credit is available for the rehabilitation of buildings that are used for business or productive activities and that were erected before 1936 for other than residential purposes. The taxpayer's recoverable basis must be reduced by the amount of the credit.

65. ***Airport, dock, and similar facility bonds.***— Interest earned on state and local bonds issued to finance high-speed rail facilities and government-owned airports, docks, wharves, and sport and convention facilities is tax-exempt. These bonds are not subject to a volume cap.

66. ***Exemption of income of mutuals and cooperatives.***—The incomes of mutual and cooperative telephone and electric companies are exempt from tax if at least 85 percent of their revenues are derived from patron service charges.

67. ***Empowerment zones and enterprise communities.***—Qualifying businesses in designated economically depressed areas can receive tax benefits such as an employer wage credit, increased expensing of investment in equipment, special tax-exempt financing, and accelerated depreciation. A tax credit for contributions to certain community development corporations can also be available. In addition, certain first-time buyers of a principal residence in the District of Columbia can receive a tax credit, and investors in certain D.C. property can receive a capital gains break.

68. ***Expensing of environmental remediation costs.***— Taxpayers who clean up hazardous substances at a qualified site may expense the clean-up costs, rather than capitalize the costs, even though the expenses will generally increase the value of the property significantly or appreciably prolong the life of the property. he expensing only applies to clean-up costs incurred after August 5, 1997 and before January 1, 2001.

Education, Training, Employment, and Social Services

69. ***Scholarship and fellowship income.***—Scholarships and fellowships are excluded from taxable income to the extent they pay for tuition and course-related expenses of the grantee. Similarly, tuition reductions for employees of educational institutions and their families are not included in taxable income. From an economic point of view, scholarships and fellowships are either gifts not conditioned on the performance of services, or they are rebates of educational costs. Thus, under the reference law method, this exclusion is not a tax expenditure because this method does not include either gifts or price reductions in a taxpayer's gross income. The exclusion, however, is considered a tax expenditure under the normal tax method, which includes gift-like transfers of government funds in gross income (many scholarships are derived directly or indirectly from government funding).

70. ***HOPE tax credit.***— The non-refundable HOPE tax credit allows a credit for 100 percent of an eligible student's first $1,000 of tuition and fees and 50 percent of the next $1,000 of tuition and fees. The credit only covers tuition and fees paid during the first two years of a student's post-secondary education. The credit is phased out ratably for taxpayers with modified AGI between $80,000 and $100,000 ($40,000 and $50,000 for singles).

71. ***Lifetime Learning tax credit.***—The non-refundable Lifetime Learning tax credit allows a credit for 20 percent of an eligible student's tuition and fees. For tuition and fees paid between July 1, 1998 and December 31, 2002, the maximum credit per return is $1,000. For tuition and fees paid after December 31, 2002, the maximum credit per return is $2,000. The credit is phased out ratably for taxpayers with modified AGI between $80,000 and $100,000 ($40,000 and $50,000 for singles). The credit applies to both undergraduate and graduate students.

72. ***Education Individual Retirement Accounts.***— Contributions to an education IRA are not tax-deductible. Investment income earned by education IRAs is not taxed when earned, and investment income from an education IRA is tax-exempt when withdrawn to pay for a student's tuition and fees. The maximum contribution to an education IRA is $500 per year per beneficiary. The maximum contribution is phased down ratably for taxpayers with modified AGI between $150,000 and $160,000 ($95,000 and $110,000 for singles). Contributions may not be made to an education IRA in any year in which a contribution has been made to a state tuition plan for the same beneficiary.

73. ***Student-loan interest.***—Taxpayers may claim an above-the-line deduction of up to $2,500 ($1,000 in 1998, $1,500 in 1999, and $2,000 in 2000) on interest paid on an education loan. Interest may only be deducted for the first five years in which interest pay-

ments are required. The maximum deduction is phased down ratably for taxpayers with modified AGI between $60,000 and $75,000 ($40,000 and $55,000 for singles). Only interest paid and due after December 31, 1997 may be deducted.

74. ***State prepaid tuition plans.***—Some states have adopted prepaid tuition plans and prepaid room and board plans, which allow persons to pay in advance for college expenses for designated beneficiaries. Taxes on the earnings from these plans are paid by the beneficiaries and are deferred until the tuition is actually paid.

75. ***Student-loan bonds.***—Interest earned on state and local bonds issued to finance student loans is tax-exempt. The volume of all such private activity bonds that each state may issue annually is limited.

76. ***Bonds for private nonprofit educational institutions.***—Interest earned on state and local government bonds issued to finance the construction of facilities used by private nonprofit educational institutions is not taxed. The aggregate volume of all such private activity bonds that each state may issue during any calendar year is limited.

77. ***Credit for holders of zone academy bonds.***—Financial institutions that own zone academy bonds receive a non-refundable tax credit rather than interest. The credit is included in gross income. Proceeds from zone academy bonds may only be use to improve impoverished schools. The total amount of zone academy bonds that may be issued is limited to $800 million; no bonds may be issued before January 1, 1998.

78. ***U.S. savings bonds for education.***—Interest earned on U.S. savings bonds issued after December 31, 1989 is tax-exempt if the bonds are transferred to an educational institution to pay for educational expenses. The tax exemption is phased out for taxpayers with AGI between $78,350 and $108,350 ($52,250 and $67,250 for singles) in 1998.

79. ***Dependent students age 19 or older.***—Taxpayers may claim personal exemptions for dependent children age 19 or over who (1) receive parental support payments of $1,000 or more per year, (2) are full-time students, and (3) do not claim a personal exemption on their own tax returns.

80. ***Child credit.***—Taxpayers with children under age 17 can qualify for a $500 child credit beginning January 1, 1999 ($400 in 1998). The credit is phased out for taxpayers at the rate of $50 per $1,000 of modified AGI above $110,000 ($75,000 for singles). The child credit is refundable for taxpayers with three or more children.

81. ***Charitable contributions to educational institutions.***—Taxpayers may deduct contributions to nonprofit educational institutions. Taxpayers who donate capital assets to educational institutions can deduct the assets' current value without being taxed on any appreciation in value. An individual's total charitable contribution generally may not exceed 50 percent of adjusted gross income; a corporation's total charitable contributions generally may not exceed 10 percent of pre-tax income.

82. ***Employer-provided educational assistance.***—Employer-provided educational assistance is excluded from an employee's gross income even though the employer's costs for this assistance are a deductible business expense. This exclusion applies only to non-graduate courses beginning before July 1, 2000.

83. ***Work opportunity tax credit.***—Employers can claim a tax credit for qualified wages paid to individuals who begin work after September 30, 1996 and before July 1, 1999 and who are certified as members of various targeted groups. The Tax and Trade Relief Extension Act of 1998 extended the expiration date from July 1, 1998 to July 1, 1999. For employees hired before October 1, 1997, the amount of the credit that can be claimed is 35 percent of the first $6,000 paid during the first year of employment. For employees hired after September 30, 1997, the credit is 25 percent for employment of less than 400 hours and 40 percent for employment of 400 hours or more. Employers must reduce their deduction for wages paid by the amount of the credit claimed.

84. ***Welfare-to-work tax credit.***—An employer is eligible for a tax credit on the first $20,000 of eligible wages paid to qualified long-term family assistance recipients during the first two years of employment. The credit is 35 percent of the first $10,000 of wages in the first year of employment and 50 percent of the first $10,000 of wages in the second year of employment. The maximum credit is $8,500 per employee. The credit applies to wages paid to employees who are hired after December 31, 1997 and before July 1, 1999. The Tax and Trade Relief Extension Act of 1998 extended the expiration date from May 1, 1999 to July 1, 1999.

85. ***Employer-provided child care.***—Employer-provided child care is excluded from an employee's gross income even though the employer's costs for the child care are a deductible business expense.

86. ***Adoption credit and exclusion.***—Taxpayers can receive a nonrefundable tax credit for qualified adoption expenses. The maximum credit is $5,000 per child ($6,000 for special needs adoptions, except foreign adoptions). The credit is phased-out ratably for taxpayers with modified AGI between $75,000 and $115,000. Unused credits may be carried forward. In lieu of the tax credit, taxpayers may exclude qualified adoption expenses from income, subject to the same maximum amounts and phase-out as the credit. The non-special needs adoption assistance and foreign special needs assistance expire on December 31, 2001.

87. ***Employer-provided meals and lodging.***—Employer-provided meals and lodging are excluded from an employee's gross income even though the employer's costs for these items are a deductible business expense.

88. ***Child and dependent care expenses.***—Married couples with child and dependent care expenses may claim a tax credit when one spouse works full time and the other works at least part time or goes to school. The credit may also be claimed by divorced or separated

parents who have custody of children, and by single parents. Expenditures up to a maximum $2,400 for one dependent and $4,800 for two or more dependents are eligible for the credit. The credit is equal to 30 percent of qualified expenditures for taxpayers with incomes of $10,000 or less. The credit is reduced to a minimum of 20 percent by one percentage point for each $2,000 of income between $10,000 and $28,000.

89. ***Disabled access expenditure credit.***—Small businesses (less than $1 million in gross receipts or fewer than 31 full-time employees) can claim a 50-percent credit for expenditures in excess of $250 to remove access barriers for disabled persons. The credit is limited to $5,000.

90. ***Expensing costs of removing architectural barriers.***—Taxpayers can expense (up to $15,000 annually) the cost of removing architectural barriers to the handicapped rather than depreciate the cost over the useful life of the asset.

91. ***Charitable contributions, other than education and health.***—Taxpayers may deduct contributions to charitable, religious, and certain other nonprofit organizations. Taxpayers who donate capital assets to charitable organizations can deduct the assets' current value without being taxed on any appreciation in value. An individual's total charitable contribution generally may not exceed 50 percent of adjusted gross income; a corporation's total charitable contributions generally may not exceed 10 percent of pre-tax income.

92. ***Foster care payments.***—Foster parents provide a home and care for children who are wards of the State, under contract with the State. Compensation received for this service is excluded from the gross incomes of foster parents; the expenses they incur are nondeductible.

93. ***Parsonage allowances.***—The value of a minister's housing allowance and the rental value of parsonages are not included in a minister's taxable income.

Health

94. ***Employer-paid medical insurance and expenses.***—Employer-paid health insurance premiums and other medical expenses (including long-term care) are deducted as a business expense by employers, but they are not included in employee gross income. The self-employed also may deduct part of their family health insurance premiums.

95. ***Self-employed medical insurance premiums.***—Self-employed taxpayers may deduct a percentage of their family health insurance premiums. Taxpayers without self-employment income are not eligible for the special percentage deduction. The deductible percentage is 45 percent in 1998, 60 percent in 1999 through 2001, 70 percent in 2002, and 100 percent in 2003 and thereafter.

96. ***Workers' compensation insurance premiums.***—Workers' compensation insurance premiums are paid by employers and deducted as a business expense, but the premiums are not included in employee gross income.

97. ***Medical savings accounts.***—Some employees may deduct annual contributions to a medical savings account (MSA); employer contributions to MSAs (except those made through cafeteria plans) for qualified employees are also excluded from income. An employee may contribute to an MSA in a given year only if the employer does not contribute to the MSA in that year. MSAs are only available to self-employed individuals or employees covered under an employer-sponsored high deductible health plan of a small employer. The maximum annual MSA contribution is 75 percent of the deductible under the high deductible plan for family coverage (65 percent for individual coverage). Earnings from MSAs are excluded from taxable income. Distributions from an MSA for medical expenses are not taxable. The number of taxpayers who may benefit annually from MSAs is generally limited to 750,000. No new MSAs may be established after December 31, 2000.

98. ***Medical care expenses.***—Personal expenditures for medical care (including the costs of prescription drugs) exceeding 7.5 percent of the taxpayer's adjusted gross income are deductible.

99. ***Hospital construction bonds.***—Interest earned on state and local government debt issued to finance hospital construction is excluded from income subject to tax.

100. ***Charitable contributions to health institutions.***—Individuals and corporations may deduct contributions to nonprofit health institutions. Tax expenditures resulting from the deductibility of contributions to other charitable institutions are listed under the education, training, employment, and social services function.

101. ***Orphan drugs.***—Drug firms can claim a tax credit of 50 percent of the costs for clinical testing required by the Food and Drug Administration for drugs that treat rare physical conditions or rare diseases.

102. ***Blue Cross and Blue Shield.***—Blue Cross and Blue Shield health insurance providers in existence on August 16, 1986 and certain other nonprofit health insurers are provided exceptions from otherwise applicable insurance company income tax accounting rules that substantially reduce (or even eliminate) their tax liabilities.

Income Security

103. ***Railroad retirement benefits.***—Railroad retirement benefits are not generally subject to the income tax unless the recipient's gross income reaches a certain threshold. The threshold is discussed more fully under the social security function.

104. ***Workers' compensation benefits.***—Workers—compensation provides payments to disabled workers. These benefits, although income to the recipients, are not subject to the income tax.

Treasury reviewed the Federal income tax exemption for workers' compensation wage replacement benefits as one of its pilot analyses of tax expenditures. Workers' compensation programs, with the principal exception of the program covering Federal employees, are

State programs that do not have to conform to any national criteria. While the legislative history does not explain the goal of the tax exemption, the exemption has the effect of reducing taxes on families with unexpected losses of earnings from work-related injuries or death. Because the tax exemption may have been considered in setting the levels of benefits mandated by State laws, the net benefit of the tax exemption to recipients is uncertain.

105. ***Public assistance benefits.***—Public assistance benefits are excluded from tax. The normal tax method considers cash transfers from the government as taxable and, thus, treats the exclusion for public assistance benefits as a tax expenditure.

106. ***Special benefits for disabled coal miners.***—Disability payments to former coal miners out of the Black Lung Trust Fund, although income to the recipient, are not subject to the income tax.

107. ***Military disability pensions.***—Most of the military pension income received by current disabled retired veterans is excluded from their income subject to tax.

108. ***Employer-provided pension contributions and earnings.***—Certain employer contributions to pension plans are excluded from an employee's gross income even though the employer can deduct the contributions. In addition, the tax on the investment income earned by the pension plans is deferred until the money is withdrawn.

109. ***401(k) plans and Individual Retirement Accounts.***—Individual taxpayers can take advantage of several different tax-preferenced retirement plans: deductible IRAs, non-deductible IRAs, Roth IRAs, and 401(k) plans (and 401(k)-type plans like 403(b) plans and the government's Thrift Savings Plan).

In 1998, an employee could exclude up to $10,000 (indexed) of wages from AGI under a qualified arrangement with an employer's 401(k). Employees can annually contribute to a deductible IRA up to $2,000 (or 100 percent of compensation, if less) or $4,000 on a joint return with only one working spouse if: (a) neither the individual nor spouse is an active participant in an employer-provided retirement plan, or (b) their AGI is below $40,000 ($25,000 for singles). The IRA deduction is phased out for taxpayers with AGI between $50,000 and $60,000 ($30,000 and $40,000 for singles). The phase-out range increases annually until it reaches $80,000 to $100,000 in 2007 ($50,000 to $60,000 for singles). Taxpayers whose AGI is above the start of the IRA phase-out range or who are active participants in an employer-provided retirement plan can contribute to a non-deductible IRA. The tax on the investment income earned by 401(k) plans, non-deductible IRAs, and deductible IRAs is deferred until the money is withdrawn.

An employed taxpayer can make a non-deductible contribution of up to $2,000 (a non-employed spouse can also contribute up to $2,000 if a joint return is filed) to a Roth IRA. Investment income of a Roth IRA is not taxed when earned. Withdrawals from a Roth IRA are tax free if (1) the Roth IRA was opened at least 5 years before the withdrawal, and (2) the taxpayer either (a) is at least 59–½, (b) dies, (c) is disabled, or (d) purchases a first-time house. The maximum contribution to a Roth IRA is phased out for taxpayers with AGI between $150,000 and $160,000 ($95,000 and $110,000 for singles). Total annual contributions to a taxpayer's deductible, non-deductible, and Roth IRAs cannot exceed $2,000 ($4,000 for joints).

110. ***Keogh plans.***—Self-employed individuals can make deductible contributions to their own retirement (Keogh) plans equal to 25 percent of their income, up to a maximum of $30,000 per year. In addition, the tax on the investment income earned by Keogh plans is deferred until the money is withdrawn.

111. ***Employer-provided life insurance benefits.***—Employer-provided life insurance benefits are excluded from an employee's gross income even though the employer's costs for the insurance are a deductible business expense.

112. ***Employer-provided accident and disability benefits.***—Employer-provided accident and disability benefits are excluded from an employee's gross income even though the employer's costs for the benefits are a deductible business expense.

113. ***Employer-provided supplementary unemployment benefits.***—Employer-provided supplementary unemployment benefits are excluded from an employee's gross income even though the employer's costs for the benefits are a deductible business expense.

114. ***Employer Stock Ownership Plan (ESOP) provisions.***—ESOPs are a special type of tax-exempt employee benefit plan. Employer-paid contributions (the value of stock issued to the ESOP) are deductible by the employer as part of employee compensation costs. They are not included in the employees' gross income for tax purposes, however, until they are paid out as benefits. The following special income tax provisions for ESOPs are intended to increase ownership of corporations by their employees: (1) annual employer contributions are subject to less restrictive limitations; (2) ESOPs may borrow to purchase employer stock, guaranteed by their agreement with the employer that the debt will be serviced by his payment (deductible by him) of a portion of wages (excludable by the employees) to service the loan; (3) employees who sell appreciated company stock to the ESOP may defer any taxes due until they withdraw benefits; and (4) dividends paid to ESOP-held stock are deductible by the employer.

115. ***Additional deduction for the blind.***—Taxpayers who are blind may take an additional $1,000 standard deduction if single, or $800 if married.

116. ***Additional deduction for the elderly.***—Taxpayers who are 65 years or older may take an additional $1,000 standard deduction if single, or $800 if married.

117. ***Tax credit for the elderly and disabled.***—Individuals who are 65 years of age or older, or who are permanently disabled, can take a tax credit equal

to 15 percent of the sum of their earned and retirement income. Income is limited to no more than $5,000 for single individuals or married couples filing a joint return where only one spouse is 65 years of age or older, and up to $7,500 for joint returns where both spouses are 65 years of age or older. These limits are reduced by one-half of the taxpayer's adjusted gross income over $7,500 for single individuals and $10,000 for married couples filing a joint return.

118. ***Casualty losses.***—Neither the purchase of property nor insurance premiums to protect its value are deductible as costs of earning income; therefore, reimbursement for insured loss of such property is not reportable as a part of gross income. Taxpayers, however, may deduct uninsured casualty and theft losses of more than $100 each, but only to the extent that total losses during the year exceed 10 percent of AGI.

119. ***Earned income tax credit (EITC).***—The EITC may be claimed by low income workers. For a family with one qualifying child, the credit is 34 percent of the first $6,680 of earned income in 1998. The credit is 40 percent of the first $9,390 of income for a family with two or more qualifying children. When the taxpayer's income exceeds $12,260, the credit is phased out at the rate of 15.98 percent (21.06 percent if two or more qualifying children are present). It is completely phased out at $26,473 of modified adjusted gross income ($30,095 if two or more qualifying children are present).

The credit may also be claimed by workers who do not have children living with them. Qualifying workers must be at least age 25 and may not be claimed as a dependent on another taxpayer's return. The credit is not available to workers age 65 or older. In 1997, the credit is 7.65 percent of the first $4,460 of earned income. When the taxpayer's income exceeds $5,570, the credit is phased out at the rate of 7.65 percent. It is completely phased out at $10,030 of modified adjusted gross income.

For workers with or without children, the income level at which the credit's phase-outs begin and the maximum amounts of income on which the credit can be taken are adjusted for inflation. Earned income tax credits in excess of tax liabilities owed through the individual income tax system are refundable to individuals. This portion of the credit is shown as an outlay, while the amount that offsets tax liabilities is shown as a tax expenditure.

Social Security

120. ***Social Security benefits for retired workers.***—Social security benefits that exceed the beneficiary's contributions out of taxed income are deferred employee compensation and the deferral of tax on that compensation is a tax expenditure. These additional retirement benefits are paid for partly by employers' contributions that were not included in employees' taxable compensation. Portions (reaching as much as 85 percent) of recipients' social security and tier 1 railroad retirement benefits are included in the income tax base, however, if the recipient's provisional income exceeds certain base amounts. Provisional income is equal to adjusted gross income plus foreign or U.S. possession income and tax-exempt interest, and one half of social security and tier 1 railroad retirement benefits. The tax expenditure is limited to the portion of the benefits received by taxpayers who are below the base amounts at which 85 percent of the benefits are taxable.

121. ***Social Security benefits for the disabled.***—Benefit payments from the Social Security Trust Fund, for disability and for dependents and survivors, are excluded from the beneficiaries' gross incomes.

122. ***Social Security benefits for dependents and survivors.***—Benefit payments from the Social Security Trust Fund for dependents and survivors are excluded from the beneficiaries' gross income.

Veterans Benefits and Services

123. ***Veterans death benefits and disability compensation.***—All compensation due to death or disability paid by the Veterans Administration is excluded from taxable income.

124. ***Veterans pension payments.***—Pension payments made by the Veterans Administration are excluded from gross income.

125. ***G.I. Bill benefits.***—G.I. Bill benefits paid by the Veterans Administration are excluded from gross income.

126. ***Tax-exempt mortgage bonds for veterans.***—Interest earned on general obligation bonds issued by State and local governments to finance housing for veterans is excluded from taxable income. The issuance of such bonds is limited, however, to five pre-existing State programs and to amounts based upon previous volume levels for the period January 1, 1979 to June 22, 1984. Furthermore, future issues are limited to veterans who served on active duty before 1977.

General Government

127. ***Public purpose State and local bonds.***—Interest earned on State and local government bonds issued to finance public purpose construction (e.g., schools, roads, sewers) is tax-exempt.

128. ***Deductibility of certain nonbusiness State and local taxes.***—Taxpayers may deduct State and local income taxes and property taxes even though these taxes primarily pay for services that, if purchased directly by taxpayers, would not be deductible.

129. ***Business income earned in U.S. possessions.***—U.S. corporations receiving income from investments or businesses located in a U.S. possession (e.g., Puerto Rico) can claim a credit against U.S. tax, which effectively excludes some of this income from tax. The credit expires December 31, 2005.

Interest

130. ***U.S. savings bonds.***—Taxpayers may defer paying tax on interest earned on U.S. savings bonds until the bonds are redeemed.

TAX EXPENDITURES IN THE UNIFIED TRANSFER TAX

Exceptions to the general terms of the Federal unified transfer tax favor particular transferees or dispositions of transferors, similar to Federal direct expenditure or loan programs. The transfer tax provisions identified as tax expenditures satisfy the reference law criteria for inclusion in the tax expenditure budget that were described above. There is no generally accepted normal tax baseline for transfer taxes.

Unified Transfer Tax Reference Rules

The reference tax rules for the unified transfer tax from which departures represent tax expenditures include:

- *Definition of the taxpaying unit.* The payment of the tax is the liability of the transferor whether the transfer of cash or property was made by gift or bequest.
- *Definition of the tax base.* The base for the tax is the transferor's cumulative, taxable lifetime gifts made plus the net estate at death. Gifts in the tax base are all annual transfers in excess of $10,000 to any donee except the donor's spouse. Excluded are, however, payments on behalf of family members' educational and medical expenses, as well as the cost of ceremonial gatherings and celebrations that are not in honor of the donor.
- *Property valuation.* In general, property is valued at its fair market value at the time it is transferred. This is not necessarily the case in the valuation of property for transfer tax purposes. Executors of estates are provided the option to value assets at the time of the testator's death or up to six months later.
- *Tax rate schedule.* A single graduated tax rate schedule applies to all taxable transfers. This is reflected in the name of the "unified transfer tax" that has replaced the former separate gift and estate taxes. The tax rates vary from 18 percent on the first $10,000 of aggregate taxable transfers, to 55 percent on amounts exceeding $3 million. A lifetime credit is provided against the tax in determining the final amount of transfer taxes that are due and payable. For decedents dying in 1998, this credit allows each taxpayer to make a $625,000 tax-free transfer of assets that otherwise would be liable to the unified transfer tax. This figure is scheduled to increase in steps to $1 million in 2005.[11]
- *Time when tax is due and payable.* Donors are required to pay the tax annually as gifts are made. The generation-skipping transfer tax is payable by the donees whenever they accede to the gift. The net estate tax liability is due and payable within nine months after the decedent's death. The Internal Revenue Service may grant an extension of up to 10 years for a reasonable cause. Interest is charged on the unpaid tax liability at a rate equal to the cost of Federal short-term borrowing, plus three percentage points.

Tax Expenditures by Function

The estimates of tax expenditures in the Federal unified transfer tax for fiscal years 1998–2004 are displayed by functional category in table 5–6. Outlay equivalent estimates are similar to revenue loss estimates for transfer tax expenditures and, therefore, are not shown separately. A description of the provisions follows.

Natural Resources and Environment

1. ***Donations of conservation easements.***—Bequests of property and easements (in perpetuity) for conservation purposes can be excluded from taxable estates. Use of the property and easements must be restricted to at least one of the following purposes: outdoor recreation or scenic enjoyment for the general public; protection of the natural habitats of fish, wildlife, plants, etc.; and preservation of historic land areas and structures. Conservation gifts are similarly excluded from the gift tax. Up to 40 percent of the value of land subject to certain conservation easements may be excluded from taxable estates; the maximum amount of the exclusion is $100,000 in 1998 and increases by $100,000 in each year through 2002.

Agriculture

2. ***Special-use valuation of farms.***—Up to $750,000 in farmland owned and operated by a decedent and/or a member of the family may be valued for estate tax purposes on the basis of its "continued use" as farmland if: (1) the value of the farmland is at least 25 percent of the gross estate; (2) the entire value of all farm property is at least 50 percent of the gross estate; and (3) family heirs to the farm agree to continue to operate the property as a farm for at least 10 years. The $750,000 limit is indexed at 1998 levels, beginning in 1999.

3. ***Tax deferral of closely held farms.***—The tax on a decedent's farm can be deferred for up to 14 years if the value of the farm is at least 35 percent of the net estate. For the first 4 years of deferral, no tax need be paid. During the last 10 years of deferral, the tax liability must be paid in equal annual installments. Throughout the 14 year period, interest is charged at a special, favorable rate. For estates of decedents dying after December 31, 1997, the applicable interest rates are lower and the interest is non-deductible.

Commerce and Housing

4. ***Special-use valuation of closely-held businesses.***—The special-use valuation rule available for

[11] An additional tax, at a flat rate of 55 percent, is imposed on lifetime, generation-skipping transfers in excess of $1 million. It is considered a generation-skipping transfer whenever the transferee is at least two generations younger than the transferor, as it would be in the case of transfers to grandchildren or great-grandchildren. The liability of this tax is on the recipients of the transfer.

family farms is also available for nonfarm family businesses. To be eligible for the special-use valuation, the same three conditions previously described must be met.

5. ***Tax deferral of closely-held businesses.***—The tax-deferral rule available for family farms is also available for nonfarm family businesses. To be eligible for the tax deferral, the value of stock in closely-held corporations must exceed 35 percent of the decedent's gross estate, less debt and funeral expenses.

6. ***Exclusion for family-owned businesses.***—Certain family-owned businesses that are bequeathed to qualified heirs can be excluded from taxable estates. The exclusion generally cannot exceed $1.3 million less the value of the unified credit. The exclusion is recaptured if certain conditions are not maintained for 10 years.

Education, Training, Employment, and Social Services

7. ***Charitable contributions to educational institutions.***—Bequests to educational institutions can be deducted from taxable estates.

8. ***Charitable contributions, other than education and health.***— Bequests to charitable, religious, and certain other nonprofit organizations can be deducted from taxable estates.

Health

9. ***Charitable contributions to health institutions.***—Bequests to health institutions can be deducted from taxable estates.

General Government

10. ***State and local death taxes.***—A credit against the federal estate tax is allowed for State taxes on bequests. The amount of this credit is determined by a rate schedule that reaches a maximum of 16 percent of the taxable estate in excess of $60,000.

Table 5–6. REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES IN THE FEDERAL UNIFIED TRANSFER TAX

(In millions of dollars)

	Description	1998	1999	2000	2001	2002	2003	2004	2000–2004
	Natural Resources and Environment:								
1	Donations of conservation easements	0	10	25	40	55	75	95	290
	Agriculture:								
2	Special use valuation of farm real property	80	95	110	115	120	125	135	605
3	Tax deferral of closely held farms	0	0	0	5	5	10	10	30
	Commerce:								
4	Special use valuation of real property used in closely held businesses	5	5	5	5	5	10	10	35
5	Tax deferral of closely held business	15	0	10	20	30	50	65	175
6	Exclusion for family owned businesses	0	490	490	495	525	530	555	2,595
	Education, training, employment, and social services:								
7	Deduction for charitable contributions (education)	1,115	1,195	1,245	1,305	1,395	1,470	1,560	6,975
8	Deduction for charitable contributions (other than education and health)	3,295	3,525	3,670	3,850	4,115	4,345	4,605	20,585
	Health:								
9	Deduction for charitable contributions (health)	1,010	1,080	1,125	1,180	1,260	1,330	1,410	6,305
	General government:								
10	Credit for State death taxes	4,650	4,970	5,175	5,410	5,670	5,965	6,200	28,420

SPECIAL ANALYSES AND PRESENTATIONS

6. FEDERAL INVESTMENT SPENDING AND CAPITAL BUDGETING

Investment spending is spending that yields long-term benefits. Its purpose may be to improve the efficiency of internal Federal agency operations or to increase the Nation's overall stock of capital for economic growth. The spending can be direct Federal spending or grants to State and local governments. It can be for physical capital, which yields a stream of services over a period of years, or for research and development or education and training, which are intangible but also increase income in the future or provide other long-term benefits.

Most presentations in the Federal budget combine investment spending with spending for current use. This chapter focuses solely on Federal and federally financed investment. These investments are discussed in the following sections:

- a description of the size and composition of Federal investment spending;
- a discussion of capital assets used to provide Federal services, and efforts to improve planning and budgeting for these assets. An Appendix to Part II presents the "Principles of Budgeting for Capital Asset Acquisitions," which are being used to guide the analysis of Administration requests for spending for capital assets;
- a presentation of trends in the stock of federally financed physical capital, research and development, and education;
- alternative capital budget and capital expenditure presentations; and
- projections of Federal physical capital outlays and recent assessments of public civilian capital needs, as required by the Federal Capital Investment Program Information Act of 1984.

The President established a Commission to Study Capital Budgeting in 1997, and the Commission is scheduled to transmit its report to the National Economic Council in early 1999. The Administration looks forward to receipt of the report and will review its analysis and recommendations on how to improve the planning, budgeting, and use of capital in the Federal Government.

Part I: DESCRIPTION OF FEDERAL INVESTMENT

For almost fifty years, a chapter in the budget has shown Federal investment outlays—defined as those outlays that yield long-term benefits—separately from outlays for current use. Again this year the discussion of the composition of investment includes estimates of budget authority as well as outlays and extends these estimates four years beyond the budget year, to 2004.

The classification of spending between investment and current outlays is a matter of judgment. The budget has historically employed a relatively broad classification, including physical investment, research, development, education, and training. The budget further classifies investments into those that are grants to State and local governments, such as grants for highways or for elementary and secondary education, and all other investments, called "direct Federal programs," in this analysis. This "direct Federal" category consists primarily of spending for assets owned by the Federal Government, such as defense weapons systems and general purpose office buildings, but also includes grants to private organizations and individuals for investment, such as capital grants to Amtrak or higher education loans directly to individuals.

Presentations for particular purposes could adopt different definitions of investment:

- To suit the purposes of a traditional balance sheet, investment might include only those physical assets owned by the Federal Government, excluding capital financed through grants and intangible assets such as research and education.
- Focusing on the role of investment in improving national productivity and enhancing economic growth would exclude items such as national defense assets, the direct benefits of which enhance national security rather than economic growth.
- Concern with the efficiency of Federal operations would confine the coverage to investments that reduce costs or improve the effectiveness of internal Federal agency operations, such as computer systems.
- A "social investment" perspective might broaden the coverage of investment beyond what is included in this chapter to encompass programs such as childhood immunization, maternal health, certain nutrition programs, and substance abuse treatment, which are designed in part to prevent more costly health problems in future years.

The relatively broad definition of investment used in this section provides consistency over time—historical figures on investment outlays back to 1940 can be found in the separate *Historical Tables* volume. The detailed tables at the end of this section allow disaggregation of the data to focus on those investment outlays that best suit a particular purpose.

In addition to this basic issue of definition, there are two technical problems in the classification of investment data, involving the treatment of grants to

State and local governments and the classification of spending that could be shown in more than one category.

First, for some grants to State and local governments it is the recipient jurisdiction, not the Federal Government, that ultimately determines whether the money is used to finance investment or current purposes. This analysis classifies all of the outlays in the category where the recipient jurisdictions are expected to spend most of the money. Hence, the community development block grants are classified as physical investment, although some may be spent for current purposes. General purpose fiscal assistance is classified as current spending, although some may be spent by recipient jurisdictions on physical investment.

Second, some spending could be classified in more than one category of investment. For example, outlays for construction of research facilities finance the acquisition of physical assets, but they also contribute to research and development. To avoid double counting, the outlays are classified in the category that is most commonly recognized as investment. Consequently outlays for the conduct of research and development do not include outlays for research facilities, because these outlays are included in the category for physical investment. Similarly, physical investment and research and development related to education and training are included in the categories of physical assets and the conduct of research and development.

When direct loans and loan guarantees are used to fund investment, the subsidy value is included as investment. The subsidies are classified according to their program purpose, such as construction, education and training, or non-investment outlays. For more information about the treatment of Federal credit programs, refer to Chapter 8, "Underwriting Federal Credit and Insurance."

This section presents spending for gross investment, without adjusting for depreciation. A subsequent section discusses depreciation, shows investment both gross and net of depreciation, and displays net capital stocks.

Composition of Federal Investment Outlays

Major Federal Investment

The composition of major Federal investment outlays is summarized in Table 6–1. They include major public physical investment, the conduct of research and development, and the conduct of education and training. Defense and nondefense investment outlays were $228.0 billion in 1998. They are estimated to increase to $243.9 billion in 1999 and to increase further to $247.3 billion in 2000. Major Federal investment will comprise an estimated 14.0 percent of total Federal outlays in 2000 and 2.7 percent of the Nation's gross domestic product (GDP). Greater detail on Federal investment is available in tables 6–2 and 6–3 at the end of this section. Those tables include both budget authority and outlays.

Physical investment.—Outlays for major public physical capital investment (hereafter referred to as physical investment outlays) are estimated to be $121.2 billion in 2000. Physical investment outlays are for construction and rehabilitation, the purchase of major equipment, and the purchase or sale of land and structures. Three-fifths of these outlays are for direct physical investment by the Federal Government, with the remaining being grants to State and local governments for physical investment.

Direct physical investment outlays by the Federal Government are primarily for national defense. Defense outlays for physical investment were $53.5 billion in 1998 and are estimated to decline slightly to $51.6 billion in 2000. Almost all of these outlays, or $46.9 billion, are for the procurement of weapons and other defense equipment, and the remainder is primarily for construction on military bases, family housing for military personnel, and Department of Energy defense facilities. These outlays will begin to increase in 2001 in response to increases in defense budget authority requested for 2000 and later years in this budget. The increases in budget authority are discussed in Chapter 11 of the *Budget* volume.

Outlays for direct physical investment for nondefense purposes are estimated to be $21.2 billion in 2000. These outlays include $13.0 billion for construction and rehabilitation. This amount funds water, power, and natural resources projects of the Army Corps of Engineers, the Bureau of Reclamation within the Department of the Interior, the Tennessee Valley Authority, and the power administrations in the Department of Energy; construction and rehabilitation of veterans hospitals and Postal Service facilities; and facilities for space and science programs. Outlays for the acquisition of major equipment are estimated to be $7.6 billion in 2000. The largest amounts are for the air traffic control system and the Postal Service. For the purchase or sale of land and structures, collections exceeded disbursements by $4.6 billion in 1998, largely due to the sale of the United States Enrichment Corporation and the privatization of Elk Hills. These sales explain most of the increase in outlays in this category from 1998 to 1999.

Grants to State and local governments for physical investment are estimated to be $48.4 billion in 2000. Almost two-thirds of these outlays, or $31.0 billion, are to assist States and localities with transportation infrastructure, primarily highways. Other major grants for physical investment fund sewage treatment plants, community development, and public housing.

Conduct of research and development.—Outlays for the conduct of research and development are estimated to be $73.6 billion in 2000. These outlays are devoted to increasing basic scientific knowledge and promoting research and development. They increase the Nation's security, improve the productivity of capital and labor for both public and private purposes, and enhance the quality of life. Slightly more than half of these outlays, an estimated $37.7 billion in 2000, are for national defense. Physical investment for research and develop-

Table 6–1. COMPOSITION OF FEDERAL INVESTMENT OUTLAYS

(In billions of dollars)

	1998 actual	Estimate	
		1999	2000
Federal Investment			
Major public physical capital investment:			
Direct Federal:			
National defense	53.5	53.5	51.6
Nondefense	15.1	20.8	21.2
Subtotal, direct major public physical capital investment	68.7	74.2	72.8
Grants to State and local governments	41.1	44.9	48.4
Subtotal, major public physical capital investment	109.8	119.1	121.2
Conduct of research and development:			
National defense	40.1	39.6	37.7
Nondefense	32.7	34.5	35.9
Subtotal, conduct of research and development	72.8	74.2	73.6
Conduct of education and training:			
Grants to State and local governments	26.5	28.8	32.4
Direct Federal	19.0	21.8	20.0
Subtotal, conduct of education and training	45.4	50.6	52.5
Major Federal investment outlays	**228.0**	**243.9**	**247.3**
MEMORANDUM			
Major Federal investment outlays:			
National defense	93.7	93.1	89.3
Nondefense	134.3	150.8	158.0
Total, major Federal investment outlays	228.0	243.9	247.3
Miscellaneous physical investments:			
Commodity inventories	–0.4	0.1	–0.3
Other physical investment (direct)	3.0	3.3	3.1
Total, miscellaneous physical investment	2.6	3.4	2.9
Total, Federal investment outlays, including miscellaneous physical investment	230.6	247.3	250.1

ment facilities and equipment is included in the physical investment category.

Nondefense outlays for the conduct of research and development are estimated to be $35.9 billion in 2000. This is almost entirely direct spending by the Federal Government, and is largely for the space programs, the National Science Foundation, the National Institutes of Health, and research for nuclear and non-nuclear energy programs.

Conduct of education and training.—Outlays for the conduct of education and training are estimated to be $52.5 billion in 2000. These outlays add to the stock of human capital by developing a more skilled and productive labor force. Grants to State and local governments for this category are estimated to be $32.4 billion in 2000, more than three-fifths of the total. They include education programs for the disadvantaged and the handicapped, vocational and adult education programs, training programs in the Department of Labor, and Head Start. Direct education and training outlays by the Federal Government are estimated to be $20.0 billion in 2000. Programs in this category are primarily aid for higher education through student financial assistance, loan subsidies, the veterans GI bill, and health training programs.

This category does not include outlays for education and training of Federal civilian and military employees. Outlays for education and training that are for physical investment and for research and development are in the categories for physical investment and the conduct of research and development.

Miscellaneous Physical Investment Outlays

In addition to the categories of major Federal investment, several miscellaneous categories of investment outlays are shown at the bottom of Table 6–1. These items, all for physical investment, are generally unrelated to improving Government operations or enhancing economic activity.

Outlays for commodity inventories are for the purchase or sale of agricultural products pursuant to farm price support programs and the purchase and sale of other commodities such as oil and gas. Sales are estimated to exceed purchases by $0.3 billion in 2000.

Outlays for other miscellaneous physical investment are estimated to be $3.1 billion in 2000. This category includes primarily conservation programs. These outlays are entirely for direct Federal spending.

Detailed Tables on Investment Spending

This section provides data on budget authority as well as outlays for major Federal investment. These estimates extend four years beyond the budget year to 2004. Table 6–2 displays budget authority (BA) and outlays (O) by major programs according to defense and nondefense categories. The greatest level of detail appears in Table 6–3, which shows budget authority and outlays divided according to grants to State and local governments and direct Federal spending. Miscellaneous investment is not included in these tables because it is generally unrelated to improving Government operations or enhancing economic activity.

Table 6–2. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: DEFENSE AND NONDEFENSE PROGRAMS

(in millions of dollars)

Description		1998 Actual	Estimate 1999	2000	2001	2002	2003	2004
NATIONAL DEFENSE								
Major public physical investment:								
Construction and rehabilitation	BA	**4,866**	**4,794**	**2,318**	**7,124**	**3,951**	**4,048**	**4,159**
	O	5,092	4,716	4,461	3,882	4,988	4,693	4,326
Acquisition of major equipment	BA	**45,263**	**48,915**	**52,833**	**61,789**	**62,115**	**66,369**	**69,033**
	O	48,492	48,778	47,207	51,553	55,038	59,961	63,851
Purchase or sale of land and structures	BA	**–34**	**–36**	**–36**	**–36**	**–36**	**–36**	**–36**
	O	–34	–36	–36	–36	–36	–36	–36
Subtotal, major public physical investment	BA	**50,095**	**53,673**	**55,115**	**68,877**	**66,030**	**70,381**	**73,156**
	O	53,550	53,458	51,632	55,399	59,990	64,618	68,141
Conduct of research and development	BA	**39,824**	**39,819**	**37,712**	**37,597**	**37,975**	**37,829**	**38,337**
	O	40,141	39,612	37,662	37,764	37,779	37,792	38,091
Conduct of education and training (civilian)	BA	**2**	**3**	**8**	**8**	**10**	**10**	**10**
	O	8	3	6	8	9	10	10
Subtotal, national defense investment	BA	**89,921**	**93,495**	**92,835**	**106,482**	**104,015**	**108,220**	**111,503**
	O	93,699	93,073	89,300	93,171	97,778	102,420	106,242
NONDEFENSE								
Major public physical investment:								
Construction and rehabilitation:								
Highways	BA	**24,868**	**29,385**	**30,664**	**30,144**	**30,692**	**31,237**	**31,876**
	O	20,063	23,150	25,517	26,762	26,955	27,154	27,698
Mass transportation	BA	**4,602**	**4,830**	**5,906**	**6,086**	**6,552**	**7,019**	**7,168**
	O	3,892	3,789	3,960	4,763	5,299	5,984	6,404
Rail transportation	BA	**271**	**6**	**11**	**11**	**11**	**11**	**11**
	O	465	107	16	10	11	11	11
Air transportation	BA	**1,657**	**2,336**	**1,616**	**1,617**	**1,618**	**1,619**	**1,619**
	O	1,541	1,684	1,766	1,697	1,659	1,648	1,641
Community development block grants	BA	**4,925**	**4,873**	**4,775**	**4,775**	**4,775**	**4,775**	**4,775**
	O	4,621	4,965	4,856	4,817	4,792	4,757	4,779
Other community and regional development	BA	**1,465**	**1,560**	**1,669**	**1,669**	**1,669**	**1,669**	**1,669**
	O	1,479	1,438	1,414	1,522	1,788	1,853	1,826
Pollution control and abatement	BA	**4,131**	**4,169**	**3,613**	**3,615**	**3,615**	**3,615**	**3,615**
	O	3,521	3,616	4,104	4,205	4,032	4,010	4,005
Water resources	BA	**2,650**	**2,967**	**3,039**	**3,037**	**3,023**	**3,031**	**3,045**
	O	2,350	3,297	3,295	3,176	2,936	3,079	3,060
Housing assistance	BA	**6,219**	**6,982**	**6,559**	**6,559**	**6,559**	**6,559**	**6,559**
	O	6,406	6,501	7,264	8,178	8,175	8,249	8,287
Energy	BA	**779**	**960**	**843**	**721**	**930**	**892**	**672**
	O	778	961	843	719	928	890	670
Veterans hospitals and other health	BA	**1,660**	**1,662**	**1,453**	**1,493**	**1,475**	**1,466**	**1,466**
	O	1,565	1,633	1,652	1,657	1,628	1,586	1,577
Postal Service	BA	**1,726**	**1,654**	**1,457**	**1,317**	**1,485**	**1,742**	**1,509**
	O	1,528	1,032	1,225	1,344	1,457	1,574	1,609
GSA real property activities	BA	**238**	**1,165**	**767**	**952**	**875**	**918**	**847**
	O	1,375	1,069	1,016	1,079	1,062	1,016	939
Other programs	BA	**3,764**	**3,111**	**2,748**	**2,919**	**2,801**	**2,578**	**2,680**
	O	3,718	3,044	3,330	2,910	2,935	2,973	2,742
Subtotal, construction and rehabilitation	BA	**58,955**	**65,660**	**65,120**	**64,915**	**66,080**	**67,131**	**67,511**
	O	53,302	56,286	60,258	62,839	63,657	64,784	65,248
Acquisition of major equipment:								
Air transportation	BA	**1,948**	**2,096**	**2,320**	**2,486**	**2,626**	**2,792**	**2,927**
	O	2,285	1,952	2,019	2,184	2,360	2,606	2,758
Postal Service	BA	**597**	**739**	**848**	**918**	**744**	**744**	**530**
	O	364	319	736	802	781	590	835
Other	BA	**4,877**	**5,839**	**4,964**	**5,547**	**5,488**	**5,447**	**5,405**
	O	3,969	4,788	4,941	5,446	5,601	5,615	5,604
Subtotal, acquisition of major equipment	BA	**7,422**	**8,674**	**8,132**	**8,951**	**8,858**	**8,983**	**8,862**
	O	6,618	7,059	7,696	8,432	8,742	8,811	9,197
Purchase or sale of land and structures	BA	**–3,966**	**626**	**398**	**720**	**223**	**719**	**712**
	O	–4,613	1,265	525	765	244	748	721

Table 6–2. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: DEFENSE AND NONDEFENSE PROGRAMS—Continued

(in millions of dollars)

Description		1998 Actual	Estimate					
			1999	2000	2001	2002	2003	2004
Other physical assets (grants)	BA	942	941	1,327	1,314	1,342	1,388	1,477
	O	917	1,075	1,086	1,264	1,261	1,313	1,363
Subtotal, major public physical investment	BA	63,353	75,901	74,977	75,900	76,503	78,221	78,562
	O	56,224	65,685	69,565	73,300	73,904	75,656	76,529
Conduct of research and development:								
General science, space and technology	BA	12,367	12,970	13,409	13,588	13,657	13,847	13,907
	O	12,503	12,858	12,907	13,291	13,480	13,768	13,926
Energy	BA	1,281	1,230	1,346	1,324	1,324	1,324	1,324
	O	1,526	1,368	1,365	1,516	1,517	1,487	1,419
Transportation	BA	1,826	1,678	1,581	1,597	1,640	1,662	1,687
	O	1,778	1,699	1,698	1,716	1,693	1,748	1,771
Health	BA	13,543	15,471	15,821	16,001	16,061	16,085	15,785
	O	12,471	13,903	15,371	15,935	16,045	16,076	15,768
Natural resources and environment	BA	1,936	2,011	1,953	1,953	1,953	1,953	1,953
	O	1,653	1,785	1,767	1,757	1,758	1,768	1,770
All other research and development	BA	2,791	3,128	2,902	2,913	3,027	2,993	3,022
	O	2,731	2,931	2,834	2,886	3,053	3,011	3,031
Subtotal, conduct of research and development	BA	33,744	36,488	37,012	37,376	37,662	37,864	37,678
	O	32,662	34,544	35,942	37,101	37,546	37,858	37,685
Conduct of education and training:								
Education, training, employment and social services:								
Elementary, secondary, and vocational education	BA	18,738	16,761	20,762	22,687	22,687	22,687	22,687
	O	16,507	16,910	20,041	22,527	22,750	22,837	22,849
Higher education	BA	13,818	14,248	12,332	13,610	12,666	13,954	14,599
	O	12,060	14,032	11,636	13,427	12,157	13,623	14,175
Research and general education aids	BA	1,900	2,233	2,300	2,304	2,320	2,279	2,268
	O	1,958	2,128	2,415	2,413	2,432	2,399	2,407
Training and employment	BA	6,370	6,608	6,435	5,433	5,386	5,386	5,386
	O	4,569	5,938	6,645	6,378	5,740	5,413	5,381
Social services	BA	6,994	7,366	8,026	8,087	8,149	8,213	8,279
	O	6,610	7,454	7,554	7,903	7,993	8,036	8,102
Subtotal, education, training, and social services	BA	47,820	47,216	49,855	52,121	51,208	52,519	53,219
	O	41,704	46,462	48,291	52,648	51,072	52,308	52,914
Veterans education, training, and rehabilitation	BA	1,568	1,357	1,652	1,908	1,902	1,901	1,927
	O	1,502	1,693	1,681	1,937	1,909	1,906	1,933
Health	BA	871	1,003	951	948	946	940	935
	O	808	932	957	956	948	942	936
Other education and training	BA	1,503	1,535	1,578	1,578	1,555	1,557	1,559
	O	1,408	1,468	1,521	1,557	1,561	1,560	1,564
Subtotal, conduct of education and training	BA	51,762	51,111	54,036	56,555	55,611	56,917	57,640
	O	45,422	50,555	52,450	57,098	55,490	56,716	57,347
Subtotal, nondefense investment	BA	148,859	163,500	166,025	169,831	169,776	173,002	173,880
	O	134,308	150,784	157,957	167,499	166,940	170,230	171,561
Total, Federal investment	BA	238,780	256,995	258,860	276,313	273,791	281,222	285,383
	O	228,007	243,857	247,257	260,670	264,718	272,650	277,803

Table 6–3. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: GRANT AND DIRECT FEDERAL PROGRAMS

(in millions of dollars)

Description		1998 Actual	Estimate					
			1999	2000	2001	2002	2003	2004
GRANTS TO STATE AND LOCAL GOVERNMENTS								
Major public physical investments:								
Construction and rehabilitation:								
Highways	BA	**24,691**	**29,008**	**30,453**	**29,937**	**30,481**	**31,022**	**31,657**
	O	20,036	23,057	25,320	26,558	26,750	26,948	27,487
Mass transportation	BA	**4,602**	**4,834**	**5,906**	**6,086**	**6,552**	**7,019**	**7,168**
	O	3,892	3,789	3,960	4,763	5,299	5,984	6,404
Rail transportation	BA	**10**	....	....	....	....	....	....
	O	44	47	2	....	....	....	....
Air transportation	BA	**1,640**	**2,322**	**1,600**	**1,600**	**1,600**	**1,600**	**1,600**
	O	1,511	1,670	1,750	1,680	1,641	1,628	1,620
Pollution control and abatement	BA	**2,730**	**2,783**	**2,149**	**2,149**	**2,149**	**2,149**	**2,149**
	O	2,084	2,188	2,558	2,675	2,493	2,435	2,394
Other natural resources and environment	BA	**43**	**27**	**26**	**26**	**26**	**26**	**26**
	O	65	96	67	44	34	34	34
Community development block grants	BA	**4,925**	**4,873**	**4,775**	**4,775**	**4,775**	**4,775**	**4,775**
	O	4,621	4,965	4,856	4,817	4,792	4,757	4,779
Other community and regional development	BA	**1,084**	**1,327**	**1,423**	**1,423**	**1,423**	**1,423**	**1,423**
	O	1,060	1,284	1,274	1,365	1,493	1,547	1,520
Housing assistance	BA	**6,193**	**6,956**	**6,529**	**6,529**	**6,529**	**6,529**	**6,529**
	O	6,388	6,475	7,237	8,148	8,145	8,219	8,257
National defense	BA	....	....	....	....	....	....	....
	O	5	3	....	....	....	....	....
Other construction	BA	**460**	**166**	**119**	**119**	**119**	**119**	**119**
	O	427	194	206	181	145	119	119
Subtotal, construction and rehabilitation	BA	**46,378**	**52,296**	**52,980**	**52,644**	**53,654**	**54,662**	**55,446**
	O	40,133	43,768	47,230	50,231	50,792	51,671	52,614
Other physical assets	BA	**996**	**1,027**	**1,402**	**1,462**	**1,480**	**1,515**	**1,533**
	O	972	1,161	1,178	1,348	1,373	1,436	1,485
Subtotal, major public physical capital	BA	**47,374**	**53,323**	**54,382**	**54,106**	**55,134**	**56,177**	**56,979**
	O	41,105	44,929	48,408	51,579	52,165	53,107	54,099
Conduct of research and development:								
Agriculture	BA	**223**	**253**	**181**	**189**	**189**	**189**	**189**
	O	223	226	220	237	258	254	251
Other	BA	**121**	**154**	**168**	**164**	**167**	**169**	**172**
	O	79	105	182	187	188	190	193
Subtotal, conduct of research and development	BA	**344**	**407**	**349**	**353**	**356**	**358**	**361**
	O	302	331	402	424	446	444	444
Conduct of education and training:								
Elementary, secondary, and vocational education	BA	**17,714**	**15,504**	**18,611**	**20,536**	**20,536**	**20,536**	**20,536**
	O	15,686	15,992	18,752	20,692	20,724	20,776	20,787
Higher education	BA	**80**	**160**	**197**	**197**	**197**	**197**	**197**
	O	90	65	122	141	144	144	144
Research and general education aids	BA	**328**	**516**	**347**	**362**	**366**	**347**	**340**
	O	378	389	479	468	462	447	445
Training and employment	BA	**5,122**	**5,043**	**4,749**	**3,748**	**3,715**	**3,715**	**3,715**
	O	3,463	4,639	5,304	4,961	4,309	3,979	3,951
Social services	BA	**6,722**	**7,081**	**7,721**	**7,782**	**7,844**	**7,908**	**7,974**
	O	6,354	7,153	7,258	7,598	7,688	7,731	7,797
Agriculture	BA	**423**	**453**	**402**	**402**	**402**	**402**	**402**
	O	416	438	433	410	405	402	402
Other	BA	**87**	**80**	**82**	**82**	**82**	**82**	**82**
	O	82	80	79	81	82	80	81
Subtotal, conduct of education and training	BA	**30,476**	**28,837**	**32,109**	**33,109**	**33,142**	**33,187**	**33,246**
	O	26,469	28,756	32,427	34,351	33,814	33,559	33,607
Subtotal, grants for investment	BA	**78,194**	**82,567**	**86,840**	**87,568**	**88,632**	**89,722**	**90,586**
	O	67,876	74,016	81,237	86,354	86,425	87,110	88,150

Table 6–3. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: GRANT AND DIRECT FEDERAL PROGRAMS—Continued

(in millions of dollars)

Description		1998 Actual	Estimate 1999	2000	2001	2002	2003	2004
DIRECT FEDERAL PROGRAMS								
Major public physical investment:								
Construction and rehabilitation:								
National defense:								
Military construction	**BA**	**3,281**	**3,309**	**1,433**	**5,328**	**2,646**	**2,742**	**2,852**
	O	3,515	3,107	2,955	2,526	3,730	3,433	3,055
Family housing	**BA**	**887**	**739**	**206**	**937**	**446**	**447**	**448**
	O	883	966	803	602	484	489	500
Atomic energy defense activities and other	**BA**	**698**	**746**	**679**	**859**	**859**	**859**	**859**
	O	689	640	703	754	774	771	771
Subtotal, national defense	**BA**	**4,866**	**4,794**	**2,318**	**7,124**	**3,951**	**4,048**	**4,159**
	O	5,087	4,713	4,461	3,882	4,988	4,693	4,326
International affairs	**BA**	**213**	**513**	**341**	**539**	**639**	**738**	**837**
	O	150	318	392	455	488	553	639
General science, space, and technology	**BA**	**375**	**465**	**524**	**536**	**541**	**536**	**539**
	O	517	479	551	511	515	518	518
Water resources projects	**BA**	**2,607**	**2,940**	**3,017**	**3,015**	**3,001**	**3,009**	**3,023**
	O	2,287	3,204	3,233	3,137	2,907	3,050	3,031
Other natural resources and environment	**BA**	**1,782**	**1,756**	**1,793**	**1,854**	**1,826**	**1,828**	**1,828**
	O	1,799	1,788	1,895	1,926	1,930	1,976	2,017
Energy	**BA**	**779**	**960**	**843**	**721**	**930**	**892**	**672**
	O	778	961	843	719	928	890	670
Postal Service	**BA**	**1,726**	**1,654**	**1,457**	**1,317**	**1,485**	**1,742**	**1,509**
	O	1,528	1,032	1,225	1,344	1,457	1,574	1,609
Transportation	**BA**	**596**	**628**	**296**	**206**	**211**	**216**	**220**
	O	664	344	361	205	207	204	214
Housing assistance	**BA**	**26**	**26**	**30**	**30**	**30**	**30**	**30**
	O	18	26	27	30	30	30	30
Veterans hospitals and other health facilities	**BA**	**1,580**	**1,572**	**1,413**	**1,453**	**1,435**	**1,426**	**1,426**
	O	1,515	1,581	1,588	1,594	1,562	1,546	1,537
Federal Prison System	**BA**	**151**	**323**	**439**	**432**	**342**	**22**	**22**
	O	33	459	414	477	477	434	186
GSA real property activities	**BA**	**416**	**1,165**	**767**	**952**	**875**	**918**	**847**
	O	1,640	1,069	1,016	1,079	1,062	1,016	939
Other construction	**BA**	**2,326**	**1,362**	**1,220**	**1,216**	**1,111**	**1,112**	**1,112**
	O	2,245	1,260	1,483	1,131	1,302	1,322	1,244
Subtotal, construction and rehabilitation	**BA**	**17,443**	**18,158**	**14,458**	**19,395**	**16,377**	**16,517**	**16,224**
	O	18,261	17,234	17,489	16,490	17,853	17,806	16,960
Acquisition of major equipment:								
National defense:								
Department of Defense	**BA**	**44,934**	**48,562**	**52,483**	**61,439**	**61,765**	**66,019**	**68,683**
	O	48,180	48,422	46,864	51,199	54,686	59,610	63,500
Atomic energy defense activities	**BA**	**329**	**353**	**350**	**350**	**350**	**350**	**350**
	O	312	356	343	354	352	351	351
Subtotal, national defense	**BA**	**45,263**	**48,915**	**52,833**	**61,789**	**62,115**	**66,369**	**69,033**
	O	48,492	48,778	47,207	51,553	55,038	59,961	63,851
General science and basic research	**BA**	**386**	**368**	**396**	**443**	**429**	**407**	**408**
	O	378	341	375	392	422	431	421
Space flight, research, and supporting activities	**BA**	**657**	**659**	**509**	**506**	**491**	**471**	**462**
	O	662	668	499	502	493	478	467
Energy	**BA**	**125**	**125**	**121**	**118**	**105**	**72**	**72**
	O	124	125	121	118	105	72	72
Postal Service	**BA**	**597**	**739**	**848**	**918**	**744**	**744**	**530**
	O	364	319	736	802	781	590	835
Air transportation	**BA**	**1,948**	**2,096**	**2,320**	**2,486**	**2,626**	**2,792**	**2,927**
	O	2,285	1,952	2,019	2,184	2,360	2,606	2,758
Water transportation (Coast Guard)	**BA**	**263**	**423**	**231**	**318**	**318**	**318**	**318**
	O	187	272	325	274	309	309	318
Other transportation (railroads)	**BA**	....	**609**	**571**	**571**	**571**	**571**	**571**
	O	164	247	442	581	572	572	572
Social security	**BA**	**50**	....	....	....	....	....	....

Table 6–3. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: GRANT AND DIRECT FEDERAL PROGRAMS—Continued

(in millions of dollars)

Description		1998 Actual	Estimate 1999	2000	2001	2002	2003	2004
	O	87	55	30	32	34	37	40
Hospital and medical care for veterans	BA	700	684	500	504	510	511	512
	O	475	542	556	571	575	579	580
Department of Justice	BA	523	464	550	551	549	549	549
	O	453	436	505	560	577	580	580
Department of the Treasury	BA	919	858	394	727	724	727	731
	O	578	644	522	734	749	716	709
GSA general supply fund	BA	513	657	657	654	681	735	737
	O	493	657	657	654	681	735	737
Other	BA	687	906	960	1,007	972	959	989
	O	313	715	817	944	972	983	986
Subtotal, acquisition of major equipment	BA	52,631	57,503	60,890	70,592	70,835	75,225	77,839
	O	55,055	55,751	54,811	59,901	63,668	68,649	72,926
Purchase or sale of land and structures:								
National defense	BA	–34	–36	–36	–36	–36	–36	–36
	O	–34	–36	–36	–36	–36	–36	–36
International affairs	BA	10	19	14	19	23	27	31
	O	13	19	21	23	24	28	32
Sale of the United States Enrichment Corporation	BA	–1,885	....	....	....	....	....	....
	O	–1,885	....	....	....	....	....	....
Privatization of Elk Hills	BA	–2,887	....	–323	....	....	....	....
	O	–2,887	....	–323	....	....	....	....
Other	BA	796	607	707	701	200	692	681
	O	146	1,246	827	742	220	720	689
Subtotal, purchase or sale of land and structures	BA	–4,000	590	362	684	187	683	676
	O	–4,647	1,229	489	729	208	712	685
Subtotal, major public physical investment	BA	66,074	76,251	75,710	90,671	87,399	92,425	94,739
	O	68,669	74,214	72,789	77,120	81,729	87,167	90,571
Conduct of research and development:								
National defense								
Defense military	BA	37,230	36,895	34,794	34,679	35,057	34,911	35,419
	O	37,558	36,875	34,723	34,748	34,777	34,815	35,114
Atomic energy and other	BA	2,594	2,924	2,918	2,918	2,918	2,918	2,918
	O	2,583	2,737	2,939	3,016	3,002	2,977	2,977
Subtotal, national defense	BA	39,824	39,819	37,712	37,597	37,975	37,829	38,337
	O	40,141	39,612	37,662	37,764	37,779	37,792	38,091
International affairs	BA	163	165	115	115	115	115	115
	O	233	201	182	185	197	199	199
General science, space and technology								
NASA	BA	8,200	8,237	8,422	8,607	8,684	8,874	8,934
	O	8,631	8,475	8,201	8,355	8,417	8,716	8,861
National Science Foundation	BA	2,293	2,507	2,734	2,728	2,720	2,720	2,720
	O	2,010	2,125	2,437	2,603	2,722	2,711	2,724
Department of Energy	BA	1,874	2,226	2,253	2,253	2,253	2,253	2,253
	O	1,862	2,258	2,269	2,333	2,341	2,341	2,341
Subtotal, general science, space and technology	BA	12,530	13,135	13,524	13,703	13,772	13,962	14,022
	O	12,736	13,059	13,089	13,476	13,677	13,967	14,125
Energy	BA	1,281	1,230	1,346	1,324	1,324	1,324	1,324
	O	1,526	1,368	1,365	1,516	1,517	1,487	1,419
Transportation:								
Department of Transportation	BA	471	416	436	431	446	466	482
	O	475	424	488	526	488	510	524
NASA	BA	1,262	1,144	1,020	1,043	1,068	1,068	1,074
	O	1,250	1,198	1,054	1,027	1,041	1,072	1,078
Subtotal, transportation	BA	3,014	2,790	2,802	2,798	2,838	2,858	2,880
	O	3,251	2,990	2,907	3,069	3,046	3,069	3,021

Table 6–3. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: GRANT AND DIRECT FEDERAL PROGRAMS—Continued

(in millions of dollars)

Description		1998 Actual	Estimate 1999	2000	2001	2002	2003	2004
Health:								
National Institutes of Health	**BA**	**12,898**	**14,783**	**15,150**	**15,150**	**15,150**	**15,124**	**15,124**
	O	11,853	13,213	14,600	15,020	15,076	15,059	15,055
All other health	**BA**	**633**	**675**	**658**	**838**	**898**	**948**	**648**
	O	606	677	758	902	956	1,004	700
Subtotal, health	**BA**	**13,531**	**15,458**	**15,808**	**15,988**	**16,048**	**16,072**	**15,772**
	O	12,459	13,890	15,358	15,922	16,032	16,063	15,755
Agriculture	**BA**	**1,026**	**1,235**	**1,204**	**1,204**	**1,205**	**1,208**	**1,208**
	O	977	1,083	1,116	1,132	1,147	1,144	1,140
Natural resources and environment	**BA**	**1,936**	**2,011**	**1,953**	**1,953**	**1,953**	**1,953**	**1,953**
	O	1,653	1,785	1,767	1,757	1,758	1,768	1,770
National Institute of Standards and Technology	**BA**	**392**	**395**	**432**	**432**	**432**	**432**	**432**
	O	423	431	423	432	440	439	437
Hospital and medical care for veterans	**BA**	**272**	**316**	**316**	**316**	**316**	**316**	**316**
	O	247	305	314	315	315	315	315
All other research and development	**BA**	**699**	**741**	**624**	**629**	**742**	**705**	**734**
	O	614	670	566	574	685	649	678
Subtotal, conduct of research and development	**BA**	**73,224**	**75,900**	**74,375**	**74,620**	**75,281**	**75,335**	**75,654**
	O	72,501	73,825	73,202	74,441	74,879	75,206	75,332
Conduct of education and training:								
Elementary, secondary, and vocational education	**BA**	**1,024**	**1,257**	**2,151**	**2,151**	**2,151**	**2,151**	**2,151**
	O	821	918	1,289	1,835	2,026	2,061	2,062
Higher education	**BA**	**13,738**	**14,088**	**12,135**	**13,413**	**12,469**	**13,757**	**14,402**
	O	11,970	13,967	11,514	13,286	12,013	13,479	14,031
Research and general education aids	**BA**	**1,572**	**1,717**	**1,953**	**1,942**	**1,954**	**1,932**	**1,928**
	O	1,580	1,739	1,936	1,945	1,970	1,952	1,962
Training and employment	**BA**	**1,248**	**1,565**	**1,686**	**1,685**	**1,671**	**1,671**	**1,671**
	O	1,106	1,299	1,341	1,417	1,431	1,434	1,430
Health	**BA**	**871**	**1,003**	**951**	**948**	**946**	**940**	**935**
	O	808	932	957	956	948	942	936
Veterans education, training, and rehabilitation	**BA**	**1,568**	**1,357**	**1,652**	**1,908**	**1,902**	**1,901**	**1,927**
	O	1,502	1,693	1,681	1,937	1,909	1,906	1,933
General science and basic reserach	**BA**	**599**	**660**	**686**	**684**	**659**	**659**	**659**
	O	543	586	639	667	653	657	659
National defense	**BA**	**2**	**3**	**8**	**8**	**10**	**10**	**10**
	O	8	3	6	8	9	10	10
International affairs	**BA**	**269**	**201**	**211**	**211**	**211**	**211**	**211**
	O	252	230	213	217	211	211	211
Other	**BA**	**397**	**426**	**502**	**504**	**506**	**508**	**510**
	O	371	435	453	487	515	515	516
Subtotal, conduct of education and training	**BA**	**21,288**	**22,277**	**21,935**	**23,454**	**22,479**	**23,740**	**24,404**
	O	18,961	21,802	20,029	22,755	21,685	23,167	23,750
Subtotal, direct Federal investment	**BA**	**160,586**	**174,428**	**172,020**	**188,745**	**185,159**	**191,500**	**194,797**
	O	160,131	169,841	166,020	174,316	178,293	185,540	189,653
Total, Federal investment	**BA**	**238,780**	**256,995**	**258,860**	**276,313**	**273,791**	**281,222**	**285,383**
	O	228,007	243,857	247,257	260,670	264,718	272,650	277,803

Part II: PLANNING, BUDGETING, AND ACQUISITION OF CAPITAL ASSETS

The previous section discussed Federal investment broadly defined. The focus of this section is much narrower—the review of planning and budgeting during the past year and the resultant budget proposals for capital assets owned by the Federal Government and used to deliver Federal services. Capital assets consist of Federal buildings, information technology, and other facilities and major equipment, including weapons systems, federally owned infrastructure, and space satellites.[1] With proposed major agency restructuring, organizational streamlining, and other reforms, good planning may suggest reduced spending for some assets, such as office buildings, and increased spending for others, such as information technology, to increase the productivity of a smaller workforce.

In recent years the Administration and the Congress have reviewed the Federal Government's performance in planning, budgeting, risk management, and the acquisition of capital assets. The reviews indicate that the performance is uneven across the Government; the problems have many causes, and as a result, there is no single solution. However, in meeting the objective of improving the Government's performance, it is essential that the caliber of Government planning and budgeting for capital assets be improved.

Improving Planning, Budgeting, and Acquisition of Capital Assets

Risk Management.—Recent Executive Branch reviews have found a recurring theme in many capital asset acquisitions—that risk management should become more central to the planning, budgeting, and acquisition process. Failure to analyze and manage the inherent risk in all capital asset acquisitions may have contributed to cost overruns, schedule shortfalls, and acquisitions that fail to perform as expected. Failure to adopt capital asset requirements that are within the capabilities of the market and budget limitations may also have contributed to these problems. For each major project a risk analysis that includes how risks will be isolated, minimized, monitored, and controlled may help prevent these problems. The proposals in this budget, together with recent legislation enacted by Congress, are designed to help the Government manage better its portfolio of capital assets.

Long-Term Planning and Analysis.—Planning and managing capital assets, especially better management of risk, has historically been a low priority for some agencies. Attention focuses on coming-year appropriations, and justifications are often limited to lists of desired projects. The increased use of long-range planning linked to performance goals required by the Government Performance and Results Act would provide a better basis for justifications. It would increase foresight and improve the odds for cost-effective investments.

A need for better risk management, integrated life-cycle planning, and operation of capital assets at many agencies was evident in the Executive Branch reviews. Research equipment was acquired with inadequate funding for its operation. New medical facilities sometimes were built without funds for maintenance and operation. New information technology sometimes was acquired without planning for associated changes in agency operations.

Congressional concern.—Congress has expressed its concern about planning for capital assets with legislation and other actions that complement Administration efforts to ensure better performance:

- The Government Performance and Results Act of 1993 (GPRA) is designed to help ensure that program objectives are more clearly defined and resources are focused on meeting these objectives.
- The Federal Acquisition Streamlining Act of 1994 (FASA), Title V, requires agencies to improve the management of large acquisitions. Title V requires agencies to institute a performance-based planning, budgeting, and management approach to the acquisition of capital assets. As a result of improved planning efforts, agencies are required to establish cost, schedule, and performance goals that have a high probability of successful achievement. For projects that are not achieving 90 percent of original goals, agencies are required to discuss corrective actions taken or planned to bring the project within goals. If they cannot be brought within goals, agencies should identify how and why the goals should be revised, whether the project is still cost beneficial and justified for continued funding, or whether the project should be canceled.
- The Clinger-Cohen Act of 1996 is designed to ensure that information technology acquisitions support agency missions developed pursuant to GPRA. The Clinger-Cohen Act also requires a performance-based planning, budgeting, and management approach to the acquisition of capital assets.
- The General Accounting Office published a study, *Budget Issues: Budgeting for Federal Capital* (November 1996), written in response to a congressional request, which recommended that the Office of Management and Budget (OMB) continue its focus on capital assets.

Administration concern.—Since 1994, the Administration has devoted particular attention to improving the process of planning, budgeting, and acquiring capital assets. After seeking out and analyzing the problems, which differed from agency to agency, OMB issued guidance on this issue in 1994. This guidance has been issued for several years, most recently as OMB Circular A–11: Part 3: "Planning, Budgeting, and Acquisition

[1] This is almost the same as the definition in Part I of this chapter for spending for direct Federal construction and rehabilitation, major equipment, and purchase of land, except that capital assets excludes grants to private groups for these purposes (e.g., grants to universities for research equipment and grants to AMTRAK). A more complete definition can be found in the glossary to the "Principles of Budgeting for Capital Asset Acquisitions," which is at the end of this Part.

of Capital Assets" (July 1998) (hereafter referred to as Part 3). Part 3 identified other OMB guidance on this issue.[2]

Part 3 requests agencies to approach planning for capital assets in the context of strategic plans to carry out their missions, and to consider alternative methods of meeting their goals. Systematic analysis of the full life-cycle expected costs and benefits is required, along with risk analysis and assessment of alternative means of acquiring assets. The Administration proposes to make agencies responsible for using good capital programming principles for managing the capital assets they use, and to work throughout the coming year to improve agency practices in risk management, planning, budgeting, acquisition, and operation of these assets.

In support of this, in July 1997 OMB issued a *Capital Programming Guide*. This Guide was developed by an interagency task force with representation from 14 executive agencies and the General Accounting Office. The *Guide's* purpose is to provide professionals in the Federal Government a basic reference on capital assets management principles to assist them in planning, budgeting, acquiring, and managing the asset once in use. The Guide emphasizes risk management and the importance of analyzing capital assets as a portfolio. In addition, other recent actions by the Administration include:

- OMB memorandum 97–02, "Funding Information Systems Investments" (October 25, 1996) was issued to establish clear and concise decision criteria regarding investments in major information technology investments.
- As part of this budget, the Administration is:
  —requesting full funding in regular or advance appropriations for new capital projects and for many capital projects formerly funded incrementally. These requests are shown in Table 6–5 and discussed in the accompanying text.
  —reissuing the "Principles of Budgeting for Capital Asset Acquisitions," which appear at the end of this Part. These principles offer guidelines to agencies to help carry out better planning, analysis, risk management, and budgeting for capital asset acquisitions.

From Planning to Budgeting.—Long-range agency plans should channel fully justified budget-year and out-year capital acquisition proposals into the budget process. Agencies were asked to submit projections of both budget authority and outlays for high-priority capital asset proposals not only for the budget year but for the four subsequent years through 2004 as well. In addition, agency-specific capital asset issues were highlighted in the agency reviews.

Attention was given to whether the "lumpiness" of some capital assets—large one-year temporary increases in funding—disadvantaged them in the budget review process. In some cases, agencies aggregate capital asset acquisitions into budget accounts containing only such acquisitions; such accounts tend to smooth out year-to-year changes in budget authority and outlays and avoid crowding other expenditures. In other cases, agencies or program managers do not hesitate to request "spikes" in spending for asset acquisitions, and the review process accommodates them. But some agencies go out of their way to avoid such spikes, and some agencies have trouble accommodating them. Part 3 encouraged agencies to accommodate justified spikes in their own internal reviews.

Full funding of capital assets.—Good budgeting requires that appropriations for the full costs of asset acquisition be provided up front to help ensure that all costs and benefits are fully taken into account when decisions are made about providing resources. Full funding was endorsed by the General Accounting Office in its report, *Budgeting for Federal Capital* (November 1996). This rule is followed for most Department of Defense procurement and construction programs and for General Services Administration buildings. In other areas, however, too often it is not. When it is not followed and capital assets are funded in increments, without certainty if or when future funding will be available, it can and occasionally does result in poor risk management, weak planning, acquisition of assets not fully justified, higher acquisition costs, cancellation of major projects, the loss of sunk costs, and inadequate funding to maintain and operate the assets. Full funding is also an important element in managing large acquisitions effectively and holding management responsible for achieving goals.

This budget requests full funding with regular or advance appropriations for new capital projects and for many capital projects funded incrementally in the past. Projects that might have been funded in increments in past years and are fully funded in this budget are identified below in Table 6–5 and discussed in the accompanying text. Efforts will continue to include full funding for all new capital projects, or at least economically and programmatically viable segments (or modules) of new projects.

Other budgeting issues.—Other budgeting decisions can also aid in acquiring capital assets. Availability of funds for one year often may not be enough time to complete the acquisition process. Most agencies request that funds be available for more than one year to complete acquisitions efficiently, and Part 3 encourages this. As noted, many agencies aggregate asset ac-

[2] Other guidance published by OMB with participation by other agencies includes: (1) OMB Circular No. A–109, *Major System Acquisitions*, which establishes policies for planning major systems that are generally applicable to capital asset acquisitions. (2) OMB Circular No. A–94, *Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs*, which provides guidance on benefit-cost, cost-effectiveness, and lease-purchase analysis to be used by agencies in evaluating Federal activities including capital asset acquisition. It includes guidelines on the discount rate to use in evaluating future benefits and costs, the measurement of benefits and costs, the treatment of uncertainty, and other issues. This guidance must be followed in all analyses in support of legislative and budget programs. (3) Executive Order No. 12893, "Principles for Federal Infrastructure Investments," which provides principles for the systematic economic analysis of infrastructure investments and their management. (4) OMB Bulletin No. 94–16, Guidance on Executive Order No. 12893, "Principles for Federal Infrastructure Investments," which provides guidance for implementing this order and appends the order itself. (5) the revision of OMB Circular A–130, *Management of Federal Information Resources* (February 20, 1996), which provides principles for internal management and planning practices for information systems and technology; and (6) OMB Circular No. A–127, *Financial Management Systems*, which prescribes policies and standards for executive departments and agencies to follow in developing, evaluating, and reporting on financial management standards.

quisition in budget accounts to avoid lumpiness. In some cases, these are revolving funds that "rent" the assets to the agency's programs.

To promote better program performance, agencies are also being encouraged by OMB to examine their budget account structures to align them better with program outputs and outcomes and to charge the appropriate account with significant costs used to achieve these results. The asset acquisition rental accounts, mentioned above, would contribute to this. Budgeting this way would provide information and incentives for better resource allocation among programs and a continual search for better ways to deliver services. It would also provide incentives for efficient capital asset acquisition and management.

Acquisition of Capital Assets.—Improved planning, budgeting, and acquisition strategies are necessary to increase the ability of agencies to acquire capital assets within, or close to, the original estimates of cost, schedule, and performance used to justify project budgets and to maintain budget discipline. The Administration initiative along with enactment of FASA (Title V) and the Clinger-Cohen Act require agencies to institute a performance-based planning, budgeting, and management approach to the acquisition of capital assets.

OMB, working with the agencies over the last several years, began separate but related efforts to develop an integrated management approach that employs performance based acquisition management as part of a disciplined capital programming process. The Administration also wants the capital asset acquisition goals incorporated into the annual performance plan called for by GPRA so that a unified picture of agency management activities is presented and acquisition performance goals are linked to the achievement of program and policy goals. This integrated approach will not only eliminate duplication in reporting agency actions but, most importantly, will foster more effective implementation of performance-based acquisition management.

The first effort was the issuance of OMB Circular A–11, Part 3, "Planning, Budgeting and Acquisition of Capital Assets," in July 1996. Part 3 has been reissued annually since then. The *Capital Programming Guide* was issued as a Supplement to Part 3 in June 1997. These documents present unified guidance on planning, budgeting, acquisition, and management of capital assets. It also presents unified guidance designed to coordinate the collection of agency information for reports to the Congress required by FASA Title V. Part 3 for this year asked agencies to report on all major acquisitions and provide information on the extent of planning and risk mitigation efforts accomplished for new projects to ensure a high probability that the cost, schedule and performance goals established will be successfully achieved. For ongoing projects agencies are to provide information on the achievement of, or deviation from, goals. For projects that are not achieving 90 percent of original goals, agencies are required to discuss corrective actions taken, or contemplated, to bring the project within goals. If the project cannot be brought within goals, agencies should explain how and why the goals should be revised and whether the project is still cost beneficial and justifies continued funding, or whether the project should be canceled. Approved acquisition goals submitted with the 2000 budget are the baseline goals for all future monitoring of project progress for both management purposes and reporting to Congress as required by FASA Title V. This more disciplined capital management approach is new to many agencies, and some agencies were not yet able to provide all the required information for all major acquisitions for this year. OMB expects that agencies will be able to meet the requirements for next year's budget.

Part 3 complements OMB memorandum 97–02, "Funding Information Systems Investments" (October 25, 1996), which was issued to establish clear and concise decision criteria regarding investments in major information technology investments. These policy documents establish the general presumption that OMB will recommend new or continued funding only for those major investments in assets that comply with good capital programming principles.

At the Appendix to this Part are the "Principles of Budgeting for Capital Asset Acquisitions," which incorporate the above criteria and expand coverage to all capital investments. The Administration recognizes that many agencies are in the middle of projects initiated prior to enactment of the Clinger-Cohen Act and FASA Title V, and may not be able to satisfy the criteria immediately. For those systems that do not satisfy the criteria, the Administration considered requests to use 1999 and 2000 funds to support reevaluation and replanning of the project as necessary to achieve compliance with the criteria or to determine that the project would not meet the criteria and should be canceled.

As a result of these two initiatives, capital asset acquisitions are to have baseline cost, schedule, and performance goals for future tracking purposes or they are to be either reevaluated and changed or canceled if no longer cost beneficial.

Outlook.—The effort to improve planning and budgeting for capital assets will continue in 1999 and 2000.

- The Administration will work with the Congress to increase the number of projects that are fully funded with regular or advance appropriations.
- OMB will be working with congressional committees, the President's Management Council, the Chief Financial Officers Council, and the Chief Information Officers Council to help agencies with their responsibility for capital assets through the alignment of budgetary resources with program results. OMB will also work with these groups to implement the "Principles of Budgeting for Capital Asset Acquisitions," which are shown as an Appendix to this Part.
- Interagency working groups will be established to address: (1) program manager qualification standards; (2) enhanced systems of incentives to encourage excellence in the acquisition workforce; and

(3) government-wide implementation of performance-based management systems (e.g., earned value or similar systems) to monitor achievement or deviation from goals of in-process acquisitions.

- In the review process, proposals for the acquisition of capital assets and related issues of lumpiness or "spikes" will continue to receive special attention. Agencies will be encouraged to give the same special attention to future asset acquisition proposals.
- To ensure that the full costs and benefits of all budget proposals are fully taken into account in allocating resources, agencies will be required to propose full funding for acquisitions in their budget requests.

Major Acquisition Proposals

For the definition of major capital assets described above this budget requests $73.4 billion of budget authority for 2000. This includes $54.1 billion for the Department of Defense and $19.3 billion for other agencies. The major requests are shown in the accompanying Table 6–4: "Capital Asset Acquisitions," which distributes the funds according to the categories for construction and rehabilitation, major equipment, and purchases of land and structures.

Table 6–4. CAPITAL ASSET ACQUISITIONS

(Budget authority in billions of dollars)

	1998 actual	1999 proposed	2000 proposed
MAJOR ACQUISITIONS			
Construction and rehabilitation:			
Defense military construction and family housing	4.2	4.0	1.6
Army Corps of Engineers	2.1	2.6	2.6
Department of Energy	1.1	1.1	1.1
Department of Veterans Affairs	1.0	1.0	0.8
General Services Administration	0.4	1.2	0.8
Other agencies	5.8	6.6	5.9
Subtotal, construction and rehabilitation	14.5	16.5	12.9
Major equipment:			
Department of Defense	44.9	48.6	52.5
Department of Transportation	2.1	2.5	2.5
NASA	0.7	0.7	0.6
Department of Veterans Affairs	0.7	0.7	0.5
Department of the Treasury	0.9	0.9	0.4
Other agencies	3.0	3.4	3.7
Subtotal, major equipment	52.4	56.7	60.1
Purchases of land and structures	1.2	0.6	0.7
Total, major acquisitions [1]	68.1	73.9	73.7
Sale of major assets	–5.2	....	–0.3
Total, capital asset acquisitions 1/	62.9	73.9	73.4

[1] This total is derived from the direct Federal major public physical investment budget authority on Table 6–3 ($75.7 billion for 2000). Table 6–4 excludes an estimate of spending for assets not owned by the Federal Government ($2.3 billion for 2000).

Construction and Rehabilitation

This budget includes $12.9 billion of budget authority for 2000 for construction and rehabilitation.

Department of Defense.—The budget requests $1.6 billion for 2000 for general construction on military bases and family housing. This funding will be used to:

- support the fielding of new systems;
- enhance operational readiness, including deployment and support of military forces;
- provide housing for military personnel and their families;
- implement base closure and realignment actions; and
- correct safety deficiencies and environmental problems.

Army Corps of Engineers.—This budget requests $2.6 billion for 2000 for construction and rehabilitation for the Army Corps of Engineers. These funds finance construction, rehabilitation, and related activity for water resources development projects that provide navigation, flood control, environmental restoration, and other benefits.

Department of Energy.—This budget requests $1.1 billion for 2000 for construction and rehabilitation for the Department of Energy. The largest item is for the National Ignition Facility, which will be used to perform experiments, including inertial confinement fusion experiments, at high pressures and temperatures. Some of these investments are also discussed in the text that accompanies Table 6–5.

Department of Veterans Affairs.—The budget requests $0.8 billion for construction and rehabilitation associated with veterans hospitals. These funds will provide for modernization and improvements to these facilities.

General Services Administration (GSA).—The 2000 budget includes $0.8 billion in budget authority for GSA for the construction or renovation of buildings. These funds will allow for new construction and the acquisition of border stations and general purpose office space in locations where long-term needs show that ownership is preferable to leasing.

Other agencies.—This budget includes $5.9 billion for construction and rehabilitation for other agencies in 2000. The largest items are for the Postal Service ($1.5 billion), the Department of the Interior ($0.8 billion), and the Tennessee Valley Authority ($0.7 billion).

Major Equipment

This category covers capital purchases for major equipment, including weapons systems; information technology, such as computer hardware, major software, and renovations required for this equipment; and other types of equipment. This budget requests $60.1 billion in budget authority for 2000 for the purchase of major equipment.

Department of Defense.—The budget requests $52.5 billion for 2000 to procure or modify weapons systems, related support equipment, and purchase of other capital goods. This includes tactical fighter aircraft, airlift aircraft, naval vessels, tanks, helicopters, missiles, and vehicles.

Department of Transportation.—The budget requests $2.5 billion in budget authority for the Department of Transportation, which includes $2.3 billion to modernize the air traffic control system and $0.2 billion for the Coast Guard to acquire vessels and other equipment. Requests for advance appropriations for the air traffic control system in the Federal Aviation Administration are discussed with Table 6–5.

National Aeronautics and Space Administration (NASA).—The budget requests $0.6 billion in budget authority to procure major equipment for programs in human space flight, science, aeronautics, and technology. Most of the equipment is to be acquired for Space Shuttle upgrades, such as orbiter improvements, Space Shuttle main engines, solid rocket booster improvements, and launch site equipment.

Department of Veterans Affairs.—This budget requests $0.5 billion for medical equipment for health care facilities for veterans. These funds will be used to continue to provide quality health care services for veterans.

Department of the Treasury.—The budget requests $0.4 billion in budget authority for 2000 for major equipment. These resources fund Internal Revenue Service information systems and other Treasury investment needs. The IRS funding and advanced appropriations ($325 million) for 2001 for the IRS information technology investment account will help the IRS improve customer service by providing alternative means of filing returns and paying taxes, improve telephone service for taxpayers; and give employees immediate access to complete information and modern tools to do their jobs. Advanced appropriations ($163 million) for the U.S. Customs Service in 2001 will fund modernization of automated commercial operations and an international trade data system. These investments are also discussed in the text that accompanies Table 6–5, which displays advance appropriations for capital acquisitions.

Other agencies.—This budget requests $3.7 billion for major equipment for other agencies for 2000. The largest amount is for the Postal Service ($0.8 billion). Other agencies include the General Services Administration ($0.7 billion); the Department of Energy ($0.6 billion) for science and other projects; and the Department of Commerce ($0.6 billion), for procurement of weather satellites and other equipment.

Purchase and Sale of Land and Structures

This budget includes $0.7 billion for 2000 for the purchase of land and structures. This includes $0.2 billion for the purchase of buildings by the General Services Administration. The sale of assets that took place in 1998 was for proceeds from the sale of the United States Enrichment Corporation ($1.9 billion), the privatization of Elk Hills ($2.9 billion), and other assets.

Full Funding of Major Projects

This budget proposes full funding for new capital projects and for many projects formerly funded incrementally. The requests for advance appropriations shown in Table 6–5 demonstrate the Admninistration's continuing support for full funding of capital investments.

The importance of full funding was discussed earlier in this Part and is also explained in the "Principles of Budgeting for Capital Asset Acquisitions," which appears as an Appendix to this Part. This budget requests $5.5 billion in budget authority for 2000 and $24.6 billion in advance appropriations for later years, for a total request of $30.1 billion for these projects for these years.

Department of Commerce

National Oceanic and Atmospheric Administration (NOAA).—This budget requests $563 million for 2000 and $5,367 million in advance appropriations for capital asset acquisitions in NOAA for 2001–2018.

These acquisitions support the largest modernization in the history of the National Weather Service. The modernization is well underway and demonstrating improvements in weather forecasts and warnings that lead to lives and property saved. The budget supports this multi-year effort to develop and deploy advanced technology, including advanced radar equipment, other ground observing systems, and geostationary and polar-orbiting satellites that will greatly improve the timeliness and accuracy of severe weather and flood warnings while reducing staffing requirements.

National Telecommunications and Information Administrations—The budget requests $35 million in 2000 and $314 million in advance appropriations for 2001–2004 to support the acquisition of digital technology for public television.

Department of Defense

This budget requests $2,484 million in advance appropriations for 2001 to fully fund selected military construction and family housing projects in the Department of Defense. The budget requests $1,631 million for these projects in 2000.

Department of Energy

Defense environmental management privatization.—The budget requests $228 million in 2000 to proceed with various projects that will treat some of DOE's most contaminated soil and highly radioactive waste. An additional $2,557 million in advance appropriations for 2001–2004 is requested to provide primarily for treatment of high-level radioactive waste stored in underground tanks at the Hanford nuclear facility in Washington. This waste will be stabilized for safe storage and eventual disposal.

Clean coal technology.—The clean coal technology program supports cost-shared projects with industry to demonstrate the technical and economic viability of environmentally friendly and efficient technologies to extract energy from coal. Advanced appropriations for the clean coal technology program were provided by Congress in 1984 and 1988. The budget defers the availability of $256 million of the clean coal technology program balances in 2000 and requests an advance appropriation to recoup the deferred budget authority in 2001–2003. Delays in the construction of two large

Table 6–5. PROPOSED SPENDING TO FULLY FUND SELECTED CAPITAL ASSET ACQUISITIONS

(Budget authority in millions of dollars)

	Regular appro-priations 2000	Advance appropriations					
		2001	2002	2003	2004	After 2004	Total Advance Appro-priations
DEPARTMENT OF COMMERCE							
National Oceanic and Atmospheric Administration: Procurement, acquisition and construction	563	611	587	587	655	2,927	5,367
National Telecommunications and Information Administration:.							
Public telecommunications facilities, planning and construction	35	110	100	89	15	....	314
Subtotal, Department of Commerce	598	721	687	676	670	2,927	5,681
DEPARTMENT OF DEFENSE							
Military construction and family housing	1,631	2,484	....	....	....	....	2,484
DEPARTMENT OF ENERGY							
Defense environmental management privatization 1/	228	671	659	633	594	....	2,557
Clean coal technology	–256	189	40	27	....	....	256
Subtotal, Department of Energy.	–28	860	699	660	594	....	2,813
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Indian health facilities.	36	34	10	....	....	....	44
DEPARTMENT OF THE INTERIOR							
National Park Service: Construction and major maintenance	26	57	16	15	10	....	98
DEPARTMENT OF STATE							
Security and maintenance of United States missions	36	300	450	600	750	900	3,000
DEPARTMENT OF TRANSPORTATION							
Federal Aviation Administration: Facilities and equipment	596	739	439	355	191	258	1,982
DEPARTMENT OF THE TREASURY							
Internal Revenue Service: Information technology investment	....	325	....	....	....	....	325
United States Customs Service: Automation modernization	....	163	....	....	....	....	163
Subtotal, Department of the Treasury	....	488	....	....	....	....	488
GENERAL SERVICES ADMINISTRATION							
Federal buildings fund	41	163	....	....	....	....	163
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION							
Human space flight	2,483	2,328	2,091	1,721	1,573	....	7,713
NATIONAL SCIENCE FOUNDATION							
Major research equipment	29	58	41	15	17	....	131
SMITHSONIAN INSTITUTION							
Construction	8	17	17	18	....	....	52
Total	5,456	8,249	4,450	4,060	3,805	4,085	24,649

Note: For these capital projects, budget authority for the project is requested partly in the budget year and partly in future years in advance appropriations.

[1] Additional funding for this program will be needed in future years.

clean coal technology demonstration projects make the deferral possible.

Department of Health and Human Services

This budget requests $36 million for 2000 in regular appropriations and $44 million in advance appropriations for projects in the Department of Health and Human Services for Indian health facilities. The funds will allow for needed improvements in these facilities.

Department of the Interior

National Park Service.—This budget requests $26 million in budget authority for 2000 and $98 million in advance appropriations for 2001–2004 to fully fund projects in the National Park Service. The National Park Service needs to build or restore its buildings and other structures over the next few years. Funding stability is particularly needed for the National Park Service (NPS) to restore the Elwha River in Olympic National Park, Washington, by acquiring and removing two dams. Before the NPS can acquire the dams, the Secretary of the Interior must determine that funds to complete restoration are available. In addition to $30 million already appropriated for acquisition and $12 million in 2000, advance appropriations of $71 million in 2001 through 2004 would fully fund the $113 million project and provide the funding stability needed for the Secretary to proceed with acquisition. Advance appropriations in 2001 totaling $27 million are also requested for seven parks that have an ongoing project requiring funding for later years: Sequoia National Park, Gettysburg National Military Park, Cape Cod National Seashore, Statue of Liberty/Ellis Island, San Francisco Maritime National Historical Park, George Washington Parkway/Glen Echo, and Cumberland Island National Seashore.

Department of State

This budget requests $36 million for 2000 and advance appropriations of $3.0 billion for 2001–2005 for embassy and consulate construction. This request would establish a program to provide a sustained, increasing funding path to meet overseas facility security needs.

Department of Transportation

Federal Aviation Administration.—This budget requests $596 million in 2000 and an additional $1,982 million for 2001–2007 for 11 multi-year capital projects to improve and modernize the FAA's air traffic control, communications, and aviation weather information systems. These projects are: Aviation Weather Services Improvements, Terminal Digital Radar, Terminal Automation (STARS), Wide Area Augmentation System for GPS, Display System Replacement, Weather and Radar Processor, Voice Switching and Control System, Oceanic Automation, Aeronautical Data Link, Operational and Supportability Implementation System (OASIS), and Beacon Interrogation Replacement.

Department of the Treasury

Internal Revenue Service (IRS).—This budget requests $325 million in advance appropriations for 2001 to finance information technology investments. Budget authority enacted in 1998 and 1999 will finance the program through 2000. The IRS and the Treasury Department are significantly modifying the business plans for modernizing the IRS tax administration and systems by focusing on reengineering work processes and exploring private sector technology opportunities. These efforts will ensure that future capital investments by the IRS will improve customer service by providing alternative means of filing returns and paying taxes, improve telephone service for taxpayers; and give employees immediate access to complete information and modern tools to do their jobs.

United States Customs Service.—This budget requests $163 million advance appropriations for 2001 to finance modernization of automated commercial operations and an international trade data system. The Customs Service must modernize its existing automated systems in order to keep up with the increasing volume of trade and to proceed with its recently redesigned trade process, which will deal with importers on an account level rather than on a transaction by transaction basis. In addition, an international trade data system will further simplify the trade community's interactions with the Federal government by reducing redundant data requests and processing.

General Services Administration

This budget requests $41 million for 2000 and $163 million in advance appropriations for 2001 for the construction of a new Bureau of Alcohol, Tobacco and Firearms headquarters and office space for the Food and Drug Administration's Center for Drug and Evaluation Research.

National Aeronautics and Space Administration (NASA)

Human Space Flight (International Space Station).—This budget requests $2,483 million in budget authority for 2000, and $7,713 million in advance appropriations over the years 2001–2004 for the space station. This will be an international laboratory in low earth orbit on which American, Russian, Canadian, European, and Japanese astronauts will conduct unique scientific and technological investigations in a microgravity environment. During 1993 the program underwent a major redesign to reduce program costs. The first two launches beginning construction of the Station took place in 1998 and final assembly will be complete by 2004. Advance appropriations will enable NASA to complete the development program on schedule and at minimal total cost. Since the redesign, Congress has appropriated $13.5 billion through 1999.

National Science Foundation (NSF)

This budget requests $29 million in 2000 and $131 million in advance appropriations for 2001–2004 to complete the redevelopment of the U.S. station at the South Pole in Antarctica, NSF's contribution to the International Large Hadron Collider, and the Network for Earthquake Engineering Simulation.

These amounts include $5 million in 2000 and $14 million in 2001 to complete the redevelopment of the South Pole station. This will provide a platform for scientific activities, provide a safe working and living environment, and maintain a U.S. presence in the Antarctica in accordance with national policy.

The Large Hadron Collider will be the largest particle accelerator in the world, and will be owned and operated by the European Laboratory for Particle Physics (CERN). NSF is collaborating with the Department of Energy in the development of detectors for the project. The budget requests $16 million in 2000 and $43 million in 2001–2003 to complete NSF's contribution.

The Newtwork for Earthquake Engineering Simulation is a network to connect and integrate a distributed collection of earthquake engineering facilities that will facilitate the future replacement of mechanical earthquake simulation with model-based computer simulation. The budget requests $8 million in 2000 and $74 million for 2001–2004 to complete development of the network.

Smithsonian Institution

The budget requests $8 million in budget authority in 2000 and $52 million in advance appropriations for 2001–2003 for the major capital renewal of the Patent Office Building. This building houses the Smithsonian's Museum of American Art and the National Portrait Gallery.

Appendix to Part II: PRINCIPLES OF BUDGETING FOR CAPITAL ASSET ACQUISITIONS

Introduction and Summary

The Administration plans to use the following principles in budgeting for capital asset acquisitions. These principles address planning, costs and benefits, financing, and risk management requirements that should be satisfied before a proposal for the acquisition of capital assets can be included in the Administration's budget. A Glossary describes key terms. *A Capital Programming Guide* has been published that provides detailed information on planning and acquisition of capital assets.

The principles are organized in the following four sections:

A. Planning. This section focuses on the need to ensure that capital assets support core/priority missions of the agency; the assets have demonstrated a projected return on investment that is clearly equal to or better than alternative uses of available public resources; the risk associated with the assets is understood and managed at all stages; and the acquisition is implemented in phased, successive segments, unless it can be demonstrated there are significant economies of scale at acceptable risk from funding more than one segment or there are multiple units that need to be acquired at the same time.

B. Costs and Benefits. This section emphasizes that the asset should be justified primarily by benefit-cost analysis, including life-cycle costs; that all costs are understood in advance; and that cost, schedule, and performance goals are identified that can be measured using an earned value management system or similar system.

C. Principles of Financing. This section stresses that useful segments are to be fully funded with regular or advance appropriations; that as a general rule, planning segments should be financed separately from procurement of the asset; and that agencies are encouraged to aggregate assets in capital acquisition accounts and take other steps to accommodate lumpiness or "spikes" in funding for justified acquisitions.

D. Risk Management. This section is to help ensure that risk is analyzed and managed carefully in the acquisition of the asset. Strategies can include separate accounts for capital asset acquisitions, the use of apportionment to encourage sound management, and the selection of efficient types of contracts and pricing mechanisms in order to allocate risk appropriately between the contractor and the Government. In addition cost, schedule, and performance goals are to be controlled and monitored by using an earned value management system or a similar system; and if progress toward these goals is not met there is a formal review process to evaluate whether the acquisition should continue or be terminated.

A Glossary defines key terms, including capital assets. As defined here, capital assets are land, structures, equipment, and intellectual property (including software) that are used by the Federal Government, including weapon systems. Not included are grants to States or others for their acquisition of capital assets.

A. Planning

Investments in major capital assets proposed for funding in the Administration's budget should:

1. support core/priority mission functions that need to be performed by the Federal Government;
2. be undertaken by the requesting agency because no alternative private sector or governmental source can support the function more efficiently;
3. support work processes that have been simplified or otherwise redesigned to reduce costs, improve effectiveness, and make maximum use of commercial, off-the-shelf technology;
4. demonstrate a projected return on the investment that is clearly equal to or better than alternative uses of available public resources. Return may include: improved mission performance in accordance with measures developed pursuant to the Government Performance and Results Act; reduced cost; increased quality, speed, or flexibility; and increased customer and employee satisfaction. Return should be adjusted for such risk factors as the project's technical complexity, the agency's management capacity, the likelihood of cost overruns, and the consequences of under- or non-performance;
5. for information technology investments, be consistent with Federal, agency, and bureau information architectures which: integrate agency work processes and information flows with technology to achieve the agency's strategic goals; reflect the agency's technology vision and year 2000 compliance plan; and specify standards that enable information exchange and resource sharing, while retaining flexibility in the choice of suppliers and in the design of local work processes;
6. reduce risk by: avoiding or isolating custom-designed components to minimize the potential adverse consequences on the overall project; using fully tested pilots, simulations, or prototype implementations when necessary before going to production; establishing clear measures and accountability for project progress; and, securing substantial involvement and buy-in throughout the project

from the program officials who will use the system;

7. be implemented in phased, successive segments as narrow in scope and brief in duration as practicable, each of which solves a specific part of an overall mission problem and delivers a measurable net benefit independent of future segments, unless it can be demonstrated that there are significant economies of scale at acceptable risk from funding more than one segment or there are multiple units that need to be acquired at the same time; and
8. employ an acquisition strategy that appropriately allocates risk between the Government and the contractor, effectively uses competition, ties contract payments to accomplishments, and takes maximum advantage of commercial technology.

Prototypes require the same justification as other capital assets.

As a general presumption, the Administration will recommend new or continued funding only for those capital asset investments that satisfy good capital programming policies. Funding for those projects will be recommended on a phased basis by segment, unless it can be demonstrated that there are significant economies of scale at acceptable risk from funding more than one segment or there are multiple units that need to be acquired at the same time. (For more information, see the Glossary entry, "capital project and useful segments of a capital project.")

The Administration recognizes that many agencies are in the middle of ongoing projects, and they may not be able immediately to satisfy the criteria. For those projects that do not satisfy the criteria, OMB will consider requests to use 1999 and 2000 funds to finance additional planning, as necessary, to support the establishment of realistic cost, schedule, and performance goals for the completion of the project. This planning could include: the redesign of work processes, the evaluation of alternative solutions, the development of information system architectures, and, if necessary, the purchase and evaluation of prototypes. Realistic goals are necessary for agency portfolio analysis to determine the viability of the project, to provide the basis for fully funding the project to completion, and setting the baseline for management accountability to deliver the project within goals.

Because the Administration considers this information essential to agencies' long-term success, the Administration will use this information both in preparing its budget and, in conjunction with cost, schedule, and performance data, as apportionments are made. Agencies are encouraged to work with their OMB representative to arrive at a mutually satisfactory process, format, and timetable for providing the requested information.

B. Costs and Benefits

The justification of the project should evaluate and discuss the extent to which the project meets the above criteria and should also include:

1. an analysis of the project's total life-cycle costs and benefits, including the total budget authority required for the asset, consistent with policies described in OMB Circular A–94: "Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs" (October 1992);
2. an analysis of the risk of the project including how risks will be isolated, minimized, monitored, and controlled, and, for major programs, an evaluation and estimate by the Chief Financial Officer of the probability of achieving the proposed goals;
3. if, after the planning phase, the procurement is proposed for funding in segments, an analysis showing that the proposed segment is economically and programmatically justified—that is, it is programmatically useful if no further investments are funded, and in this application its benefits exceed its costs; and
4. show cost, schedule, and performance goals for the project (or the useful segment being proposed) that can be measured throughout the acquisition process using an earned value management system or similar system. Earned value is described in OMB Circular A–11, Part 3, "Planning, Budgeting and Acquisition of Capital Assets," (July 1998), Appendix 300C.

C. Principles of Financing

Principle 1: Full Funding

Budget authority sufficient to complete a useful segment of a capital project (or the entire capital project, if it is not divisible into useful segments) must be appropriated before any obligations for the useful segment (or project) may be incurred.

Explanation: Good budgeting requires that appropriations for the full costs of asset acquisition be enacted in advance to help ensure that all costs and benefits are fully taken into account at the time decisions are made to provide resources. Full funding with regular appropriations in the budget year also leads to tradeoffs within the budget year with spending for other capital assets and with spending for purposes other than capital assets. Full funding increases the opportunity to use performance-based fixed price contracts, allows for more efficient work planning and management of the capital project, and increases the accountability for the achievement of the baseline goals.

When full funding is not followed and capital projects or useful segments are funded in increments, without certainty if or when future funding will be available, the result is sometimes poor planning, acquisition of assets not fully justified, higher acquisition costs, cancellation of major projects, the loss of sunk costs, or inadequate funding to maintain and operate the assets.

Principle 2: Regular and Advance Appropriations

Regular appropriations for the full funding of a capital project or a useful segment of a capital project in the budget year are preferred. If this results in spikes *that, in the judgment of OMB, cannot be accommodated by the agency or the Congress, a combination of regular and advance appropriations that together provide full funding for a capital project or a useful segment should be proposed in the budget.*

Explanation: Principle 1 (Full Funding) is met as long as a combination of regular and advance appropriations provide budget authority sufficient to complete the capital project or useful segment. Full funding in the budget year with regular appropriations alone is preferred because it leads to tradeoffs within the budget year with spending for other capital assets and with spending for purposes other than capital assets. In contrast, full funding for a capital project over several years with regular appropriations for the first year and advance appropriations for subsequent years may bias tradeoffs in the budget year in favor of the proposed asset because with advance appropriations the full cost of the asset is not included in the budget year. Advance appropriations, because they are scored in the year they become available for obligation, may constrain the budget authority and outlays available for regular appropriations of that year.

If, however, the lumpiness caused by regular appropriations cannot be accommodated within an agency or Appropriations Subcommittee, advance appropriations can ameliorate that problem while still providing that all of the budget authority is enacted in advance for the capital project or useful segment. The latter helps ensure that agencies develop appropriate plans and budgets and that all costs and benefits are identified prior to providing resources. In addition, amounts of advance appropriations can be matched to funding requirements for completing natural components of the useful segment. Advance appropriations have the same benefits as regular appropriations for improved planning, management, and accountability of the project.

Principle 3: Separate Funding of Planning Segments

As a general rule, planning segments of a capital project should be financed separately from the procurement of a useful asset.

Explanation: The agency must have information that allows it to plan the capital project, develop the design, and assess the benefits, costs, and risks before proceeding to procurement of the useful asset. This is especially important for high risk acquisitions. This information comes from activities, or planning segments, that include but are not limited to market research of available solutions, architectural drawings, geological studies, engineering and design studies, and prototypes. The construction of a prototype that is a capital asset, because of its cost and risk, should be justified and planned as carefully as the project itself. The process of gathering information for a capital project may consist of one or more planning segments, depending on the nature of the asset. Funding these segments separately will help ensure that the necessary information is available to establish cost, schedule, and performance goals before proceeding to procurement.

If budget authority for planning segments and procurement of the useful asset are enacted together, the Administration may wish to apportion budget authority for one or several planning segments separately from procurement of the useful asset.

Principle 4: Accommodation of Lumpiness or "Spikes" and Separate Capital Acquisition Accounts

To accommodate lumpiness or "spikes" in funding justified capital acquisitions, agencies, working with OMB, are encouraged to aggregate financing for capital asset acquisitions in one or several separate capital acquisition budget accounts within the agency, to the extent possible within the agency's total budget request.

Explanation: Large, temporary, year-to-year increases in budget authority, sometimes called lumps or spikes, may create a bias against the acquisition of justified capital assets. Agencies, working with OMB, should seek ways to avoid this bias and accommodate such spikes for justified acquisitions. Aggregation of capital acquisitions in separate accounts may:

- reduce spikes within an agency or bureau by providing roughly the same level of spending for acquisitions each year;
- help to identify the source of spikes and to explain them. Capital acquisitions are more lumpy than operating expenses; and with a capital acquisition account, it can be seen that an increase in operating expenses is not being hidden and attributed to one-time asset purchases;
- reduce the pressure for capital spikes to crowd out operating expenses; and
- improve justification and make proposals easier to evaluate, since capital acquisitions are generally analyzed in a different manner than operating expenses (e.g., capital acquisitions have a longer time horizon of benefits and life-cycle costs).

D. Risk Management

Risk management should be central to the planning, budgeting, and acquisition process. Failure to analyze and manage the inherent risk in all capital asset acquisitions may contribute to cost overruns, schedule shortfalls, and acquisitions that fail to perform as expected. For each major capital project a risk analysis that includes how risks will be isolated, minimized, monitored, and controlled may help prevent these problems.

The project cost, schedule and performance goals established through the planning phase of the project are the basis for approval to procure the asset and the basis for assessing risk. During the procurement phase performance-based management systems (earned value or similar system) must be used to provide contractor and Government management visibility on the achievement of, or deviation from, goals until the asset is accepted and operational. If goals are not being met, performance-based management systems allow for early identification of problems, potential corrective actions, and changes to the original goals needed to complete the project and necessary for agency portfolio analysis decisions. These systems also allow for Administration decisions to recommend meaningful modifications for increased funding to the Congress, or termination of the project, based on its revised expected return on investment in comparison to alternative uses of the funds. Agencies must ensure that the necessary acquisition strategies are implemented to reduce the risk of cost escalation and the risk of failure to achieve schedule and performance goals. These strategies may include:

1. having budget authority appropriated in separate capital asset acquisition accounts;
2. apportioning budget authority for a useful segment;
3. establishing thresholds for cost, schedule, and performance goals of the acquisition, including return on investment, which if not met may result in cancellation of the acquisition;
4. selecting types of contracts and pricing mechanisms that are efficient and that provide incentives to contractors in order to allocate risk appropriately between the contractor and the Government;
5. monitoring cost, schedule, and performance goals for the project (or the useful segment being proposed) using an earned value management system or similar system. Earned value is described in OMB Circular A–11, Part 3, "Planning, Budgeting and Acquisition of Capital Assets" (July 1998), Appendix 300C; and
6. if progress is not within 90 percent of goals, or if new information is available that would indicate a greater return on investment from alternative uses of funds, institute senior management review of the project through portfolio analysis to determine the continued viability of the project with modifications, or the termination of the project, and the start of exploration for alternative solutions if it is necessary to fill a gap in agency strategic goals and objectives.

E. Glossary

Appropriations

An appropriation provides budget authority that permits Government officials to incur obligations that result in immediate or future outlays of Government funds.

Regular annual appropriations: These appropriations are:

- enacted normally in the current year;
- scored entirely in the budget year; and
- available for obligation in the budget year and subsequent years if specified in the language. (See "Availability," below.)

Advance appropriations: Advance appropriations may be accompanied by regular annual appropriations to provide funds available for obligation in the budget year as well as subsequent years. Advance appropriations are:

- enacted normally in the current year;
- scored after the budget year (e.g., in each of one, two, or more later years, depending on the language); and
- available for obligation in the year scored and subsequent years if specified in the language. (See "Availability," below.)

Availability: Appropriations made in appropriations acts are available for obligation only in the budget year unless the language specifies that an appropriation is available for a longer period. If the language specifies that the funds are to remain available until the end of a certain year beyond the budget year, the availability is said to be "multi-year." If the language specifies that the funds are to remain available until expended, the availability is said to be "no-year." Appropriations for major procurements and construction projects are typically made available for multiple years or until expended.

Capital Assets

Capital assets are land, structures, equipment, and intellectual property (including software) that are used by the Federal Government and have an estimated useful life of two years or more. Capital assets exclude items acquired for resale in the ordinary course of operations or held for the purpose of physical consumption such as operating materials and supplies. The cost of a capital asset includes both its purchase price and all other costs incurred to bring it to a form and location suitable for its intended use.

Capital assets may be acquired in different ways: through purchase, construction, or manufacture; through a lease-purchase or other capital lease, regardless of whether title has passed to the Federal Government; through an operating lease for an asset with an estimated useful life of two years or more; or through exchange. Capital assets include leasehold improvements and land rights; assets owned by the Federal Government but located in a foreign country or held by others (such as Federal contractors, state and local governments, or colleges and universities); and assets whose ownership is shared by the Federal Government with other entities. Capital assets include not only the assets as initially acquired but also additions; improvements; replacements; rearrangements and reinstallations; and major repairs but not ordinary repairs and maintenance.

Examples of capital assets include the following, but are not limited to them: office buildings, hospitals, laboratories, schools, and prisons; dams, power plants, and water resources projects; furniture, elevators, and printing presses; motor vehicles, airplanes, and ships; satellites and space exploration equipment; information technology hardware and software; and Department of Defense weapons systems. Capital assets may or may not be capitalized (i.e., recorded in an entity's balance sheet) under Federal accounting standards. Examples of capital assets not capitalized are Department of Defense weapons systems, heritage assets, stewardship land, and some software. Capital assets do not include grants for acquiring capital assets made to State and local governments or other entities (such as National Science Foundation grants to universities or Department of Transportation grants to AMTRAK). Capital assets also do not include intangible assets such as the knowledge resulting from research and development or the human capital resulting from education and training, although capital assets do include land, structures, equipment, and intellectual property (including software) that the Federal Government uses in research and development and education and training.

Capital Project and Useful Segments of a Capital Project

The total capital project, or acquisition of a capital asset, includes useful segments that are either planning segments or useful assets.

Planning segments: A planning segment of a capital project provides information that allows the agency to develop the design; assess the benefits, costs, and risks; and establish realistic baseline cost, schedule, and performance goals before proceeding to full acquisition of the useful asset (or canceling the acquisition). This information comes from activities, or planning segments, that include but are not limited to market research of available solutions, architectural drawings, geological studies, engineering and design studies, and prototypes. The process of gathering information for a capital project may consist of one or more planning segments, depending on the nature of the asset. If the project includes a prototype that is a capital asset, the prototype may itself be one segment or may be divisible into more than one segment. Because of uncertainty regarding the identification of separate planning segments for research and development activities, the application of full funding concepts to research and development planning will need more study.

Useful asset: A useful asset is an economically and programmatically separate segment of the asset procurement stage of the capital project that provides an asset for which the benefits exceed the costs, even if no further funding is appropriated. The total capital asset procurement may include one or more useful assets, although it may not be possible to divide all procurements in this way. Illustrations follow:

Illustration 1: If the construction of a building meets the justification criteria and has benefits greater than its costs without further investment, then the construction of that building is a "useful segment." Excavation is not a useful segment because no useful asset results from the excavation alone if no further funding becomes available. For a campus of several buildings, a useful segment is one complete building if that building has programmatic benefits that exceed its costs regardless of whether the other buildings are constructed, even though that building may not be at its maximum use.

Illustration 2: If the full acquisition is for several items (e.g., aircraft), the useful segment would be the number of complete aircraft required to achieve benefits that exceed costs even if no further funding becomes available. In contrast, some portion of several aircraft (e.g., engines for five aircraft) would not be a useful segment if no further funding is available, nor would one aircraft be a useful segment if two or more are required for benefits to exceed costs.

Illustration 3: For information technology, a module (the information technology equivalent of "useful segment") is separable if it is useful in itself without subsequent modules. The module should be designed so that it can be enhanced or integrated with subsequent modules if future funding becomes available.

Earned Value

Earned value refers to a performance-based management system for establishing baseline cost, schedule, and performance goals for a capital project and measuring progress against the goals. Earned value is described in OMB Circular A–11, Part 3, "Planning, Budgeting and Acquisition of Capital Assets" (July 1998), Appendix 300C.

Funding

Full funding: Full funding means that appropriations—regular appropriations or advance appropriations—are enacted that are sufficient in total to complete a useful segment of a capital project before any obligations may be incurred for that segment. Full funding for an entire capital project is required if the project cannot be divided into more than one useful segment. If the asset can be divided into more than one useful segment, full funding for a project may be desirable, but is not required to constitute full funding.

Incremental (partial) funding: Incremental (partial) funding means that appropriations—regular appropriations or advance appropriations—are enacted for just part of a useful segment of a capital project, if the project has useful segments, or for part of the capital project as a whole, if it is not divisible into useful segments. Under incremental funding for a capital asset, which is not permitted under these principles, the funds could be obligated to start the segment (or project) despite the fact that they are insufficient to complete a useful segment or project.

Risk Management

Risk management is an organized method of identifying and measuring risk and developing, selecting, and managing options for handling these risks. Before beginning any procurement, managers should review and revise as needed the acquisition plan to ensure that risk management techniques considered in the planning phase are still appropriate.

There are three key principles for managing risk when procuring capital assets: (1) avoiding or limiting the amount of development work; (2) making effective use of competition and financial incentives; and (3) establishing a performance-based acquisition management system that provides for accountability for program successes and failures, such as an earned value system or similar system.

There are several types of risk an agency should consider as part of risk management. The types of risk include:

- schedule risk;
- cost risk;
- technical feasibility;
- risk of technical obsolescence;
- dependencies between a new project and other projects or systems (e.g., closed architectures); and
- risk of creating a monopoly for future procurement.

Part III: FEDERALLY FINANCED CAPITAL STOCKS

Federal investment spending creates a "stock" of capital that is available in the future for productive use. Each year, Federal investment outlays add to the stock of capital. At the same time, however, wear and tear and obsolescence reduce it. This section presents very rough measures over time of three different kinds of capital stocks financed by the Federal Government: public physical capital, research and development (R&D), and education.

Federal spending for physical assets adds to the Nation's capital stock of tangible assets, such as roads, buildings, and aircraft carriers. These assets deliver a flow of services over their lifetime. The capital depreciates as the asset ages, wears out, is accidentally damaged, or becomes obsolete.

Federal spending for the conduct of research, development, and education adds to an "intangible" asset, the Nation's stock of knowledge. Although financed by the Federal Government, the research and development or education can be performed by Federal or State government laboratories, universities and other nonprofit organizations, or private industry. Research and development covers a wide range of activities, from the investigation of subatomic particles to the exploration of outer space; it can be "basic" research without particular applications in mind, or it can have a highly specific practical use. Similarly, education includes a wide variety of programs, assisting people of all ages beginning with pre-school education and extending through graduate studies and adult education. Like physical assets, the capital stocks of R&D and education provide services over a number of years and depreciate as they become outdated.

For this analysis, physical and R&D capital stocks are estimated using the perpetual inventory method. In this method, the estimates are based on the sum of net investment in prior years. Each year's Federal outlays are treated as gross investment, adding to the capital stock; depreciation reduces the capital stock. Gross investment less depreciation is net investment. A limitation of the perpetual inventory method is that investment spending may not accurately measure the value of the asset created. However, alternative methods for measuring asset value, such as direct surveys of current market worth or indirect estimation based on an expected rate of return, are especially difficult to apply to assets that do not have a private market, such as highways or weapons systems.

In contrast to physical and R&D stocks, the estimate of the education stock is based on the replacement cost method. Data on the total years of education of the U.S. population are combined with data on the cost of education and the Federal share of education spending to yield the cost of replacing the Federal share of the Nation's stock of education.

Additional detail about the methods used to estimate capital stocks appears in a methodological note at the end of this section. It should be stressed that these estimates are rough approximations, and provide a basis only for making broad generalizations. Errors may arise from uncertainty about the useful lives and depreciation rates of different types of assets, incomplete data for historical outlays, and imprecision in the deflators used to express costs in constant dollars.

The Stock of Physical Capital

This section presents data on stocks of physical capital assets and estimates of the depreciation on these assets.

Trends.—Table 6–6 shows the value of the net federally financed physical capital stock since 1960, in constant fiscal year 1992 dollars.[3] After rising in the 1960s, the total stock held constant through the 1970s and began rising again in the early 1980s. The stock amounted to $1,838 billion in 1998 and is estimated to increase slightly to $1,872 billion by 2000. In 1998, the national defense capital stock accounted for $642 billion, or 35 percent of the total, and nondefense stocks for $1,196 billion, or 65 percent of the total.

Real stocks of defense and nondefense capital show very different trends. Nondefense stocks have grown consistently since 1970, increasing from $476 billion in 1970 to $1,196 billion in 1998. With the investments proposed in the budget, nondefense stocks are estimated to grow to $1,261 billion in 2000. During the 1970s, the nondefense capital stock grew at an average annual rate of 4.5 percent. In the 1980s, however, the growth rate slowed to 2.8 percent annually, with growth continuing at about that rate since then.

Real national defense stocks began in 1970 at a relatively high level, and declined steadily throughout the decade, as depreciation from the Vietnam era exceeded new investment in military construction and weapons procurement. Starting in the early 1980s, however, a

[3] Constant dollar stock estimates are expressed in chained 1992 dollars, consistent with the January 1996 revisions to the National Income and Product Accounts (NIPAs).

Table 6–6. NET STOCK OF FEDERALLY FINANCED PHYSICAL CAPITAL

(In billions of 1992 dollars)

Fiscal Year	Total	National Defense	Nondefense								
			Total Non-defense	Direct Federal Capital			Capital Financed by Federal Grants				
				Total	Water and Power	Other	Total	Trans-portation	Commu-nity and Regional	Natural Resources	Other
Five year intervals:											
1960	895	633	262	128	78	50	134	82	24	19	9
1965	964	599	365	160	96	64	205	145	29	20	11
1970	1,098	621	476	182	109	72	295	211	42	24	18
1975	1,142	553	589	203	124	79	386	260	67	37	22
1980	1,237	498	738	230	145	85	508	313	104	68	23
1985	1,442	587	855	256	157	99	599	365	126	86	22
1990	1,692	719	973	288	166	121	685	426	136	98	24
Annual data:											
1995	1,810	700	1,109	325	174	151	784	493	145	106	39
1996	1,820	679	1,141	334	175	159	807	508	148	108	44
1997	1,831	659	1,172	341	175	166	831	523	150	109	49
1998	1,838	642	1,196	343	174	169	853	537	152	110	54
1999 est.	1,855	627	1,228	350	175	175	878	552	155	111	59
2000 est.	1,872	611	1,261	357	176	182	904	569	158	112	65

large defense buildup began to increase the stock of defense capital. By 1987, the defense stock had exceeded its size at the height of the Vietnam War. In the last few years, depreciation on this increased stock and a slower pace of defense investment have begun to reduce the stock from its recent levels. The stock is estimated to fall from $642 billion in 1998 to $611 billion in 2000.

Another trend in the Federal physical capital stocks is the shift from direct Federal assets to grant-financed assets. In 1960, 49 percent of federally financed nondefense capital was owned by the Federal Government, and 51 percent was owned by State and local governments but financed by Federal grants. Expansion in Federal grants for highways and other State and local capital, coupled with relatively slow growth in direct Federal investments by agencies such as the Bureau of Reclamation and Corps of Engineers, shifted the composition of the stock substantially. In 1998, 29 percent of the nondefense stock was owned by the Federal Government and 71 percent by State and local governments.

The growth in the stock of physical capital financed by grants has come in several areas. The growth in the stock for transportation is largely grants for highways, including the Interstate Highway System. The growth in community and regional development stocks occurred largely with the enactment of the community development block grant in the early 1970s. The value of this capital stock has grown only slowly in the past few years. The growth in the natural resources area occurred primarily because of construction grants for sewage treatment facilities. The value of this federally financed stock has increased about 30 percent since the mid-1980s.

Table 6–7 shows nondefense physical capital outlays both gross and net of depreciation since 1960. Total nondefense net investment has been consistently positive over the period covered by the table, indicating that new investment has exceeded depreciation on the existing stock. The reduced amount of net investment in 1998 reflects the sale of the United States Enrichment Corporation and the privatization of Elk Hills. For some categories in the table, such as water and power programs, net investment has been negative in some years, indicating that new investment has not been sufficient to offset estimated depreciation. The net investment in this table is the change in the net nondefense physical capital stock displayed in Table 6–6.

The Stock of Research and Development Capital

This section presents data on the stock of research and development, taking into account adjustments for its depreciation.

Trends.—As shown in Table 6–8, the R&D capital stock financed by Federal outlays is estimated to be $817 billion in 1998 in constant 1992 dollars. About two-fifths is the stock of basic research knowledge; about three-fifths is the stock of applied research and development.

The total federally financed R&D stock in 1998 was about evenly divided between defense and nondefense. Although investment in defense R&D has exceeded that of nondefense R&D in every year since 1979, the nondefense R&D stock is actually the larger of the two, because of the different emphasis on basic research and applied research and development. Defense R&D spending is heavily concentrated in applied research and development, which depreciates much more quickly than basic research. The stock of applied research and development is assumed to depreciate at a ten percent geometric rate, while basic research is assumed not to depreciate at all.

Table 6–7. COMPOSITION OF GROSS AND NET FEDERAL AND FEDERALLY FINANCED NONDEFENSE PUBLIC PHYSICAL INVESTMENT

(In billions of 1992 dollars)

Fiscal Year	Total nondefense investment			Direct Federal investment					Investment financed by Federal grants						
							Composition of net investment					Composition of net investment			
	Gross	Deprecia-tion	Net	Gross	Deprecia-tion	Net	Water and power	Other	Gross	Deprecia-tion	Net	Transpor-tation (mainly high-ways)	Commu-nity and regional develop-ment	Natural resources and environment	Other
Five year intervals:															
1960	23.7	5.0	18.7	8.7	2.9	5.8	3.0	2.7	15.0	2.1	12.9	12.3	0.1	0.1	0.5
1965	31.6	7.0	24.6	10.4	3.8	6.6	3.1	3.5	21.2	3.2	18.0	15.2	2.0	0.4	0.4
1970	30.6	9.1	21.5	6.9	4.4	2.4	2.0	0.5	23.7	4.7	19.1	11.9	4.8	0.9	1.5
1975	31.9	11.0	20.8	9.6	4.9	4.8	3.7	1.1	22.2	6.2	16.1	7.3	4.0	4.1	0.6
1980	45.0	13.5	31.5	11.5	5.4	6.0	3.9	2.1	33.5	8.1	25.5	12.3	7.0	6.3	–0.2
1985	43.2	16.4	26.7	13.8	6.9	6.9	2.3	4.6	29.4	9.6	19.8	13.1	3.8	3.0	–0.1
1990	43.5	20.6	22.9	15.7	9.6	6.1	2.0	4.1	27.8	11.0	16.8	12.1	1.5	1.9	1.3
Annual data:															
1995	55.5	24.1	31.4	18.8	11.6	7.3	1.5	5.8	36.7	12.6	24.1	15.0	2.5	1.8	4.9
1996	56.8	25.0	31.8	20.3	12.0	8.3	0.6	7.7	36.5	13.0	23.6	14.6	2.7	1.4	4.9
1997	56.6	25.8	30.8	19.7	12.5	7.3	–0.3	7.6	36.9	13.3	23.6	14.9	2.6	1.3	4.8
1998	50.9	26.5	24.4	14.9	12.7	2.2	–0.3	2.5	36.0	13.7	22.3	13.8	2.4	0.9	5.2
1999 est.	58.9	27.1	31.8	20.2	13.0	7.2	0.7	6.5	38.7	14.1	24.6	15.9	2.8	1.1	4.9
2000 est.	61.0	27.8	33.1	20.2	13.3	6.9	0.5	6.4	40.8	14.5	26.2	17.1	2.5	1.3	5.3

Table 6–8. NET STOCK OF FEDERALLY FINANCED RESEARCH AND DEVELOPMENT [1]

(In billions of 1992 dollars)

Fiscal Year	National Defense			Nondefense			Total Federal		
	Total	Basic Research	Applied Research and Development	Total	Basic Research	Applied Research and Development	Total	Basic Research	Applied Research and Development
Five year intervals:									
1970	235	14	221	194	60	133	429	74	354
1975	249	19	231	237	88	149	486	106	380
1980	252	22	229	280	118	162	532	141	391
1985	288	27	260	304	156	148	592	184	408
1990	357	32	325	341	205	137	699	237	462
Annual data:									
1995	371	38	333	407	261	146	778	298	479
1996	372	39	333	418	272	146	790	311	479
1997	372	40	332	431	283	148	803	323	480
1998	372	41	331	445	295	150	817	336	481
1999 est.	370	42	328	461	308	153	831	349	482
2000 est.	367	43	324	476	321	156	843	364	480

[1] Excludes outlays for physical capital for research and development, which are included in Table 6–6.

The defense R&D stock rose slowly during the 1970s, as gross outlays for R&D trended down in constant dollars and the stock created in the 1960s depreciated. A renewed emphasis on defense R&D spending from 1980 through 1989 led to a more rapid growth of the R&D stock. Since then, defense R&D outlays have tapered off, depreciation has grown, and, as a result, the net defense R&D stock has stabilized.

The growth of the nondefense R&D stock slowed from the 1970s to the late 1980s, from an annual rate of 3.8 percent in the 1970s to a rate of 1.7 percent from 1980 to 1988. Gross investment in real terms fell during much of the 1980s, and about three-fourths of new outlays went to replacing depreciated R&D. Since 1988, however, nondefense R&D outlays have been on an upward trend while depreciation has edged down. As a result, the net nondefense R&D capital stock has grown more rapidly.

The Stock of Education Capital

This section presents estimates of the stock of education capital financed by the Federal government.

As shown in Table 6–9, the federally financed education stock is estimated at $814 billion in 1998 in constant 1992 dollars, rising to $887 billion in 2000. The vast majority of the Nation's education stock is financed by State and local governments, and by students and their families themselves. This federally financed portion of the stock represents about 3 percent of the Nation's total education stock.[4] Nearly three-

[4] For estimates of the total education stock, see Table 2–4 in Chapter 2, "Stewardship: Toward a Federal Balance Sheet."

quarters is for elementary and secondary education, while the remaining one quarter is for higher education.

Despite a slowdown in growth during the early 1980s, the stock grew at an average annual rate of 5.1 percent from 1970 to 1998, and the expansion of the education stock is projected to continue under this budget.

Note on Estimating Methods

This note provides further technical detail about the estimation of the capital stock series presented in Tables 6–6 through 6–9.

As stated previously, the capital stock estimates are very rough approximations. Sources of possible error include:

Methodological issues.—The stocks of physical capital and research and development are estimated with the perpetual inventory method. A fundamental assumption of this method is that each dollar of investment spending adds a dollar to the value of the capital stock as of the end of the period in which the spending takes place. In reality, the value of the asset created could be more or less than the investment spending. As an extreme example, if a project were canceled before completion, the spending on the project would not result in the creation of any asset. Even where asset value is equal to investment spending, there might be timing differences in spending and the creation of an asset. For example, payments for constructing an aircraft carrier might be made over a period of years, with the asset only created at the end of the period.

The historical outlay series.—The historical outlay series for physical capital was based on budget records since 1940 and was extended back to 1915 using data from selected sources. There are no consistent outlay data on physical capital for this earlier period, and the estimates are approximations. In addition, the historical outlay series in the budget for physical capital extending back to 1940 may be incomplete. The historical outlay series for the conduct of research and development began in the early 1950s and required selected sources to be extended back to 1940. In addition, separate outlay data for basic research and applied R&D were not available for any years and had to be estimated from obligations and budget authority. For education, data for Federal outlays from the budget were combined with data for non-Federal spending from the institution or jurisdiction receiving Federal funds, which may introduce error because of differing fiscal years and confusion about whether the Federal Government was the original source of funding.

Price adjustments.—The prices for the components of the Federal stock of physical, R&D, and education capital have increased through time, but the rates of increase are not accurately known. Estimates of costs in fiscal year 1992 prices were made through the application of price deflators from the National Income and Product Accounts (NIPAs), but these should be considered only approximations of the costs of these assets in 1992 prices.

Depreciation.—The useful lives of physical, R&D, and education capital, as well as the pattern by which they depreciate, are very uncertain. This is compounded by using depreciation rates for broad classes of assets, which do not apply uniformly to all the components of each group. As a result, the depreciation estimates should also be considered approximations. This limitation is especially important in capital financed by grants, where the specific asset financed with the grant is often subject to the discretion of the recipient jurisdiction.

Research continues on the best methods to estimate these capital stocks. The estimates presented in the text could change as better information becomes available on the underlying investment data and as improved methods are developed for estimating the stocks based on those data.

Table 6–9. NET STOCK OF FEDERALLY FINANCED EDUCATION CAPITAL

(In billions of 1992 dollars)

Fiscal Year	Total Education Stock	Elementary and Secondary Education	Higher Education
Five year intervals:			
1960	64	46	18
1965	88	64	25
1970	203	159	44
1975	292	235	57
1980	410	319	91
1985	502	374	128
1990	650	479	170
Annual data:			
1995	721	523	198
1996	747	542	206
1997	776	562	214
1998	814	590	224
1999 est.	850	616	235
2000 est.	887	647	241

Physical Capital Stocks

For many years, current and constant-cost data on the stock of most forms of public and private physical capital—e.g., roads, factories, and housing—have been estimated annually by the Bureau of Economic Analysis (BEA) in the Department of Commerce. With the January 1996 comprehensive revision of the NIPAs, government investment has taken increased prominence. Government investment in physical capital is now reported separately from government consumption expenditures, and government consumption expenditures include depreciation as a measure of the services provided by the existing capital stock. In addition, estimates of depreciation were improved based on recent empirical research.[5]

The BEA data are not directly linked to the Federal budget, do not extend to the years covered by the budget, and do not separately identify the capital financed but not owned by the Federal Government. For these reasons, OMB prepares separate estimates for budgetary purposes, using techniques that roughly follow the BEA methods.

Method of estimation.—The estimates were developed from the OMB historical data base for physical capital outlays and grants to State and local governments for physical capital. These are the same major public physical capital outlays presented in Part I. This data base extends back to 1940 and was supplemented by rough estimates for 1915–1939.

The deflators used to convert historical outlays to constant 1992 dollars were based on composite NIPA deflators for Federal, State, and local consumption of durables and gross investment. For 1915 through 1929, deflators were estimated from Census Bureau historical statistics on constant price public capital formation.

The resulting capital stocks were aggregated into nine categories and depreciated using geometric rates roughly following those of BEA, which estimates depreciation using much more detailed categories. The geometric rates were 1.9 percent for water and power projects; 2.4 percent for other direct non-defense construction and rehabilitation; 20.3 percent for non-defense equipment; 14.0 percent for defense equipment; 2.1 percent for defense structures; 1.6 percent for transportation grants; 1.7 percent for community and regional development grants; 1.5 percent for natural resources and environment grants; and 1.8 percent for other nondefense grants.

Research and Development Capital Stocks

Method of estimation.—The estimates were developed from a data base for the conduct of research and development largely consistent with the data in the *Historical Tables.* Although there is no consistent time series on basic and applied R&D for defense and nondefense outlays back to 1940, it was possible to estimate the data using obligations and budget authority. The data are for the conduct of R&D only and exclude outlays for physical capital for research and development, because those are included in the estimates of physical capital. Nominal outlays were deflated by the chained price index for gross domestic product (GDP) in fiscal year 1992 dollars to obtain estimates of constant dollar R&D spending.

The appropriate depreciation rate of intangible R&D capital is even more uncertain than that of physical capital. Empirical evidence is inconclusive. It was assumed that basic research capital does not depreciate and that applied research and development capital has a ten percent geometric depreciation rate. These are the same assumptions used in a study published by the Bureau of Labor Statistics estimating the R&D stock financed by private industry.[6] More recent experimental work at BEA, extending estimates of tangible capital stocks to R&D, used slightly different assumptions. This work assumed straight-line depreciation for all R&D over a useful life of 18 years, which is roughly equivalent to a geometric depreciation rate of 11 percent. The slightly higher depreciation rate and its extension to basic research would result in smaller stocks than the method used here.[7]

Education Capital Stocks

Method of estimation.—The estimates of the federally financed education capital stock in Table 6–9 were calculated by first estimating the Nation's total stock of education capital, based on the current replacement cost of the total years of education of the population, including opportunity costs. To derive the Federal share of this total stock, the Federal share of total educational expenditures was applied to the total amount. The percent in any year was estimated by averaging the prior years' share of Federal education outlays in total education costs. The stock estimates are reduced from those reported last year, due to revisions in the estimated opportunity cost of education. For more information, refer to the technical note in Chapter 2, "Stewardship: Toward a Federal Balance Sheet."

The stock of capital estimated in Table 6–9 is based only on spending for education. Stocks created by other human capital investment outlays included in Table 6–1, such as job training and vocational rehabilitation, were not calculated because of the lack of historical data prior to 1962 and the absence of estimates of depreciation rates.

[5] BEA explained its new methods in "Improved Estimates of Fixed Reproducible Tangible Wealth, 1929–95," *Survey of Current Business,* May 1997, pp. 69–76. BEA's most recent estimates of capital stocks appear in "Fixed Reproducible Tangible Wealth in the United States: Revised Estimates for 1995–97 and Summary Estimates for 1925–97," *Survey of Current Business,* September 1998, pp. 36–46.

[6] See U.S. Department of Labor, Bureau of Labor Statistics, *The Impact of Research and Development on Productivity Growth, Bulletin 2331,* September 1989.

[7] See "A Satellite Account for Research and Development," *Survey of Current Business,* November 1994, pp. 37–71.

Part IV: ALTERNATIVE CAPITAL BUDGET AND CAPITAL EXPENDITURE PRESENTATIONS

A capital budget would separate Federal expenditures into two categories: spending for investment and all other spending. In this sense, Part I of the present chapter provides a capital budget for the Federal Government, distinguishing outlays that yield long-term benefits from all others. But alternative capital budget presentations have also been suggested, and a capital budget process may take many different forms.

The Federal budget mainly finances investment for two quite different types of reasons. It invests in capital—such as office buildings, computers, and weapons systems—that primarily contributes to its ability to provide governmental services to the public; some of these services, in turn, are designed to increase economic growth. And it invests in capital—such as highways, education, and research—that contributes more directly to the economic growth of the Nation. Most of the capital in the second category, unlike the first, is not owned or controlled by the Federal Government. In the discussion that follows, the first is called "Federal capital" and the second is called "national capital." Table 6–10 compares total Federal investment as defined in Part I of this chapter with investment in Federal capital, which was defined as "capital assets" in Part II of this chapter, and with investment in national capital. Some Federal investment is not classified as either Federal or national capital, and a relatively small part is included in both categories.

Capital budgets and other changes in Federal budgeting have been suggested from time to time for the Government's investment in both Federal and national capital. These proposals differ widely in coverage, depending on the rationale for the suggestion. Some would include all the investment shown in Table 6–1, or more, whereas others would be narrower in various ways. These proposals also differ in other respects, such as whether investment would be financed by borrowing

Table 6–10. ALTERNATIVE DEFINITIONS OF INVESTMENT OUTLAYS, 2000

(In millions of dollars)

	Investment Outlays		
	All types of capital [1]	Federal capital	National capital
Construction and rehabilitation:			
Grants:			
Transportation	31,032	....	31,032
Natural resources and environment	2,625	....	2,621
Community and regional development	6,130	....	1,168
Housing assistance	7,237	....	....
Other grants	206	....	64
Direct Federal:			
National defense	4,461	4,461	....
General science, space, and technology	551	510	551
Natural resources and environment	5,128	3,754	4,829
Energy	843	843	843
Transportation	361	347	361
Veterans and other health facilities	1,588	1,588	1,588
Postal Service	1,225	1,225	1,225
GSA real property activities	1,016	1,016	....
Other construction	2,316	1,844	1,036
Total construction and rehabilitation	64,719	15,588	45,318
Acquisition of major equipment (direct):			
National defense	47,207	47,207	....
Postal Service	736	736	736
Air transportation	2,019	2,019	2,019
Other	4,849	4,251	2,998
Total major equipment	54,811	54,213	5,753
Purchase or sale of land and structures	489	489	....
Other physical assets (grants)	1,178	....	92
Total physical investment	121,197	70,290	51,163
Research and development:			
Defense	37,662	....	1,150
Nondefense	35,942	....	35,460
Total research and development	73,604	....	36,610
Education and training	52,456	....	52,132
Total investment outlays	247,257	70,290	139,905

[1] Total outlays for "all types of capital" are equal to the total for "major Federal investment outlays" in Table 6-1. Some capital is not classified as either Federal or national capital, and a relatively small part is included in both categories.

and whether the non-investment budget would necessarily be balanced. Some of these proposals are discussed below and illustrated by alternative capital budget and other capital expenditure presentations, although the discussion does not address matters of implementation such as the effect on the Budget Enforcement Act. The planning and budgeting process for capital assets, which is a different subject, is discussed in Part II of this chapter together with the steps this Administration is taking to improve it.

Investment in Federal Capital

The goal of investment in Federal capital is to deliver the right amount of Government services as efficiently and effectively as possible. The Congress allocates resources to Federal agencies to accomplish a wide variety of programmatic goals. Because these goals are diverse and most are not measured in dollars, they are difficult to compare with each other. Policy judgments must be made as to their relative importance.

Once amounts have been allocated for one of these goals, however, analysis may be able to assist in choosing the most efficient and effective means of delivering service. This is the context in which decisions are made on the amount of investment in Federal capital. For example, budget proposals for the Department of Justice must consider whether to increase the number of FBI agents, the amount of justice assistance grants to State and local governments, or the number of Federal prisons in order to accomplish the department's objectives. The optimal amount of investment in Federal capital derives from these decisions. There is no efficient target for total investment in Federal capital as such either for a single agency or for the Government as a whole.

The universe of Federal capital encompasses all federally owned capital assets. It excludes Federal grants to States for infrastructure, such as highways, and it excludes intangible investment, such as education and research. Investment in Federal capital in 2000 is estimated to be $70.3 billion, or 28 percent of the total Federal investment outlays shown in Table 6–1. Of the investment in Federal capital, 74 percent is for defense and 26 percent for nondefense purposes.

A Capital Budget for Capital Assets

Discussion of a capital budget has often centered on Federal capital, called "capital assets" in Part II of this chapter—buildings, other construction, and equipment that support the delivery of Federal services. This includes capital commonly available from the commercial sector, such as office buildings, computers, military family housing, veterans hospitals, research and development facilities, and associated equipment; it also includes special purpose capital such as weapons systems, military bases, the space station, and dams. This definition excludes capital that the Federal Government has financed but does not own.[8]

[8] This definition of "capital assets" is the same as used in the budget for the last two years. Narrower definitions of "fixed assets" were used in earlier budgets.

Some capital budget proposals would partition the unified budget into a capital budget, an operating budget, and a total budget. Table 6–11 illustrates such a capital budget for capital assets as defined above. It is accompanied by an operating budget and a total budget. The operating budget consists of all expenditures except those included in the capital budget, plus depreciation on the stock of assets of the type purchased through the capital budget. The capital budget consists of expenditures for capital assets and, on the income side of the account, depreciation. The total budget is the present unified budget, largely based on cash for its measure of transactions, which records all outlays and receipts of the Federal Government. It consolidates the operating and capital budgets by adding them together and netting out depreciation as an intragovernmental transaction. The operating budget has a smaller surplus than the unified budget. This reflects both the relatively small Federal investment in new capital assets and the offsetting effect of depreciation on the existing stock. Depreciation is larger than capital expenditures by $12 billion. The figures in Table 6–11 and the subsequent tables of this section are rough estimates, intended only to be illustrative and to provide a basis for broad generalizations.

Table 6–11. CAPITAL, OPERATING, AND UNIFIED BUDGETS: FEDERAL CAPITAL, 2000 [1]
(In billions of dollars)

Operating Budget	
Receipts	1,883
Expenses:	
Depreciation	82
Other	1,695
Subtotal, expenses	1,777
Surplus or deficit (–)	105
Capital Budget	
Income: depreciation	82
Capital expenditures	70
Surplus or deficit (–)	12
Unified Budget	
Receipts	1,883
Outlays	1,766
Surplus or deficit (–)	117

[1] Historical data to estimate the capital stocks and calculate depreciation are not readily available for Federal capital. Depreciation estimates were based on the assumption that outlays for Federal capital were a constant percentage of the larger categories in which such outlays were classified. They are also subject to the limitations explained in Part III of this chapter. Depreciation is measured in terms of current cost, not historical cost.

Some proposals for a capital budget would exclude defense capital (other than military family housing). These exclusions—weapons systems, military bases, and so forth—would comprise three-fourths of the expenditures shown in the capital budget of Table 6–11. If they were excluded, the operating budget would have a surplus that was a little more than the unified budget surplus: a surplus $6 billion higher than the unified budget surplus instead of $12 billion lower as shown above for the complete coverage of Federal capital. Excluding defense makes such a large difference because of its large relative size and the recent pattern of capital asset purchases. The large defense buildup that began in the early 1980s raised the capital stock and depreciation; the buildup was followed by a sharp decline in purchases, while the capital stock and depreciation have declined more slowly. (See the previous section of this chapter.) As a result, capital expenditures for defense in 2000 are estimated to be $18 billion less than depreciation, whereas capital expenditures for nondefense purposes (plus military family housing) are estimated to be $6 billion more.

Budget Discipline and a Capital Budget

Many proposals for a capital budget, though not all, would effectively dispense with the unified budget and make expenditure decisions on capital asset acquisitions in terms of the operating budget instead. When the Government proposed to purchase a capital asset, the operating budget would include only the estimated depreciation. For example, suppose that an agency proposed to buy a $50 million building at the beginning of the year with an estimated life of 25 years and with depreciation calculated by the straightline method. Operating expense in the budget year would increase by $2 million, or only 4 percent of the asset cost. The same amount of depreciation would be recorded as an increase in operating expense for each year of the asset's life.[9]

Recording the annual depreciation in the operating budget each year would provide little control over the decision about whether to invest in the first place. Most Federal investments are sunk costs and as a practical matter cannot be recovered by selling or renting the asset. At the same time, there is a significant risk that the need for a capital asset may change over a period of years, because either the need was not permanent, it was initially misjudged, or other needs become more important. Since the cost is sunk, however, control cannot be exercised later on by comparing the annual benefit of the asset services with depreciation and interest and then selling the asset if its annual services are not worth this expense. Control can only be exercised up front when the Government commits itself to the full sunk cost. By spreading the real cost of the project over time, however, use of the operating budget for expenditure decisions would make the budgetary cost of the capital asset appear very cheap when decisions were being made that compared it to alternative expenditures. As a result, there would be an incentive to purchase capital assets with little regard for need, and also with little regard for the least-cost method of acquisition.

A budget is a financial plan for allocating resources—deciding how much the Federal Government should spend in total, program by program, and for the parts of each program. The budgetary system provides a process for proposing policies, making decisions, implementing them, and reporting the results. The budget needs to measure costs accurately so that decision makers can compare the cost of a program with its benefit, the cost of one program with another, and the cost of alternative methods of reaching a specified goal. These costs need to be fully included in the budget up front, when the spending decision is made, so that executive and congressional decision makers have the information and the incentive to take the total costs into account in setting priorities.

The unified budget does this for investment. By recording investment on a cash basis, it causes the total cost to be compared up front in a rough and ready way with the total expected future net benefits. Since the budget measures only cost, the benefits with which these costs are compared, based on policy makers' judgment, must be presented in supplementary materials. Such a comparison of total cost with benefits is consistent with the formal method of cost-benefit analysis of capital projects in government, in which the full cost of a capital asset as the cash is paid out is compared with the full stream of future benefits (all in terms of present values).[10] This comparison is also consistent with common business practice, in which capital budgeting decisions for the most part are made by comparing cash flows. The cash outflow for the full purchase price is compared with expected future cash inflows, either through a relatively sophisticated technique of discounted cash flows—such as net present value or internal rate of return—or through cruder methods such as payback periods.[11] Regardless of the specific technique adopted, it usually requires comparing future returns with the entire cost of the asset up front—not spread over time through annual depreciation.[12]

Practice Outside the Federal Government

The proponents of making investment decisions on the basis of an operating budget with depreciation have sometimes claimed that this is the common practice outside the Federal Government. However, while the practice of others may differ from the Federal budget and the terms "capital budget" and "capital budgeting"

[9] The amount of depreciation that typically would be recorded as an expense in the budget year is overstated by this illustration. First, most assets are purchased after the beginning of the year, in which case less than a full year's depreciation would be recorded. Second, assets may be constructed or built to order, in which case no depreciation would be recorded until the work was completed and the asset put into service. This could be several years after the initial expenditure.

[10] For example, see Edward M. Gramlich, *A Guide to Benefit-Cost Analysis* (2nd ed.; Englewood Cliffs: Prentice Hall, 1990), chap. 6; or Joseph E. Stiglitz, *Economics of the Public Sector* (2nd ed.; New York: Norton, 1988), chap. 10. This theory is applied in formal OMB instructions to Federal agencies in OMB Circular No. A–94, *Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs* (October 29, 1992). General Accounting Office, *Discount Rate Policy*, GAO/OCE–17.1.1 (May 1991), discusses the appropriate discount rate for such analysis but not the foundation of the analysis itself, which is implicitly assumed.

[11] For a full textbook analysis of capital budgeting techniques in business, see Harold Bierman, Jr., and Seymour Smidt, *The Capital Budgeting Decision* (8th ed.; Saddle River, N.J.: Prentice-Hall, 1993). Shorter analyses from the standpoints of corporate finance and cost accounting may be found, for example, in Richard A. Brealey and Stewart C. Myers, *Principles of Corporate Finance* (5th ed.; New York: McGraw-Hill, 1996), chap. 2, 5, and 6; Charles T. Horngren *et al.*, *Cost Accounting* (9th ed.; Upper Saddle River, N.J.: Prentice-Hall, 1997), chap. 22 and 23; Jerold L. Zimmerman, *Accounting for Decision Making and Control* (Chicago: Irwin, 1995), chap. 3; and Surendra S. Singhvi, "Capital-Investment Budgeting Process" and "Capital-Expenditure Evaluation Methods," chap. 19 and 20 in Robert Rachlin, ed., *Handbook of Budgeting* (4th ed.; New York: Wiley, 1999).

[12] Two surveys of business practice conducted a few years ago found that such techniques are predominant. See Thomas Klammer *et al.*, "Capital Budgeting Practices—A Survey of Corporate Use," *Journal of Management and Accounting Research*, vol. 3 (Fall 1991), pp. 113–30; and Glenn H. Petry and James Sprow, "The Theory and Practice of Finance in the 1990s," *The Quarterly Review of Economics and Finance*, vol. 33 (Winter 1993), pp. 359–82. Petry and Sprow also found that discounted cash flow techniques are recommended by the most widely used textbooks in managerial finance.

are often used, these terms do not normally mean that capital asset acquisitions are decided on the basis of annual depreciation cost. The use of these terms in business and State government also does not mean that businesses and States finance all their investment by borrowing. Nor does it mean that under a capital budget the extent of borrowing by the Federal Government to finance investment would be limited by the same forces that constrain business and State borrowing for investment.

Private business firms call their investment decision making process "capital budgeting," and they record the resulting planned expenditures in a "capital budget." However, decisions are normally based on upfront comparisons of the cash outflows needed to make the investment with the resulting cash inflows expected in the future, as explained above, and the capital budget records the period-by-period cash outflows proposed for capital projects.[13] This supports the business's goal of deciding upon and controlling the use of its resources.

The cash-based focus of business budgeting for capital is in contrast to business financial statements—the income statement and balance sheet—which use accrual accounting for a different purpose, namely, to record how well the business is meeting its objective of earning profit and accumulating wealth for its owners. For this purpose, the income statement shows the profit in a year from earning revenue net of the expenses incurred. These expenses include depreciation, which is an allocation of the cost of capital assets over their estimated useful life. With similar objectives in mind, the Office of Management and Budget, the Treasury Department, and the General Accounting Office have adopted the use of depreciation on general property, plant, and equipment owned by the Federal Government as a measure of expense in financial statements and cost accounting for Federal agencies.[14]

Businesses finance investment from net income and other sources as well as borrowing. When they borrow to finance investment, they are constrained in ways that Federal borrowing is not. The amount that a business borrows is limited by its own profit motive and the market's assessment of its capacity to repay. The greater a business's indebtedness, other things equal, the more risky is any additional borrowing and the higher is the cost of funds it must pay. Since the profit motive ensures that a business will not want to borrow unless the expected return is at least as high as the cost of funds, the amount of investment that a business will want to finance is limited; it has an incentive to borrow only for projects where the expected return is as high or higher than the cost of funds. Furthermore, if the risk is great enough, a business may not be able to find a lender.

No such constraint limits the Federal Government—either in the total amount of its borrowing for investment, or in its choice of which assets to buy—because of its sovereign power to tax and the wide economic base that it taxes. It can tax to pay for investment; and, if it borrows, its power to tax ensures that the credit market will judge U.S. Treasury securities free from any risk of default even if it borrows "excessively" or for projects that do not seem worthwhile.

Most ***States*** also have a "capital budget," but the operating budget is not like the operating budget envisaged by proponents of making Federal investment decisions on the basis of depreciation. State capital budgets differ widely in many respects but generally relate some of the State's purchases of capital assets to borrowing and other earmarked means of financing. For the debt-financed portion of investment, the interest and repayment of principal are usually recorded as expenditures in the operating budget. For the portion of investment purchased in the capital budget but financed by Federal grants or by taxes, which may be substantial, State operating budgets do not record any amount. No State operating budget is charged for depreciation.[15]

States also do not record depreciation expense in the financial accounting statements for governmental funds. They record depreciation expense only in their proprietary (commercial-type) funds and in those trust funds where net income, expense, or capital maintenance is measured.[16] Under a proposed change in financial reporting standards, however, depreciation on general capital assets would be recognized as an expense in entity-wide financial statements.[17]

State borrowing to finance investment, like business borrowing, is subject to limitations that do not apply to Federal borrowing. Like business borrowing, it is constrained by the credit market's assessment of the State's capacity to repay, which is reflected in the credit ratings of its bonds. Furthermore, borrowing is usually designated for specified investments, and it is almost always subject to constitutional limits or referendum requirements.

Other ***developed nations*** tend to show a more systematic breakdown between investment and operating expenditures within their budgets than does the United States, even while they record capital expenditures on a cash basis within the same budget totals. The French budget, for example, is divided into separate titles of

[13] A business capital budget is depicted in Glenn A. Welsch et al., *Budgeting: Profit Planning and Control* (5th ed.; Englewood Cliffs: Prentice Hall, 1988), pp. 396–99.

[14] Office of Management and Budget, Statement of Federal Financial Accounting Standards No. 6, *Accounting for Property, Plant, and Equipment* (November 30, 1995), pp. 5–14 and 34–35. Depreciation is not used as a measure of expense for heritage assets, or for weapons systems and other national defense property, plant, and equipment. Depreciation also is not used as a measure of expense for physical property financed by the Federal Government but owned by State and local governments, or for investment that the Federal Government finances in human capital and research and development.

[15] The characteristics of State capital budgets were examined in a survey of State budget officers for all 50 States in 1986. See Lawrence W. Hush and Kathleen Peroff, "The Variety of State Capital Budgets: A Survey," *Public Budgeting and Finance* (Summer 1988), pp. 67–79. More detailed results are available in an unpublished OMB document, "State Capital Budgets" (July 7, 1987). Two GAO reports examined State capital budgets and reached similar conclusions on the issues in question. See *Budget Issues: Capital Budgeting Practices in the States*, GAO/AFMD–86–63FS (July 1986), and *Budget Issues: State Practices for Financing Capital Projects*, GAO/AFMD–89–64 (July 1989). For further information about state capital budgeting, see National Association of State Budget Officers, *Capital Budgeting in the States* (September 1997).

[16] Governmental Accounting Standards Board (GASB), *Codification of Governmental Accounting and Financial Reporting Standards as of June 30, 1998*, sections 1100.107 and 1400.114–1400.118.

[17] Governmental Accounting Standard Board, Exposure Draft, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* (January 31, 1997), paragraphs 33–37 and 273–81.

which some are for current expenditures and others for capital expenditures. However, a recent study of European countries found only four that had a real difference between a current budget and a capital budget (Greece, Ireland, Luxembourg, and Portugal);[18] and a survey by the Congressional Budget Office in 1993 found only two developed nations, Chile and New Zealand, that recognize depreciation in their budgets.[19] New Zealand, moreover, while budgeting on an accrual basis that generally includes depreciation, requires the equivalent of appropriations for the full cost up front before a department can make net additions to its capital assets.[20] Some countries—including Sweden, Denmark, Finland, and the Netherlands—formerly had separate capital budgets but abandoned them a number of years ago.[21] The United Kingdom has adopted a rule that it will borrow only for net investment (after depreciation), averaged over the economic cycle; and it has announced plans to budget on an accrual basis, including the depreciation for capital assets, beginning with its budget for 2001–02.

Conclusions

It is for reasons such as these that the General Accounting Office issued a report in 1993 that criticized budgeting for capital in terms of depreciation. Although the criticisms were in the context of what is termed "national capital" in this chapter, they apply equally to "Federal capital."

> "Depreciation is not a practical alternative for the Congress and the administration to use in making decisions on the appropriate level of spending intended to enhance the nation's long-term economic growth for several reasons. Currently, the law requires agencies to have budget authority before they can obligate or spend funds. Unless the full amount of budget authority is appropriated up front, the ability to control decisions when total resources are committed to a particular use is reduced. Appropriating only annual depreciation, which is only a fraction of the total cost of an investment, raises this control issue."[22]

After further study of the role of depreciation in budgeting for national capital, GAO reiterated that conclusion in another study in 1995.[23] "The greatest disadvantage... was that depreciation would result in a loss of budgetary control under an obligation-based budgeting system."[24] Although that study also focused primarily on what is termed "national capital" in this chapter, its analysis applies equally to "Federal capital." In 1996 GAO extended its conclusions to Federal capital as well. "If depreciation were recorded in the federal budget in place of cash requirements for capital spending, this would undermine Congress' ability to control expenditures because only a small fraction of an asset's cost would be included in the year when a decision was made to acquire it."[25]

Investment in National Capital

A Target for National Investment

The Federal Government's investment in national capital has a much broader and more varied form than its investment in Federal capital. The Government's goal is to support and accelerate sustainable economic growth for the Nation as a whole and in some instances for specific regions or groups of people. The Government's investment concerns for the Nation are two-fold:

- *The effect of its own investment in national capital on the output and income that the economy can produce.* Reducing expenditure on consumption and increasing expenditure on investment that supports economic growth is a major priority for the Administration. It has reordered priorities in its budgets by proposing increases in selected investments.
- *The effect of Federal taxation, borrowing, and other policies on private investment.* The Administration's deficit reduction policy has brought about an expansion of private investment, most notably in producers' durable equipment.

In its 1993 report, *Incorporating an Investment Component in the Federal Budget,* the General Accounting Office (GAO) recommended establishing an investment component within the unified budget—but not a separate capital budget or the use of depreciation—for this type of investment.[26] GAO defined this investment as "federal spending, either direct or through grants, that is directly intended to enhance the private sector's long-term productivity."[27] To increase investment—both public and private—GAO recommended establishing targets for the level of Federal investment and for a declining path of unified budget deficits over time.[28] Such a target for investment in national capital would focus attention on policies for growth, encourage a conscious decision about the overall level of growth-enhancing investment, and make it easier to set spending priorities in terms of policy goals for aggregate forma-

[18] M. Peter van der Hoek, "Fund Accounting and Capital Budgeting: European Experience," *Public Budgeting and Financial Management,* vol. 8 (Spring 1996), pp. 39–40.

[19] Robert W. Hartman, Statement before the Subcommittee on Economic Development, Committee on Public Works and Transportation, U.S. House of Representatives (May 26, 1993). Hartman stated: "to our knowledge, only two developed countries, Chile and New Zealand, recognize depreciation in their budgets."

[20] New Zealand's use of depreciation in its budget is discussed in GAO, *Budget Issues: The Role of Depreciation in Budgeting for Certain Federal Investments,* GAO/AIMD–95–34 (February 1995), pp. 13 and 16–17.

[21] The budgets in Sweden, Great Britain, Germany, and France are described in GAO, *Budget Issues: Budgeting Practices in West Germany, France, Sweden, and Great Britain,* GAO/AFMD–87–8FS (November 1986). Sweden had separate capital and operating budgets from 1937 to 1981, together with a total consolidated budget from 1956 onwards. The reasons for abandoning the capital budget are discussed briefly in the GAO report and more extensively by a government commission established to recommend changes in the Swedish budget system. One reason was that borrowing was no longer based on the distinction between current and capital budgets. See Sweden, Ministry of Finance, *Proposal for a Reform of the Swedish Budget System: A Summary of the Report of the Budget Commission Published by the Ministry of Finance* (Stockholm, 1974), chapter 10.

[22] GAO, *Budget Issues: Incorporating an Investment Component in the Federal Budget,* GAO/AIMD–94–40 (November 1993), p. 11. GAO had made the same recommendation in earlier reports but with less extensive analysis.

[23] GAO, *Budget Issues: The Role of Depreciation in Budgeting for Certain Federal Investments,* GAO/AIMD–95–34 (February 1995), pp. 1 and 19–20.

[24] *Ibid.,* p. 17. Also see pp. 1–2 and 16–19.

[25] GAO, *Budget Issues: Budgeting for Federal Capital,* GAO/AIMD–97–5 (November 1996), p. 28. Also see p. 4.

[26] *Incorporating an Investment Component in the Federal Budget,* pp. 1–2, 9–10, and 15.

[27] *Ibid.,* pp. 1 and 5.

[28] *Ibid.,* pp. 2 and 13–16.

tion of national capital. GAO reiterated its recommendation in another report in 1995.[29]

Table 6–12. UNIFIED BUDGET WITH NATIONAL INVESTMENT COMPONENT, 2000

(In billions of dollars)

Receipts	1,883
Outlays:	
National investment	140
Other	1,626
Subtotal, outlays	1,766
Surplus or deficit (–)	117

Table 6–12 illustrates the unified budget reorganized as GAO recommends to have a separate component for investment in national capital. This component is roughly estimated to be $140 billion in 2000. It includes infrastructure outlays financed by Federal grants to State and local governments, such as highways and sewer projects, as well as direct Federal purchases of infrastructure, such as electric power generation equipment. It also includes intangible investment for nondefense research and development, for basic research financed through defense, and for education and training. Much of this expenditure consists of grants and credit assistance to State and local governments, nonprofit organizations, or individuals. Only 12 percent of national investment consists of assets to be owned by the Federal Government. Military investment and some other "capital assets" as defined previously are excluded, because that investment does not primarily enhance economic growth.

A Capital Budget for National Investment

Table 6–13 roughly illustrates what a capital budget and operating budget would look like under this definition of investment—although it must be emphasized that this is *not* GAO's recommendation. Some proponents of a capital budget would make spending decisions within the framework of such a capital budget and operating budget. But the limitations that apply to the use of depreciation in deciding on investment decisions for Federal capital apply even more strongly in deciding on investment decisions for national capital. Most national capital is neither owned nor controlled by the Federal Government. Such investments are sunk costs completely and can be controlled only by decisions made up front when the Government commits itself to the expenditure.[30]

In addition to these basic limitations, the definition of investment is more malleable for national capital than Federal capital. Many programs promise long-term intangible benefits to the Nation, and depreciation rates are much more difficult to determine for intangible investment such as research and education than they

[29] *The Role of Depreciation in Budgeting for Certain Investments*, pp. 2 and 19–20.

[30] GAO's conclusions about the loss of budgetary control that were quoted at the end of the section on Federal capital came from studies that predominantly considered "national capital."

Table 6–13. CAPITAL, OPERATING, AND UNIFIED BUDGETS: NATIONAL CAPITAL, 2000 [1]

(In billions of dollars)

Operating Budget	
Receipts	1,846
Expenses:	
Depreciation [2]	73
Other	1,626
Subtotal, expenses	1,699
Surplus or deficit (–)	147
Capital Budget	
Income:	
Depreciation [2]	73
Earmarked tax receipts [3]	37
Subtotal, income	110
Capital expenditures	140
Surplus or deficit (–)	–30
Unified Budget	
Receipts	1,883
Outlays	1,766
Surplus or deficit (–)	117

[1] For the purpose of this illustrative table only, education and training outlays are arbitrarily depreciated over 30 years by the straight-line method. This differs from the treatment of education and training elsewhere in this chapter and in Chapter 2. All depreciation estimates are subject to the limitations explained in Part III of this chapter. Depreciation is measured in terms of current cost, not historical cost.

[2] Excludes depreciation on capital financed by earmarked tax receipts allocated to the capital budget.

[3] Consists of tax receipts of the highway and airport and airways trust funds, less trust fund outlays for operating expenditures. These are user charges earmarked for financing capital expenditures.

are for physical investment such as highways and office buildings. These and other definitional questions are hard to resolve. The answers could significantly affect budget decisions, because they would determine whether the budget would record all or only a small part of the cost of a decision when policy makers were comparing the budgetary cost of a project with their judgment of its benefits. The process of reaching an answer with a capital budget would open the door to manipulation, because there would be an incentive to make the operating expenses and deficit look smaller by classifying outlays as investment and using low depreciation rates. This would "justify" more spending by the program or the Government overall.[31]

A Capital Budget and the Analysis of Saving and Investment

Data from the Federal budget may be classified in many different ways, including analyses of the Government's direct effects on saving and investment. As Parts I and III of this chapter have shown, the unified budget provides data that can be used to calculate Federal investment outlays and federally financed capital stocks. However, the budget totals themselves do not make this distinction. In particular, the budget surplus

[31] These problems are also pointed out in GAO, *Incorporating an Investment Component in the Federal Budget*, pp. 11–12. They are discussed more extensively with respect to highway grants, research and development, and human capital in GAO, *The Role of Depreciation in Budgeting for Certain Federal Investments*, pp. 11–14. GAO found no government that budgets for the depreciation of infrastructure (whether or not owned by that government), human capital, or research and development (except that New Zealand budgets for the depreciation of research and development if it results in a product that is intended to be used or marketed).

or deficit does not measure the Government's contribution to the nation's net saving (i.e., saving net of depreciation). A capital budget, it is sometimes contended, is needed for this purpose.

This purpose, however, is now fulfilled by the Federal sector of the national income and product accounts (NIPAs) according to one definition of investment. The NIPA Federal sector measures the impact of Federal receipts, expenditures, and deficit on the national economy. It is part of an integrated set of measures of aggregate U.S. economic activity that is prepared by the Bureau of Economic Analysis in the Department of Commerce in order to measure gross domestic product (GDP), the income generated in its production, and many other variables used in macroeconomic analysis. The NIPA Federal sector for recent periods is published monthly in the *Survey of Current Business* with separate releases for historical data. Estimates for the President's proposed budget through the budget year are normally published in the budget documents. The NIPA translation of the budget, rather than the budget itself, is ordinarily used by economists to analyze the effect of Government fiscal policy on the aggregate economy.[32]

Until three years ago the NIPA Federal sector did not divide government purchases of goods and services between consumption and investment. With the comprehensive revision of the national income and product accounts in early 1996, it now makes that distinction.[33] The revised NIPA Federal Government account for receipts and expenditures is a current account or an operating account for the Federal Government. The current account excludes expenditures for structures and equipment owned by the Federal Government; it includes depreciation on the federally owned stock of structures and equipment as a measure of the cost of using capital assets and thus as part of the Federal Government's current expenditures. It applies this treatment to a comprehensive definition of federally owned structures and equipment, both defense and nondefense, similar to the definition of "capital assets" in this chapter.[34]

The NIPA "current surplus or deficit" of the Federal Government thus measures the Government's direct contribution to the Nation's net saving (given the definition of investment that is employed). The 1998 Federal Government current account surplus was reduced $9.4 billion by including depreciation rather than gross investment, because depreciation of federally owned structures and equipment was more than gross investment. The 2000 Federal current account surplus is estimated to be reduced $6.5 billion. This is unlike a few years earlier, when the Federal current account deficit was reduced, in some years substantially.[35] A capital budget is not needed to capture this effect.

Borrowing to Finance a Capital Budget

A further issue raised by a capital budget is the financing of capital expenditures. Some have argued that the Government ought to balance the operating budget and borrow to finance the capital budget—capital expenditures less depreciation. The rationale is that if the Government borrows for net investment and the rate of return exceeds the interest rate, the additional debt does not add a burden onto future generations. Instead, the burden of paying interest on the debt and repaying its principal is spread over the generations that will benefit from the investment. The additional debt is "justified" by the additional assets.

This argument is at best a justification to borrow to finance *net* investment, after depreciation is subtracted from *gross* outlays, not to borrow to finance *gross* investment. To the extent that capital is used up during the year, there are no additional assets to justify additional debt. If the Government borrows to finance *gross* investment, the additional debt exceeds the additional capital assets. The Government is thus adding onto the amount of future debt service without providing the additional capital that would produce the additional income needed to service that debt.

This justification, furthermore, requires that depreciation be measured in terms of the current replacement cost, not the historical cost. Current cost depreciation is needed in order to measure all activities in the budget on a consistent basis, since other outlays and receipts are automatically measured in the prices of the current year. Current cost depreciation is also needed to obtain a valid measure of net investment. This requires that the addition to the capital stock from new purchases and the subtraction from depreciation on existing assets both be measured in the prices of the same year. When prices change, historical cost depreciation does not measure the extent to which the capital stock is used up each year.

As a broad generalization, Tables 6–11 and 6–13 suggest that this rationale would not currently justify much Federal borrowing, if any at all, under the two capital budgets roughly illustrated in this chapter. For *Federal capital,* Table 6–11 indicates that current cost depreciation is more than gross investment for Federal capital—the capital budget surplus is $12 billion. The rationale of borrowing to finance net investment would not justify the Federal Government borrowing at all to finance its investment in Federal capital; instead, it would have to repay this amount of debt ($12 billion). For *national capital*, Table 6–13 indicates that current

[32] See chapter 16 of this volume, "National Income and Product Accounts," for the NIPA current account of the Federal Government based on the budget estimates for 1999 and 2000, and for a discussion of the NIPA Federal sector and its relationship to the budget.

[33] This distinction is also made in the national accounts of most other countries and in the System of National Accounts (SNA), which is guidance prepared by the United Nations and other international organizations. Definitions of investment may vary. Other countries and the SNA do not include the purchase of military equipment as investment.

[34] The revised NIPA Federal sector is explained in *Survey of Current Business*, "Preview of the Comprehensive Revision of the National Income and Product Accounts: Recognition of Government Investment and Incorporation of a New Methodology for Calculating Depreciation" (September 1995), pp. 33–39. As is the case of private sector investment, government investment does not include expenditures on research and development or on education and training. Government purchases of structures and equipment remain a part of gross domestic product (GDP) as a separate component. The NIPA State and local government account has been revised in the same way and includes depreciation on structures and equipment owned by State and local governments that were financed by Federal grants as well as by their own resources. Depreciation is not displayed as a separate line item in the government account: depreciation on general government capital assets is included in government "consumption expenditures"; and depreciation on the capital assets of government enterprises is subtracted in calculating the "current surplus of government enterprises."

[35] See actuals and estimates for 1989–2000 in table 16–2 of chapter 16 of this volume, "National Income and Product Accounts."

cost depreciation (plus the excise taxes earmarked to finance capital expenditures for highways and airports and airways[36]) is less than gross investment but not by a great deal—the capital budget deficit is $30 billion. The rationale of borrowing to finance net investment would justify the Federal Government borrowing this amount ($30 billion) and no more to finance its investment in national capital.[37]

Even with depreciation calculated in current cost, the rationale for borrowing to finance net investment is not persuasive. The Federal Government, unlike a business or household, is responsible not only for its own affairs but also for the general welfare of the Nation. To maintain and accelerate national economic growth and development, the Government needs to sustain private investment as well as its own national investment. For more than a decade, however, net national saving has been low, both by historical standards and in comparison to the amounts needed to meet the challenges expected in the decades ahead.

To the extent that the Government finances its own investment in a way that results in lower private investment, the net increase of total investment in the economy is less than the increase from the additional Federal capital outlays alone. The net increase in total investment is significantly less if the Federal investment is financed by borrowing than if it is financed by taxation, because borrowing primarily draws upon the saving available for private (and State and local government) investment whereas much of taxation instead comes out of private consumption. Therefore, the net effect of Federal investment on economic growth would be reduced if it were financed by borrowing. This would be the result even if the rate of return on Federal investment was higher than the rate of return on private investment. For example, if a Federal investment that yielded a 15 percent rate of return crowded out private investment that yielded 10 percent, the net social return would still be positive but it would only be 5 percent.[38]

From its outset, this Administration has taken major steps to increase the saving available for private investment while also increasing Federal investment for national capital. During the past six years, the large deficit has been replaced by a substantial surplus, and available resources have been shifted to investment in education and training and in science and technology. The present budget proposes to continue to run substantial surpluses, paying down the debt to make room for financing private investment, while protecting high priority Federal investment. A capital budget is not a justification to relax the budget constraints that are contributing to this accomplishment. Any easing would undo the gains from achieving a surplus that have already been achieved and the further gains from the proposals in this budget.

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[36] The capital budget deficit would be about $26 billion larger if current cost depreciation were used instead of earmarked excise taxes for investment in highways and airports and airways.

[37] This discussion abstracts from non-budgetary transactions that affect Federal borrowing requirements, such as changes in the Treasury operating cash balance and the net financing disbursements of the direct loan and guaranteed loan financing accounts. See chapter 12 of this volume, "Federal Borrowing and Debt," and the explanation of Table 12–2.

[38] GAO considered deficit financing of investment but did not recommend it. See *Incorporating an Investment Component in the Federal Budget,* pp. 12–13.

Part V: SUPPLEMENTAL PHYSICAL CAPITAL INFORMATION

The Federal Capital Investment Program Information Act of 1984 (Title II of Public Law 98–501; hereafter referred to as the Act) requires that the budget include projections of Federal physical capital spending and information regarding recent assessments of public civilian physical capital needs. This section is submitted to fulfill that requirement.

This part is organized in two major sections. The first section projects Federal outlays for public physical capital and the second section presents information regarding public civilian physical capital needs.

Projections of Federal Outlays For Public Physical Capital

Federal public physical capital spending is defined here to be the same as the "major public physical capital investment" category in Part I of this chapter. It covers spending for construction and rehabilitation, acquisition of major equipment, and other physical assets. This section excludes outlays for human capital, such as the conduct of education and training, and outlays for the conduct of research and development.

The projections are done generally on a current services basis, which means they are based on 1999 enacted appropriations and adjusted for inflation in later years. The current services concept is discussed in Chapter 14, "Current Services Estimates."

Federal public physical capital spending was $109.8 billion in 1998 and is projected to increase to $146.2 billion by 2008 on a current services basis. The largest components are for national defense and for roadways and bridges, which together accounted for almost three-fourths of Federal public physical capital spending in 1998.

Table 6–14 shows projected current services outlays for Federal physical capital by the major categories specified in the Act. Total Federal outlays for transportation-related physical capital were $28.5 billion in 1998, and current services outlays are estimated to increase to $42.3 billion by 2008. Outlays for nondefense housing and buildings were $12.5 billion in 1998 and are estimated to be $15.5 billion in 2008. Physical capital outlays for other nondefense categories were $15.2 billion in 1998 and are projected to be $26.8 billion by 2008. For national defense, this spending was $53.6 billion in 1998 and is estimated on a current services basis to be $61.6 billion in 2008.

Table 6–15 shows current services projections on a constant dollar basis, using fiscal year 1992 as the base year.

Table 6–14. CURRENT SERVICES OUTLAY PROJECTIONS FOR FEDERAL PHYSICAL CAPITAL SPENDING

(In billions of dollars)

	1998 Actual	Estimate									
		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Nondefense:											
Transportation-related categories:											
Roadways and bridges	20.2	23.2	25.5	26.7	27.2	27.6	28.1	28.8	29.4	30.1	30.7
Airports and airway facilities	3.8	3.6	3.9	4.0	4.2	4.3	4.4	4.5	4.6	4.7	4.9
Mass transportation systems	3.9	3.8	3.9	4.6	4.9	5.4	5.5	5.6	5.7	5.9	6.0
Railroads	0.6	0.4	0.5	0.7	0.7	0.7	0.7	0.7	0.7	0.8	0.8
Subtotal, transportation	28.5	31.0	33.8	35.9	37.0	38.0	38.8	39.7	40.6	41.4	42.3
Housing and buildings categories:											
Federally assisted housing	7.9	6.9	8.0	8.8	8.8	9.1	9.1	9.0	9.2	9.2	9.4
Hospitals	1.8	1.8	1.9	1.9	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Public buildings [1]	2.8	3.3	3.4	3.7	3.9	4.0	4.0	4.1	4.2	4.2	4.3
Subtotal, housing and buildings categories	12.5	12.1	13.3	14.3	14.6	14.9	14.9	14.9	15.2	15.3	15.5
Other nondefense categories:											
Wastewater treatment and related facilities	2.5	2.8	2.9	3.1	3.1	3.2	3.3	3.3	3.4	3.5	3.5
Water resources projects	2.3	3.3	3.1	3.1	3.0	3.2	3.2	3.3	3.4	3.5	3.5
Space and communications facilities	3.1	2.7	3.2	3.4	3.6	3.5	3.8	3.2	3.3	3.3	3.4
Energy programs	0.9	1.1	0.8	0.9	1.2	1.3	1.5	1.5	1.5	1.6	1.6
Community development programs	5.3	5.5	5.4	5.5	5.6	5.7	5.8	6.0	6.1	6.2	6.4
Other nondefense	1.1	7.2	6.6	7.2	6.8	7.5	7.6	7.7	7.9	8.2	8.4
Subtotal, other nondefense.	15.2	22.6	22.1	23.3	23.2	24.4	25.3	25.0	25.6	26.2	26.8
Subtotal, nondefense	56.2	65.7	69.2	73.5	74.8	77.3	79.0	79.5	81.4	82.9	84.6
National defense	53.6	53.5	52.0	54.5	55.7	56.9	58.2	59.5	59.1	60.4	61.6
Total	109.8	119.1	121.3	128.0	130.5	134.2	137.2	139.1	140.4	143.3	146.2

[1] Excludes outlays for public buildings that are included in other categories in this table.

Table 6–15. CURRENT SERVICES OUTLAY PROJECTIONS FOR FEDERAL PHYSICAL CAPITAL SPENDING

(In billions of constant 1992 dollars)

	1998 Actual	Estimate				
		1999	2000	2001	2002	2003
Nondefense:						
Transportation-related categories:						
Roadways and bridges	17.7	20.0	21.5	21.9	21.9	21.7
Airports and airway facilities	3.6	3.4	3.5	3.5	3.6	3.7
Mass transportation systems	3.4	3.3	3.3	3.8	4.0	4.2
Railroads	0.6	0.4	0.5	0.6	0.6	0.6
Subtotal, transportation	25.3	27.0	28.8	29.9	30.0	30.2
Housing and buildings categories:						
Federally assisted housing	7.1	6.0	6.8	7.2	7.1	7.2
Hospitals	1.8	1.8	1.8	1.7	1.7	1.6
Public buildings [1]	2.8	3.3	3.3	3.4	3.6	3.6
Subtotal, housing and buildings categories	11.7	11.0	11.9	12.4	12.4	12.4
Other nondefense categories:						
Wastewater treatment and related facilities	2.2	2.4	2.5	2.6	2.5	2.5
Water resources projects	2.2	3.2	2.9	2.9	2.7	2.8
Space and communications facilities	3.0	2.6	3.1	3.2	3.3	3.1
Energy programs	0.9	1.1	0.8	0.8	1.1	1.1
Community development programs	4.7	4.7	4.6	4.5	4.5	4.5
Other nondefense	0.9	6.9	6.2	6.5	6.0	6.6
Subtotal, other nondefense	13.9	20.9	20.0	20.6	20.2	20.7
Subtotal, nondefense	50.9	58.9	60.7	62.9	62.6	63.3
National defense	49.5	48.7	46.5	47.7	47.7	47.8
Total	100.4	107.7	107.2	110.7	110.3	111.1

[1] Excludes outlays for public buildings that are included in other categories in this table.

Public Civilian Capital Needs Assessments

The Act requires information regarding the state of major Federal infrastructure programs, including highways and bridges, airports and airway facilities, mass transit, railroads, federally assisted housing, hospitals, water resources projects, and space and communications investments. Funding levels, long-term projections, policy issues, needs assessments, and critiques, are required for each category.

Capital needs assessments change little from year to year, in part due to the long-term nature of the facilities themselves, and in part due to the consistency of the analytical techniques used to develop the assessments and the comparatively steady but slow changes in underlying demographics. As a result, the practice has arisen in reports in previous years to refer to earlier discussions, where the relevant information had been carefully presented and changes had been minimal.

The needs assessment material in reports of earlier years is incorporated this year largely by reference to earlier editions and by reference to other needs assessments. The needs analyses, their major components, and their critical evaluations have been fully covered in past Supplements, such as the 1990 Supplement to Special Analysis D.

It should be noted that the needs assessment data referenced here have not been determined on the basis of cost-benefit analysis. Rather, the data reflect the level of investment necessary to meet a predefined standard (such as maintenance of existing highway conditions). The estimates do not address whether the benefits of each investment would actually be greater than its cost or whether there are more cost-effective alternatives to capital investment, such as initiatives to reduce demand or use existing assets more efficiently. Before investing in physical capital, it is necessary to compare the cost of each project with its estimated benefits, within the overall constraints on Federal spending.

Significant Factors Affecting Infrastructure Needs Assessments

Highways

1. Projected annual average growth in travel to the year 2015	1.96 percent
2. Annual cost to maintain overall 1995 conditions and performance on highways eligible for Federal-aid	$33.4 billion (1995 dollars)
3. Annual cost to maintain overall 1995 conditions on bridges	$5.6 billion (1995 dollars)

Airports and Airway Facilities

1. Airports in the National Plan of Integrated Airport Systems with scheduled passenger traffic	528
2. Air traffic control towers	451
3. Airport development eligible under airport improvement program for period 1993–1997	$29.7 billion ($9.4 billion for capacity) (1992 dollars)

Mass Transportation Systems

1. Yearly cost to maintain condition and performance of rail facilities over a period of 20 years	$6.1 billion (1995 dollars)
2. Yearly cost to replace and maintain the urban, rural, and special services bus fleet and facilities	$3.6 billion (1995 dollars)

Wastewater Treatment

1. Total remaining needs of sewage treatment facilities	$128 billion (1996 dollars)
2. Total Federal expenditures under the Clean Water Act of 1972 through 1999	$72 billion
3. The population served by centralized treatment facilities: percentage that benefits from at least secondary sewage treatment systems (1996)	91 percent
4. States and territories served by State Revolving Funds	51

Housing

1. Total unsubsidized very low income renter households with worst case needs (5.3 million*)	
A. In severely substandard units	0.4 million
B. With a rent burden greater than 50 percent	5.0 million

*The total is less than the sum because some renter families have both problems.

Indian Health (IHS) Care Facilities

1. IHS hospital occupancy rates (1998)	45.0 percent
2. Average length of stay, IHS hospitals (days) (1998)	4.1
3. Hospital admissions (1998)	57,114
4. Outpatient visits (1997)	4,224,095
5. Eligible population (1999)	1,485,508

Department of Veterans Affairs (VA) Hospitals (1998)

1. Hospitals	166
2. Ambulatory clinics	544
3. Domiciliaries	40
4. Vet centers	206
5. Nursing homes	132

Water Resources

Water resources projects include navigation (deepwater ports and inland waterways); flood and storm damage protection; irrigation; hydropower; municipal and industrial water supply; recreation; fish and wildlife mitigation, enhancement, and restoration; and soil conservation.

Potential water resources investment needs typically consist of the set of projects that pass both a benefit-cost test for economic feasibility and a test for environmental acceptability. In the case of fish and wildlife mitigation or restoration projects, the set of eligible projects includes those that pass a cost-effectiveness test.

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7. RESEARCH AND DEVELOPMENT EXPENDITURES

In the last one hundred years, science and technology have fundamentally transformed our lives, from the ways we travel and communicate, to the food we eat; from the manner in which we learn, to the quality of our health care and our ability to create a cleaner environment. The next century offers new fields of research and innovation and potential solutions to some of society's most pressing challenges. Technological advances continue to strengthen the ties between Americans and the rest of the world, enabling new business endeavors, providing access to news and information from anywhere on the globe, and improving cultural understanding. As the forces of innovation and globalization gain momentum, the 21st Century promises to be an era of great opportunity for the entire world, propelled by new and remarkable developments.

In the latter half of this century, the Federal Government has played a critical role in spurring and sustaining scientific and technological advances. Among other feats, Government-sponsored research and development put Americans on the moon, explored the oceans, boosted agricultural productivity, harnessed the atom, devised more effective treatments for cancers, found the remains of lost civilizations, tracked weather patterns and earthquake faults, created the Internet, and deciphered the chemistry of life. Numerous studies show technological innovation and scientific discovery generated at least half of the Nation's productivity growth over the last 50 years, created millions of high-skill, high-wage jobs, and improved the quality of life in America.

In the last year alone, Federal government funding of research and development produced numerous impressive results, including the first photograph of a planet outside our own solar system, creation of the world's fastest supercomputer, identification of the gene that causes Parkinson's Disease, and a host of other notable achievements.

The future holds even greater possibilities. Scientists and engineers in many disciplines are within reach of even more exciting advances. Building on decades of experimental and theoretical developments, they will be able to rely on new and sophisticated research tools for future discoveries—supercomputers that can make trillions of calculations in a second, particle accelerators and electron microscopes that can decipher atoms and the nature of matter, and space telescopes that can reach to parts of the universe previously unexplored. In particular, computational science—supercomputer modeling of extremely complex systems such as the global climate, the human body, and galaxies—is emerging as a new and significant branch of research, providing insights not likely to occur through experimentation or theorizing alone.

Continued leadership in science and technology is a cornerstone of the President and the Vice President's vision for America. The Administration is proposing $77.1 billion in outlays for research and development (R&D) activities in 2000, including $38.7 billion for civilian R&D—a six percent increase over 1999. Chapter Seven of the *Budget* includes a lengthier discussion of R&D activities and shows budget authority data.

Table 7–1. FEDERAL RESEARCH AND DEVELOPMENT EXPENDITURES

(Outlays, dollar amounts in millions)

	1998 Actual	1999 Estimate	2000 Proposed	Dollar Change: 1999 to 2000	Percent Change: 1999 to 2000
By Agency					
Defense	37,844	37,186	34,992	–2,194	–6%
Health and Human Services	12,685	14,226	15,582	1,356	9%
National Aeronautics and Space Administration	10,251	10,032	9,620	–412	–4%
Energy	6,730	7,194	7,495	301	4%
National Science Foundation	2,302	2,334	2,634	300	11%
Agriculture	1,546	1,671	1,707	36	2%
Commerce	835	862	864	2	0%
Interior	451	519	618	99	19%
Transportation	661	573	1,324	751	131%
Veterans Affairs	564	658	662	4	1%
Environmental Protection Agency	527	638	652	14	2%
Other	958	966	983	17	2%
TOTAL	**75,354**	**76,859**	**77,133**	**274**	**0%**
By R&D Type					
Basic Research	14,892	16,248	17,598	1,350	8%
Applied Research	14,545	15,447	15,916	469	3%
Development	43,325	42,281	40,560	–1,721	–4%
Equipment	937	937	1,021	84	9%

Table 7–1. FEDERAL RESEARCH AND DEVELOPMENT EXPENDITURES—Continued

(Outlays, dollar amounts in millions)

	1998 Actual	1999 Estimate	2000 Proposed	Dollar Change: 1999 to 2000	Percent Change: 1999 to 2000
Facilities	1,659	1,950	2,038	88	5%
TOTAL	**75,354**	**76,859**	**77,133**	**274**	**0%**
By Civilian Theme					
Basic Research	13,839	15,096	16,448	1,352	9%
Applied Research	10,410	10,923	11,350	427	4%
Development	8,370	8,343	8,616	273	3%
Equipment	608	608	707	99	16%
Facilities	1,251	1,455	1,581	126	9%
SUBTOTAL	**34,478**	**36,425**	**38,702**	**2,277**	**6%**
By Defense Theme					
Basic Research	1,053	1,152	1,150	–2	0%
Applied Research	4,135	4,524	4,566	42	1%
Development	34,951	33,934	31,950	–1,984	–6%
Equipment	329	329	314	–15	–5%
Facilities	408	495	457	–38	–8%
SUBTOTAL	**40,876**	**40,434**	**38,431**	**–2,003**	**–5%**
R&D Support to Universities	12,528	13,719	14,427	708	5%

8. UNDERWRITING FEDERAL CREDIT AND INSURANCE

Federal programs offer direct loans and/or loan guarantees for housing, education, business, and exports. At the end of FY 1998, there were $217 billion in Federal direct loans outstanding and $882 billion in loan guarantees. In addition, net lending by Government-sponsored enterprises totaled $2.0 trillion. The Federal Government also insures bank, thrift, and credit union deposits up to $100,000, guarantees vested define-benefit pensions, and insures against disasters, specified international investment risks, and various other risks. These diverse programs are operating in the context of rapidly evolving private financial markets that are making some of their functions less necessary while generating both new risks and new opportunities. Thus, program managers are continually reassessing their roles and seeking to improve their effectiveness in dynamic financial markets.

The introduction to this chapter summarizes key changes in financial markets and their effects on Federal programs.

- Its first section is a crosscutting assessment of the rationale for a continued Federal role in providing credit and insurance, performance measures for credit programs, and criteria for re-engineering credit programs so as to enhance their benefits in relation to costs.
- The second section reviews Federal credit programs and GSEs in four sectors: housing, education, business and community development, and exports, noting the rationale and goals of these programs. It highlights a housing consortium recently created to help program managers integrate with evolving private sector practices, and efforts to improve the effectiveness of student, business, and international credit programs.
- The final section assesses recent developments in Federal deposit insurance, pension guarantees, and disaster insurance.

Evolving Financial Markets

Financial markets have been evolving rapidly in recent years. Both intermediaries—banks and the many non-bank firms engaged in financial services—and capital markets have been reaching out to new clients that they did not serve a few years ago. Competition for business within and across industry lines has become more intense as legal and regulatory restrictions segmenting financial markets have eased. Massive databanks and increasingly sophisticated analytical methods are being used to find creditworthy borrowers among people and businesses previously thought ineligible for private credit.

Moreover, funds are flowing more readily to their most productive uses across the country and around the world. Interstate banking and branching are almost nationwide, and growing numbers of large financial institutions serve global markets. Capital market financing is available to smaller companies and for a broader range of purposes than before. Secondary markets are the main source of financing for mortgages, and a rapidly growing source of financing for household durables, consumer credit, and small business loans. Nonbanks and nonfinancial firms are helping to funnel funds from capital markets to small clients in cities and in rural areas.

Faster and cheaper information and communications systems have revolutionized "back office" functions. These can be consolidated to achieve economies of scale and located anywhere in the world where capable help is available and economical. From these locations, communications can bring the "back office" to the front line on a computer terminal in the office of any realtor or supplier or in any storefront or kiosk. From a timely information base, credit servicing and workout have become much more efficient.

While the increased globalization of financial institutions and capital markets provides extensive benefits, it also makes domestic market conditions more sensitive to events abroad. In 1998, the continued Asian crisis and further events in Russia and Brazil resulted in a flight to liquidity and safety. This drove down U.S. Treasury bond yields dramatically, and also helped to lower rates in the mortgage market and on high-grade corporate debt. Some markets, however, were temporarily disrupted; related to this was an increase in business borrowing from banks, rather than directly from capital markets. Less creditworthy borrowers faced higher rates or were temporarily unable to find funds. As a result of this episode, awareness of the potential for discontinuities in financial markets has increased.

Impact on Federal Programs

These changes are affecting the roles, risks, and operations of Federal credit and insurance programs.

- In some cases, private credit and insurance markets may evolve sufficiently to take over functions previously left to Federal programs. More likely, they may take away the best risks among those who have been borrowing from the Government or with its guarantee, leaving the Federal program facing a smaller pool of riskier clients. If the Government is aware of this in time, the result may be new benefit/cost calculations that might help to redesign—or to end—the program. If the Government is caught unaware, the result may be greater cost for the taxpayers.

- At the same time, Federal programs can take advantage of the growing private capability. They can leverage it to provide additional assistance to their clients. With careful attention to the incentives faced by the private sector, they can develop a variety of partnerships with private entities. And they can contract with the private sector wherever it can provide specific credit servicing, collection, or asset disposition services more efficiently.

Insurance programs, too, are affected by the evolution of the financial marketplace. That is most obvious for deposit insurance, which now backs a recovered, consolidating industry, but one that has assumed the risks inherent in providing a growing array of increasingly sophisticated services, including many off-balance sheet activities, often on a world-wide basis. Depository institutions have become increasingly vulnerable to adverse shocks in foreign financial markets through loans, investments, foreign exchange transactions, and off-balance-sheet activities. In pensions, the Government guarantees defined-benefit plans, but defined-contribution plans play an increasing role—attracting the support of younger workers in an aging workforce. This trend may accelerate as the retirement of the baby boom generation nears. In disaster insurance, private firms are gaining a better understanding of their risks and exploring ways to diversify them in capital markets.

In this changing environment for Federal credit and insurance programs, this chapter asks three questions. First, what is our current understanding of the roles of these programs? Second, how well they are achieving their goals? And finally, could they be re-engineered to achieve greater benefits in relation to costs? A consortium of housing program managers, and managers of student, business, and international credit programs will be working intensively on this third question next year.

I. A CROSS-CUTTING ASSESSMENT

The Federal Role

In most lines of credit and insurance, the private market efficiently allocates resources to meet societal demands, and Federal intervention is unnecessary. However, Federal intervention may improve on the market outcome in some situations. The following are six standard situations where this may be the case,[1] together with some examples of Federal programs that address them.

- *Information failures* occur when there is an asymmetry in the information available to different agents in the marketplace. A common Federal intervention in such cases is to require the more knowledgeable agent, such as a financial institution, to provide certain information to the other party, for example, the borrower or investor. A different sort of information failure occurs when the private market deems it too risky to develop a new financial instrument or market. This is rare nowadays, but it is worth remembering that the Federal Government developed the market for amortized, fixed-rate mortgages and other innovations in housing finance.
- *Externalities* occur when people or entities either do not pay the full cost of their activities (e.g., pollution) or do not receive the full return. Federal credit assistance for students is justified in part because, although people with more education are likely to have higher income and even better health, they do not receive the full benefits of their education. Their colleagues at work, the residents of their community, and the citizens of the Nation also benefit from their greater knowledge and productivity.
- *Economic disequilibrium* is a third rationale for Federal intervention. This is one rationale for deposit insurance. If many banks and thrifts are hurt simultaneously by an economic shock, such as accelerating inflation in the 1970s, and depositors have a hard time knowing which ones may become insolvent, deposit insurance prevents a contagious rush to withdraw deposits that could harm the whole economy.
- *Failure of competition*, resulting from barriers to entry, economies of scale, or foreign government intervention, may also argue for Federal intervention—for example, by reducing barriers to entry, as has often been done recently, by negotiating to eliminate or reduce foreign government subsidies, or by providing countervailing Federal credit assistance to American exporters.
- *Incomplete markets* occur if producers do not provide credit or insurance even though customers might be willing to pay for it. One example would be catastrophic insurance, where there is a small risk of a very large loss; a disaster that occurred sooner rather than later could bankrupt the insurer even if premiums were set at an appropriate level to cover long-term cost. Another example is caused by "moral hazard" problems, where the borrower or insured could behave so as to take advantage of the lender or insurer. This is the case for pension guarantees, where sponsors might underfund plans, and for deposit insurance, where banks might take more risk to earn a higher return. In these cases, the Government's legal and regulatory powers provide an advantage in comparison with a private insurer.

[1] Economics textbooks also list pure public goods, like national defense, where it is difficult or impossible to exclude people from sharing the full benefits of the goods or services once they have been produced. It is hard to imagine credit or insurance examples in this category.

- In addition to correcting market failures, Federal credit programs are often used to *redistribute resources* by providing subsidies from the general taxpayer to disadvantaged regions or segments of the population.

In reviewing its credit and insurance programs, the Federal Government must continually reassess whether the direct and indirect benefits to the economy exceed the direct and indirect costs. This assessment should include the costs associated with redirecting scarce resources away from other investments. In some situations, the market may have recently become capable of providing financial services, and older Federal programs may need to be modified or ended to make room for private markets to develop. Private providers in similar circumstances might go bankrupt, merge, or change their line of business; for Federal programs, a policy decision and usually a change in law are needed to eliminate overcapacity. In other instances, Federal programs may be redesigned to encourage the development of private credit market institutions or to target Federal assistance more efficiently to groups still unable to obtain credit and insurance in the private market.

What Are We Trying to Achieve?

If the main Federal role is to provide credit and insurance that private markets would not provide—to stretch the boundaries in providing credit and insurance—the Federal goal is to achieve a net impact that benefits society. Together, these objectives make the standard for success of a Federal credit or insurance program more daunting than for a private credit or insurance firm.

For credit and insurance, as for all other programs, implementation of the Government Performance and Results Act (GPRA) will help to assess whether programs are achieving their intended results in practice—and will improve the odds for success. GPRA requires agencies to develop strategic plans in consultation with the Executive Branch, the Congress, and interested parties; this process should refine and focus agency missions. The strategic plans set long-range goals, annual performance plans set milestones to be reached in the coming year, and annual performance reports will measure agency progress toward achieving their goals.

GPRA defines four kinds of measures for assessing programs: inputs (the resources used), outputs (the goods or services produced), outcomes (the gross effects on society achieved by the program), and net impacts (the effects net of those that would have occurred in the absence of the program, e.g., with private financing). For credit and insurance programs, interesting interrelationships among these measures provide the keys to program success.

Net impacts assess the net effect of the program on intended outcomes compared with what would have occurred in the absence of the program. They exclude, for example, effects that would have been achieved with private credit in the absence of the program. Among the net impacts toward which Federal credit programs strive are: a net increase in home ownership, a net increase in higher education graduates, a net increase in small businesses, a net increase in exports, and a net increase in jobs.

For credit programs, the first key to achieving any of these net impacts is outreach. In the spirit of the Federal role, programs need to identify borrowers who would not get private credit. They need to reach out to underserved populations (e.g., low-income or minority people) and neighborhoods (urban and rural). They need to encourage the start-up of new activities (e.g., beginning farmers, new businesses, new exporters). They need to reach their legislatively targeted populations (e.g., students, veterans). Federal lending is often to higher-risk borrowers, or for higher-risk purposes. In order to assist certain target groups or encourage certain activities, credit may be extended for longer periods or at a lower cost to the borrower.

Achieving program objectives, however, also means finding ways to assist those borrowers at the boundary of private credit markets to repay their loans. This is not just a financial goal; it is necessary to achieve the program's social purpose. Home ownership requires mortgage repayment. Education that enhances income is associated with repayment of student loans. Remaining in business with a good credit rating requires repayment of small business, farm, and export loans. And loan repayment is inherent in program cost-effectiveness. Moreover, when the Federal Government bears risk for less creditworthy borrowers and does so in a way that fails to assist them to repay, they struggle with high debt burdens and are left with poor credit records.

With implementation of the Federal Credit Reform Act of 1990, Federal credit programs began to reconcile the tension between helping certain groups or purposes and "business-like" financial management. With the implementation of GPRA, they may begin to see program success and financial success as two facets of the same goal. The challenge is usually to identify "boundary" borrowers and to structure the loan and its servicing (including technical assistance) so as to pull those borrowers toward financial and programmatic success. In some cases, savings from improved credit program management may be reinvested to pull more borrowers across that boundary.

Outputs and outcomes, therefore, have an interrelationship which is crucial to the performance of credit programs. The most obvious output of Federal credit programs is the number and value of direct loans originated or loans guaranteed. But volume alone does not achieve the objectives of Federal credit programs; indeed, large volume or market share may mean that private lenders are displaced. Loans must have certain characteristics in order to achieve the desired outcomes and net impacts; these characteristics are therefore part of the desired program output.

Because of the Federal role, output measures should include an estimate of the percent of loans or guarantees originated going to borrowers who would otherwise not have access to private credit, and the percent of loans or guarantees originated going to specific target groups (e.g., veterans) or for specific purposes. Because of the Federal goal, output measures should include the percent of loans or guarantees that are current. This should be compared with the percent that were expected to be current at this point in the repayment cycle.

To assess the latter, program data should be analyzed to determine whether repayment prospects are enhanced by particular characteristics of loan structure (such as higher initial borrower equity), of loan origination (such as verifying borrower financial status), of loan servicing (such as prompt counseling), or of guarantee conditions (such as lender risk-sharing). When such characteristics help to control the cost of credit programs and to achieve desired outcomes, then these characteristics should be measured as part of the program's output.

The linkage between such output characteristics and the outcomes of Federal credit programs is not always fully recognized. For example, one desired outcome is to reach underserved populations or neighborhoods. To achieve this outcome, it would be useful to monitor whether loans are going to borrowers who would not otherwise have access to credit, or to specific target groups. Other desired outcomes include supporting investment important to the economy, encouraging start-up of new activities, or contributing to sustained economic development. To achieve these outcomes, it would be useful to monitor whether the program's loans and operating procedures have characteristics that would enhance borrower repayment.

Inputs. Program cost is also a performance measure. For credit and insurance programs, it is a continuing challenge to understand and control the risks that the Government assumes and to measure the inherent cost. This is especially important in view of the rapid changes in financial markets discussed above and the increasingly complex financial instruments.

The subsidy cost of Federal credit programs, cumulated over time for each cohort of the program's loans or loan guarantees, is the main input. Another is the administrative cost of the program, including the cost of credit extension, direct loan servicing and guaranteed loan monitoring, collecting on delinquent loans and collateral, and other administrative costs such as policy making or systems development.

The relationship between these inputs is also crucial for credit programs. Careful servicing of loans, for example, can reduce default costs, and perhaps total program costs. So good servicing is good financial management for the taxpayer. But good servicing is also an art, which can—by assisting borrowers to repay—help to achieve the program's performance objectives. Private servicing of loans offers many examples of the gains from matching repayment to the borrower's flow of income, treating borrowers in different circumstances differently, and in other ways maximizing the borrower's chances to make good.

In sum, there are three relationships that seem to hold the key to excellence in credit program performance: the relationship between repayment and the achievement of program objectives, the relationship between the characteristics of credit program outputs and desired outcomes, and the relationship between subsidy cost and good servicing and program administration. Another important key to success is the speed with which the program adapts to market changes, including its ability to provoke or harness private markets into meeting Federal goals.

Principles for Re-engineering

In order to improve the effectiveness of Federal credit programs, OMB will be working with agencies to identify ways to re-engineer credit management. This effort will focus on improving servicing, will consider consolidation of functions such as data collection and asset disposition, will rely on the private sector when that would improve efficiency, will devise incentives to improve management and reduce cost, and will ensure the development of data for management and subsidy estimation.

The focus will be on managing the servicing, workout, and sale of any collateral efficiently. For example, why does the Federal Government pay claims on guaranteed loans and handle the workout, instead of leaving this to the originating lender? Why does the Government take over collateral? How do the timing and results of our asset disposition compare with private practice? Why do we make loans to finance purchases of collateral? What incentives and penalties would be useful for programs and program staff? For guaranteed loan originators? For contractors who service Federal loans or dispose of collateral?

OMB has developed a tentative set of principles for re-engineering credit programs that builds on OMB Circular A–129 and initial research. These will be modified by lessons learned as they are put into practice. The resulting principles are intended to improve the performance of Federal credit programs in the years ahead. Because private markets are extending credit where it was formerly unavailable, and because there is little purpose to re-engineering programs which are not justified, these principles start with basic questions of program justification. But their main focus is on how programs should be carried out.

Program Justification

1. *Credit assistance should be provided only when it has been demonstrated that private credit markets cannot achieve clearly defined Federal objectives.* What is the objective? Is access to private credit available? If not, why not? If so, is there a reason why private terms and conditions should be supplemented or subsidized? To what extent?

2. *Credit assistance should be provided only when it is the best means to achieve Federal objectives.* Can private credit markets be developed? Can market imperfections be overcome by information, regulatory changes, or other means? Would small grants for downpayments, capitalization for State, local, or nonprofit revolving funds, or other approaches be more efficient?

3. *Credit assistance should be provided only when its benefits exceed its cost.* Analyze benefits and costs in accordance with OMB Circular A–94.

Program Design

4. *Credit programs should minimize substitution for private credit.* What features of program design minimize displacement? Encourage and supplement private lending? To what extent is credit for this objective expanded by this program compared with what would be available in the absence of the program? What is the economic cost of the lending bumped from the credit queue?

5. *Credit programs should stretch their resources and better meet their objectives by controlling the risk of default.* What features of program design minimize risk? Are there incentives and penalties for loan originators and servicers to minimize risk? What features of the loan contract, the process of origination, the quality of servicing, and the workout procedures minimize risk? Do borrowers have an equity interest? Is maturity shorter than the economic life of the asset financed? Are the timing and amount of payment matched with availability of resources? Is timely reminder and technical assistance provided? How well is risk understood, measured, and monitored?

6. *Credit programs should stretch their resources to better meet their objectives by minimizing cost; where program purposes allow, most should be self-sustaining.* Do fees and interest cover the Government's cost, including administration? Are interest rates specified as a percent of market rates on comparable maturity Treasury securities? Are charges for riskier borrowers proportional to their higher cost?

Program Operations

7. *Credit programs should take advantage of the capacity, flexibility, and expertise available in competitive private markets unless the benefits of direct Federal operations can be shown to exceed the cost.* Private financial institutions may offer convenient access for borrowers, potential for graduation to private credit, economies of scale, ready adjustment to changing volume or location of loans, and knowledge of current credit conditions and techniques.

8. *The lender (in the case of a loan guarantee), the servicer, and the providers of workout and asset disposition services should have a stake in the successful and timely repayment of the loan or collections on claims and collateral.* Originators of guaranteed loans should bear a share of each dollar of default loss, and—unless other arrangements can be shown to be more cost-effective—should be responsible for handling workout. Each contract should include incentives for good performance, and penalties, including loss of business, for poor performance. The duration and scope of each contract or agreement should be limited so as to maximize specialization and competition, unless those are offset by economies of scale in operations and monitoring.

9. *Criteria should be established for participation in Federal loan guarantee programs by lenders, servicers, and providers of workout and asset disposition services.* These criteria should include financial and capital requirements for lenders and servicers not regulated by a Federal financial institution regulatory agency, and may include fidelity/surety bonding and/or errors and omissions insurance, qualification requirements for officers and staff, and requirements of good standing and performance in relation to other contracts and debts. Lenders transferring and/or assigning servicing, and lenders or servicers transferring and/or assigning workout or asset disposition, must use only entities which have qualified under the Federal participation criteria.

10. *When there are economies of scope or scale, the data gathering and analysis, servicing, workout, asset disposition, or other functions of specific credit programs should be combined or coordinated.* The sequence of operations should be streamlined, and accountability for each step clearly defined.

Program Monitoring

11. *Each program should maintain or receive monthly loan-by-loan transaction data and a system whereby this information triggers servicing, workout, and follow-up actions.* These data shall be linked by loan number to an analytical database showing characteristics of loans, borrowers, projects financed, financial information, credit ratings, and other data in a form suitable for use in subsidy estimation and loan pricing.

12. *Each program should design and carry out steps to foresee problems, and to inspect, audit, and assess the program's operations.* Methods should be benchmarked against the best practices used elsewhere. The program and its lenders, servicers, and other contractors should experiment with and assess ways in which the effectiveness or efficiency of the program might be improved or costs reduced.

II. CREDIT IN FOUR SECTORS

Housing Credit Programs and GSEs

The Federal Government provides loans and loan guarantees to expand access to home ownership to people who lack the savings, income, or credit history to qualify for a conventional home mortgage and to finance rental housing for low-income persons. The Departments of Housing and Urban Development (HUD), Veterans Affairs (VA), and Agriculture (USDA) made $150 billion of loan and loan guarantee commitments in 1998, helping nearly 1.5 million households. Roughly 1 out of 7 single-family mortgages originated in the United States receives assistance from one of these programs.

- HUD's Federal Housing Administration (FHA) runs a Mutual Mortgage Insurance Fund that guaranteed $90 billion in mortgages for one million households in 1998. Over three-fourths of these went to first-time homebuyers.
- The VA assists veterans, members of the Selected Reserve, and active duty personnel to purchase homes as a recognition of their service to the Nation. The program substitutes the Federal guarantee for the borrower's down payment. In 1998, VA provided $40 billion in guarantees to 369,000 borrowers.
- USDA's Rural Housing Service (RHS) guarantees up to 90 percent of an unsubsidized home loan. The program's emphasis is on reducing the number of rural residents living in substandard housing. In 1998, $2.8 billion of guarantees went to 39,400 households.

In addition, RHS offers a single-family direct loan program and both direct and guaranteed multi-family mortgages. FHA guarantees mortgages for multi-family housing and other specialized properties.

Housing Finance Challenges and Opportunities

Private banks, thrifts, and mortgage bankers, which originate the mortgages that FHA, VA, and RHS guarantee, may deal with all three programs, as well as with the Government National Mortgage Association (Ginnie Mae), which guarantees timely payment on securities based on pools of these mortgages. In addition, the same private firms originate conventional mortgages, many of which are securitized by Government-sponsored enterprises—the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac).

Many of these firms already use or are planning to use electronic loan origination and are moving toward electronic underwriting. Behind such underwriting are data warehouses showing default experience by type of loan, borrower characteristics, home location, originator, and servicer, and models relating these factors to default cost. "Web lending" is also on the horizon.

These changes offer both challenges and opportunities to the Federal mortgage guarantors and Ginnie Mae. They are challenged to become electronically accessible to their clients and loan originators. They are challenged to assess and monitor their risks more closely, now that private firms are reaching out to the better risks among their potential clients. They also have an opportunity to provide better service, to lower cost and improve efficiency, and to target their efforts to help borrowers to retain their homes.

The Housing Consortium

In FY 1998, the FHA, VA, and RHS housing guarantee programs and Ginnie Mae formed The Federal Housing Consortium to adapt to the rapid shift to electronic underwriting and other technological developments in the private sector. The Consortium is the focus of agency efforts to keep abreast of changes in the housing credit market, accelerate adoption of best practices, establish common standards where possible, and make government systems compatible with the private sector.

Data Systems. The Consortium members are currently pooling resources to create a prototype data warehouse through which all members will have access to integrated data on program and borrower characteristics, lender and loan performance. It will provide timely, easily retrievable information, giving managers the ability to monitor the changing risk and cost of guarantees and the performance of guaranteed loan originators and servicers. Using the data warehouse and learning from each other and from the private sector, the Consortium will seek to improve loan origination, performance measurement, risk sharing and pricing, and asset disposition.

The Consortium is also working with Ginnie Mae to integrate and enhance Ginnie's two databases for use of all Consortium members. Ginnie's databases, the Issuer Portfolio Analysis Database System (IPADS) and the Correspondence Portfolio Analysis Database System (CPADS), receive monthly data from issuers of mortgage-backed securities, and monitor current performance by loan, originator, servicer, mortgage pool, security, and security issuer. Performance can be tracked and compared, taking account of differences between region, economic conditions, size and type of business, and age of portfolio.

Because Ginnie Mae guarantees timely payment of principal and interest on securities based on pools of mortgages guaranteed by FHA and VA, the issuers of these securities are almost always FHA and VA servicers. About 65 percent of RHS's single-family loans are also placed in Ginnie Mae pools. Thus, although the current analytical system is designed fill Ginnie Mae's needs, the same data and much the same system could be very useful to the loan guarantee programs. For example, CPADS could enable FHA and VA to monitor and assess how well the firms that originate and service the loans they guarantee are doing their jobs. Ginnie Mae has shared CPADS with FHA and VA for many years. RHS began a partnership with Ginnie Mae in 1998, and this year will have access to loan and lender performance data to analyze RHS loan guarantees.

Ginnie Mae has committed to making enhancements to IPADS/CPADS that will provide additional benefits to all three loan guarantee programs. The integration of IPADS and CPADS and an initial round of enhancements will be implemented this year. Further enhancements are planned in the future to enable the agencies to monitor and respond effectively to technological, institutional, and financial developments in the residential mortgage market.

Loan Origination. Electronic underwriting provides convenient, faster service at a lower cost to both lenders and borrowers. Freddie Mac and Fannie Mae are among the leaders in developing such systems and encouraging their use.

Both FHA and VA now permit mortgage lenders to use approved automated underwriting systems to originate their loans. Both undertook pilot assessment of Freddie Mac's "Loan Prospector" system; VA approved its use in October 1997 and FHA in February 1998. Both are now working with Fannie Mae to pilot "Desktop Underwriter,' and with other large mortgage originators. FHA and VA are also increasing the use of electronic data interchange to obtain information electronically from mortgage originators and servicers and to provide notifications and approvals for faster client services.

The RHS plans to develop the capacity to accept electronic loan originations from their participating lenders. Utilizing electronic loan origination technology will add significant benefits to loan processing efficiency and timeliness for both RHS and the lenders. RHS is also exploring using some form of automated underwriting and credit scoring. RHS's goal is to implement these improvements as soon as possible, but in order to ensure proper planning and maximum efficiency, complete adoption of these procedures is several years away.

Performance Measurement. Measuring loan servicing performance establishes a baseline for assessing changes to servicing practice. Monthly data will not only give housing programs a better understanding of how their guarantee portfolio behaves, but also how the federally guaranteed housing market as a whole performs. This information is critical for developing good performance standards.

FHA has created a loss mitigation program that scores lender performance on loss mitigation annually and provides incentives to lenders to hold down mortgage defaults and hold down FHA claim and property disposition costs relative to other lenders in each FHA insuring district.

RHS reviews at least 10 percent of the loans serviced by a lender every two years. If deficiencies in loan servicing or underwriting are noted, the lender is requested to take corrective action; its eligibility will be terminated if it does not comply. Since 1998, RHS has commissioned external audits of its largest loan servicers. The audits focus on both loan origination and loan servicing requirements. These audits have helped to pinpoint program weaknesses contributing to loan delinquencies. In addition, they serve to alert and train servicers on RHS guidelines and reporting requirements.

Risk Sharing and Pricing. Risk-based pricing is emerging in the conventional mortgage market as an important means by which lenders can take on more risk. Technology is giving lenders much more precise ability to assess the initial default risk associated with making a particular loan. This increasingly precise underwriting technology, in turn, allows lenders and insurers to adjust fees or loan rates and/or raise insurance premiums to reflect risk and loan cost accurately.

Federal loan guarantee programs will need to assess the impact of private sector customization on their loan portfolios, and may need to adopt a similar pricing structure or face adverse selection and larger losses. Currently, premiums are fixed in statute and vary only slightly with one dimension of risk, the initial loan-to-value ratio.

Asset Disposition. Common wisdom in the mortgage industry is to avoid foreclosure because that is when significant losses occur, including costs for maintenance and marketing. Managers of Federal guarantee programs have found that the best practice is to avoid taking the property into possession, and having to manage and dispose of foreclosed properties.

RHS already operates under the "best practice" for asset disposition. The lender is paid the loss claim, including costs incurred for up to six months after the default. After the loss claim is paid, RHS has no involvement in the loan, and it becomes the sole responsibility of the lender. In FY 2000, RHS will shorten the loss claim period from six months to three months through regulatory changes to encourage lenders to dispose of properties as efficiently as possible.

In 1998 the Administration proposed and Congress passed legislation giving new authority to FHA to pay claims prior to foreclosure, thereby allowing FHA to pass along defaulted notes to the private sector for servicing and/or disposition. When fully implemented, this new authority will reduce foreclosures and, for properties that do go into foreclosure, this new authority will greatly reduce the time such properties remain on the market.

In 1999, VA will eliminate its role in the disposition of foreclosed properties by outsourcing this function to the private sector. Thus, all three housing guarantee programs will be following "best practice."

RHS Single-family Direct Loans

RHS also provides subsidized single-family direct loans to very-low-and low-income borrowers unable to get credit elsewhere to purchase, rehabilitate, or repair homes. The most recent and on-going servicing improvement effort is the implementation of the Dedicated Loan Origination Service System (DLOS), which centralizes the servicing of the 502 Direct Loan program. DLOS has been a recent servicing improvement and, in conjunction with 2 major regulations implemented between 1996 and 1997, reduced RHS's direct loan subsidy rate by 40 percent.

RHS Multi-family Loans

RHS also offers direct loans to private developers to construct and rehabilitate multi-family rental housing for very-low-to low-income residents, elderly households, or handicapped individuals. It provided $151 million in direct loans in 1998, that will provide 7,890 units for very-low-income tenants. For the first time under permanent authorization, RHS obligated $39.7 million in loan guarantees for multi-family housing in 1998. The loan level is proposed to increase to $200 million for FY 2000, providing 5,380 new units for low to moderate income tenants. The cost of this program is primarily due to the subsidized interest component because default rates are expected to be low. The budget includes a legislative proposal to remove the requirement to provide subsidized interest on these loans, which would result in a negative subsidy. The budget also provides $40 million, a 33 percent increase over FY 1999, for the farm labor housing program ($25 million in loans; $15 million in grants) as part of USDA's civil rights initiative, which will provide an estimated 960 units for minority farmworkers and their families.

Fannie Mae and Freddie Mac

Because Fannie Mae and Freddie Mac, the largest Government-sponsored enterprises (GSEs), are the dominant firms in the secondary mortgage market, their business activities have a significant impact on the housing finance sector of the U.S. economy. These GSEs engage in two main lines of business: they issue and guarantee mortgage-backed securities (MBS), and they hold portfolios of mortgages, MBS, and other mortgage-related securities that they finance by borrowing. As of September 1998, Fannie Mae and Freddie Mac had $1.7 trillion outstanding in mortgages purchased or guaranteed. Of this, $0.6 trillion was retained in the GSEs' portfolios and $1.1 trillion was issued as MBSs (excluding MBSs held in portfolio).

The Federal Housing Enterprises Safety and Soundness Act of 1992 reformed Federal regulation of Fannie Mae and Freddie Mac. This Act created the Office of Federal Housing Enterprise Oversight (OFHEO) to manage the Government's exposure to risk by conducting examinations and enforcing minimum and risk-based capital requirements. Both GSEs have consistently met the minimum capital requirements, which are based on leverage ratios. The risk-based capital requirements will be based on a stress test. OFHEO has solicited public comment on a variety of issues related to a risk-based capital regulation and, in June 1996, published the first of two Notices of Proposed Rulemaking (NPR) on risk-based capital. OFHEO expects to publish its second NPR for public comment in 1999.

As required by the 1992 Act, the Secretary of Housing and Urban Development (HUD) issued a final regulation at the end of 1995 that established new goals for Fannie Mae and Freddie Mac to foster housing credit for lower-income families and under-served communities. For 1997 through 1999, the regulation requires each GSE to devote:

- 42 percent of its mortgage purchases to finance dwelling units that are affordable by low-and moderate-income families;
- 24 percent of its purchases to finance units in central cities, rural areas, and other metropolitan areas with low and moderate median family income and high concentrations of minority residents; and
- 14 percent of its purchases to finance units that are special affordable housing for very-low-income families and low-income families living in low-income areas.

During 1993–95, the GSEs were subject to transitional goals, and in 1996, they were subject to interim goals that were slightly lower than the goals for 1997–99. Fannie Mae and Freddie Mac each achieved all three goals in 1996 and 1997. HUD expects to publish new affordable housing goals for 2000 and thereafter in 1999.

In recent years, the GSEs have sought to maintain rapid growth in their earnings through even more rapid growth of their debt-financed holdings of mortgage assets. From September 1997 to September 1998, outstanding retained GSE holdings grew 28 percent in dollar volume, while total outstanding mortgage purchases grew 14 percent. Increased asset volumes imply increased risk exposures, as do some new activities, such as purchases of lower quality mortgages.

By contrast, some of the GSEs' new business activities and innovations may enhance their risk management capabilities. The GSEs' use of credit scores and automated underwriting may improve risk measurement and therefore mitigate the credit risks inherent in purchasing and securitizing mortgages. Similarly, the gradual development of risk-based pricing may more closely tie revenues to potential losses. For holders of mortgage credit risk, sophisticated risk measurement and pricing tools continue to lead to shifts in the distribution of risk among the GSEs, private mortgage insurers, lenders, and mortgage investors.

Federal Home Loan Bank System

The Federal Home Loan Bank System (FHLBS) was established in 1932 to provide liquidity to home mortgage lenders. The FHLBS carries out this mission by issuing debt and using the proceeds to make secured loans, called advances, to its members. Member institutions primarily use advances to finance residential mortgages and other housing related assets. Federally chartered thrifts are required to be FHLBS members, but membership is open to state-chartered thrifts, commercial banks, credit unions, and insurance companies on a voluntary basis. As of September 30, 1998, 6,806 financial institutions were FHLBS members, an increase of 388 over September 1997. About 71 percent of members are commercial banks, 25 percent are thrifts, and the remaining 4 percent are credit unions and insurance companies. However, nearly 50 percent of outstanding FHLBS advances were held by Federally-chartered thrifts as of September 30.

The FHLBS reported net income of $1.6 billion for the year ending September 30, 1998, up from $1.5 billion in the previous 12 months. System capital rose from $18 billion to $21 billion, while the ratio of capital to assets fell from 5.7 percent to 5.4 percent. Average return on equity was about 6.7 percent, after adjustment for payment of interest to the Resolution Funding Corporation (REFCorp). Outstanding advances to members reached $246 billion at September 30, 1998, a 35 percent increase over the $182 billion outstanding a year earlier. System investments other than advances fell to $136 billion, or about 35 percent of total assets, as of September 30, 1998. A year earlier, investments stood at $138 billion, or 42 percent of total assets.

The Federal Home Loan Banks are required by law to pay $300 million annually toward the cost of interest on bonds issued by the Resolution Funding Corporation and the greater of 10 percent of net income or $100 million to the Affordable Housing Program (AHP). In addition, the FHLBanks are required to provide discounted advances for targeted housing and community investment lending through a Community Investment Program. The need to generate income to meet the REFCorp and AHP obligations and still provide a competitive return on members' investment was a driving force behind the substantial increase in the System's investment activity in recent years. The System also needs to service a capital requirement which is based on members' asset size, mortgage holdings, and advances, rather than the amount of System risk.

In the past, the FHLBS' exposure to credit risk was virtually nonexistent. All advances to member institutions are collateralized, and the FHLBanks can call for additional or substitute collateral during the life of an advance. No FHLBank has ever experienced a loss on an advance.

While the FHLBanks face minimal credit risk on advances, the System's investment activities, including certain "pilots," do create certain risks. To control the System's risk exposure, the Federal Housing Finance Board (FHFB), the System's regulator, has established regulations and policies that the FHLBanks must follow to evaluate and manage their credit and interest rate risk. FHLBanks must file periodic compliance reports, and the FHFB conducts an annual on-site examination of each FHLBank. Each FHLBank's board of directors must establish risk management policies that comport with FHFB guidelines.

As a pilot activity, the FHFB has allowed some of the FHLBanks to underwrite mortgages jointly with their members. Under one such pilot, the FHLBanks finance the loans and assume the interest rate and prepayment risks, while the members originate and service the loans and assume the credit risk. All assets held by a FHLBank under this pilot are required, pursuant to the terms of the program, to be credit enhanced to at least the level of an AA security. Through these pilot programs, the FHLBS is expanding its traditional role as a wholesale lender as a means of promoting housing finance and community investment.

The FHLBS' investment activities also pose important public policy issues about the degree to which the composition of assets on the FHLBS' balance sheet adequately reflects the mission of the System. Over the last year, outstanding advances as a percentage of the System's outstanding debt increased by nearly ten percent. In addition, as of September 30, 1998, about 60 percent of advances outstanding had a remaining maturity of greater than one year—up from about 40 percent a year earlier. Despite this progress, investments (other than advances) currently represent over one-third of the System's assets and are used to conduct extensive arbitrage—the System issues debt securities at close to U.S. Treasury rates and invests the proceeds in other, higher-yielding securities. In fact, in 1998 the FHLBS issued $2.4 trillion in debt securities and became the world's largest issuer of debt. However, the majority of debt issued by the System is short-term, and total debt outstanding was only about $336 billion at the end of 1998.

An enormous, liquid, and efficient capital market exists for conventional home mortgages today. And, over the years, the FHLBS has played an important role in developing and expanding this market. The FHLBanks continue to provide valuable services to their members. They assist members in remaining competitive in housing finance and managing interest-rate risk, and offer their members a reliable source of funds, as evidenced by the recent increase in advances. However, as a result of GSE and Federal agency sponsorship of secondary markets and the increasing presence of private securitizers, lenders have access to substantial liquidity sources other than FHLBS advances. As with other GSEs, the role and risks of the FHLBS will be tested in the face of rapidly changing financial markets and potential changes in the structure and activities of the industry served by the FHLBS.

Education Credit Programs and GSEs

Student Loans

The Department of Education helps to finance student loans through two major programs: the Federal Family Education Loan (FFEL) program and the William D. Ford Federal Direct Student Loan (FDSL) program. Eligible institutions of higher education may choose to participate in either program. Loans are available to students and their parents regardless of income. Borrowers with low family incomes are eligible for higher interest subsidies.

In 2000, more than 6 million borrowers will receive 9.4 million loans totaling over $41 billion. Of this amount, $34 billion is for new loans and the remainder is to consolidate existing loans. Loan levels have risen dramatically over the past 10 years as a result of rising educational costs, higher loan limits, and more eligible borrowers. The upward trend is expected to continue for the next five years.

The Federal Family Education Loan program provides loans through a complex administrative structure involving over 4,100 lenders, 36 State and private guaranty agencies, 50 participants in the secondary markets, and nearly 4,000 participating schools. Under FFEL, banks and other eligible lenders loan private capital to students and parents, guaranty agencies insure the loans, and the Federal Government reinsures the loans against borrower default. In FY 2000, FFEL lenders will disburse more than 6 million loans exceeding $25 billion in principal. Lenders bear two percent of the default risk, and the government and guaranty agencies are responsible for the remainder. The Department also makes administrative payments to guaranty agencies and pays interest subsidies to lenders.

The Federal Direct Student Loan program was authorized by the Student Loan Reform Act of 1993 to enable students and parents to obtain and repay loans more easily than under the FFEL program. Under FDSL, the Federal Government provides loan capital directly to 1,300 schools, which then disburse loan funds to students—greatly streamlining loan delivery for students, parents, and schools. In FY 2000, the FDSL program will generate more than 3.4 million loans with a total of over $16 billion. The program offers a variety of flexible repayment plans including income-contingent repayment, under which annual repayment amounts vary based on the income of the borrower and payments can be made over 25 years.

Reform proposals. The Administration is proposing legislation to restructure and improve the efficiency of the guaranteed loan system and to provide additional benefits to students. Proposed changes will save $4.6 billion over five years.

The Administration is proposing to extend the temporary Consolidation Loan policies included in the recent Higher Education Amendments of 1998 (HEA) through the end of fiscal year 2000. This proposal would maintain the interest rate on Direct Consolidation Loans—scheduled to increase on February 1, 1999—at the 91-day Treasury bill rate plus 2.3 percent, producing significant savings for students while encouraging competition between the Direct Loan and Federal Family Education Loan programs. The proposal would also maintain the reduced FFEL Consolidated Loan holder fee at 0.62 percent of outstanding volume, rather than increase the fee to 1.05 percent on February 1, 1999, as required under the HEA.

The Administration is also proposing to improve the management and collection of defaulted loans through four new initiatives, three of which build on provisions enacted in the HEA. First, the amount guaranty agencies may retain on default collections will be reduced from 24 percent to 18.5 percent—approximately the rate paid on loans collected by the Department of Education through competitively awarded contracts. This will provide the guaranty agencies greater incentive to increase collections on defaulted loans in order to bolster revenues. Second, the Administration proposes increasing true risk-sharing between the Federal government and guaranty agencies. Complementing the reduction of re-insurance to guaranty agencies from 98 to 95 percent specified in HEA, the Administration proposes eliminating provisions that allow agencies to recoup this 5 percent cost from subsequent default collections. As such, the Administration expects greater emphasis on default avoidance activities. Third, the HEA extended the time before lenders may submit a default claim on a delinquent loan from 180 days to 270 days. In order to promote risk-sharing and increase lenders' incentive to bring these loans back into repayment, the Administration is proposing that interest not continue to accrue during this additional 90-day period. Again, this proposal provides default avoidance incentives. Lastly, data from the Department of Health and Human Services' National Directory of New Hires (NDNH) will be made available to assist in the Department of Education's default collection efforts. Defaulted debtor data matching will provide the Department of Education with current borrower address information for collection activities.

The Administration is also proposing to expand the use of voluntary agreements which were created by the HEA to afford greater regulatory flexibility to a limited number of guaranty agencies. The broader availability of these voluntary flexible agreements will reduce the need for agencies to hold Federal reserve funds; accordingly, the Administration is proposing to bring forward and augment the reserve recall provisions included in the HEA. The Administration would recall a total of $1.5 billion in additional reserves over fiscal years 2000–2004.

The Administration is proposing to reduce interest subsidy payments to 20 basis points on FFEL loans funded through tax-exempt securities. This reduction will bring lender returns on these loans in line with those realized on loans funded with private capital.

The Department of Education continues to improve program integrity and reduce default costs. The Department will use newly automated systems to review and analyze institutional eligibility information, and will target its regulatory and enforcement efforts on high-risk institutions. Over the past several years, improvements in oversight and termination of schools with high default rates have led to the removal of approximately 1,700 schools. An additional 300 schools were eliminated from the student loan programs, but remain eligible for other Federal student aid. This has helped reduce the national student loan cohort default rate from 10.4 percent for 1995 to 9.6 percent for 1996, the fifth straight year of decline. This rate is the percentage of borrowers who enter repayment in a given year and for whom a default claim is paid before the end of the following year.

As one of Education's Performance Management Objectives, modernizing student aid benefit delivery is a key priority. Accordingly, the Department has converted the Office of Student Financial Assistance into the government's first-ever Federal performance-based organization. The PBO is designed to improve the management of all student aid programs, using its expanded procurement and contracting flexibilities. This new organization will focus on re-engineering information systems and expanding electronic data exchange to improve customer service, enhance data quality, and lower costs. The PBO will work with students, lenders, guaranty agencies, and others to develop a strategic performance plan to address customer needs, enabling more students to gain information on Federal aid on the Internet, apply for it electronically, and have their eligibility determined quickly.

Sallie Mae

The Student Loan Marketing Association (Sallie Mae) was charted by Congress in 1972 as a for-profit, shareholder-owned, Government-sponsored enterprise (GSE). Sallie Mae was privatized in 1997 pursuant to the authority granted by the Student Loan Marketing Association Reorganization Act of 1996. The GSE is a wholly owned subsidiary of SLM Holding Corporation and must wind-down and be liquidated by September 30, 2008. Legislation in the Omnibus Consolidated and Emergency Supplemental Appropriations for FY 1999 allows the SLM Holding Corporation to affiliate with a financial institution upon the approval of the Secretary of the Treasury. Any affiliation will require the holding company to disolve the GSE within two years of the affiliation date.

Sallie Mae makes funds available for student loans by providing liquidity to lenders participating in the FFEL program. Sallie Mae purchases insured student loans from eligible lenders and makes warehousing advances (secured loans to lenders). Generally, under the privatization legislation, the GSE cannot engage in any new business activities or acquire any additional program assets other than purchasing student loans. The GSE can continue to make warehousing advances under contractual commitments existing on August 8, 1997. Sallie Mae currently holds about one-third of all outstanding guaranteed student loans.

Business and Rural Development Credit Programs and GSEs

Small Business Administration

Over the past six years, SBA has expanded small businesses' access to credit, increasing its annual loan volume by 55 percent, from $7.4 billion in 1993 to $11.5 billion in 1998. This increase, across all of SBA's business credit programs, has occurred while staffing has been reduced by about 20 percent. Although SBA's general business lending declined slightly in FY 1998 due to a favorable interest rate climate and commercial lenders' aggressive small business lending goals, the expansion of SBA's venture capital and capital asset financing programs contributed to a net $5 billion increase in the total guaranteed portfolio in FY 1998.

SBA's principal program, Section 7(a) General Business Loans, has improved access to credit for the Nation's most under-served small businesses over the last three years through several successful initiatives. The Low Documentation (LowDoc) initiative reduced the application form for 7(a) loans under $100,000 to a single page, allowing both lenders and SBA to process loans in less than two days. The SBAExpress program (the former FA$TRACK pilot, now permanent) allows lenders to use their own forms and procedures in exchange for a reduced Government guarantee. These initiatives—and aggressive lending goals—have helped to increase loan approvals to minority-and women-owned businesses from $1.8 billion in FY 1993 to $4 billion in FY 1998.

Increasing Access to Credit

SBA is proposing several new intiatives to further expand access to credit by qualified borrowers who are unable to secure financing without Government participation.

Targeting "new markets." In FY 2000, SBA proposes to target "new markets"—regions where small business growth has been very limited. The proposed initiatives will provide patient capital and technical assistance to private-sector lenders and non-financial intermediaries in underserved inner cities and rural areas. SBA will also expand the number of participating intermediaries in the microloan program, which to date has experienced no defaults as a result of strict agency oversight and rigorous reserve requirements.

Financing smaller loans. Commercial lenders frequently avoid making smaller loans due to high fixed costs per dollar lent, resulting in an access barrier for many startup firms or established firms whose financing needs do not meet the lenders' minimum thresholds. To close this access gap, SBA is proposing to standardize the guarantee fee and to increase the maximum guarantee percentage to 80 percent on loans up to $150,000 in order to provide an incentive to lenders to make these loans. This will result in higher subsidy costs due to reduced fee revenue and higher claim payments in the event of default.

Integrating Private Sector Practices

Reliance on private sector partners. With its portfolio growing from $20.7 billion in FY 1993 to $35.0 billion in FY 1998, SBA has relied increasingly on private sector partners for loan servicing and liquidation. The 7(a) program, which accounted for more than 70 percent of SBA's business lending in FY 1998, has experienced the greatest shift to private partnership. Under the Preferred Lender Program (PLP), SBA's most experienced lenders have authority to approve, service, and liquidate SBA-guaranteed loans in exchange for a reduced guarantee. Loans approved through PLP lenders comprised 58 percent of all 7(a) loans approved in FY 1998, a share that is expected to continue to grow. SBA also requires all non-PLP lenders to service and liquidate their SBA-guaranteed loans. These policies have shifted SBA's principal role from origination and servicing to one of oversight and monitoring of private sector partners.

In FY 2000, SBA proposes to broaden the universe of firms eligible to make SBA-guaranteed loans by licensing up to 10 New Markets Lending Companies, some of which may also fall into the category of Small Business Lending Companies, SBA-approved and monitored non-depository lending institutions. These non-financial intermediaries often operate in regions where qualified borrowers' access to credit through traditional commercial financial institutions is limited. In addition, the Section 504 Certified Development Company (CDC) liquidation pilot program was made permanent in FY 1998. Under this program, qualified CDCs service and liquidate SBA-guaranteed Section 504 development company debentures, increasing the agency's reliance on its non-Federal partners.

Need for better oversight tools. Over the past six years, SBA has significantly increased its loan portfolio, reduced staffing, and delegated its servicing and liquidating authorities to its private sector partners. During this period, commercial small business lenders have become increasingly more sophisticated in identifying credit risk, and many of them now pursue aggressive small business lending goals. This expands small businesses' access to capital, but may also concentrate higher-risk loans in SBA loan guarantee programs.

These trends reinforce SBA's need to improve oversight tools. SBA continues to struggle with antiquated financial systems. Its managers need improved access to timely and accurate analysis of portfolio trends and information on the performance of its private sector partners. To ensure that the agency meets its portfolio management responsibilities, SBA will invest $8 million in 1999 to improve portfolio oversight. An additional $8 million is requested for 2000. This funding will allow SBA to improve internal accounting systems, recruit expertise in lender oversight, develop the necessary in-house systems to support lender monitoring, and create a centralized corporate database. Drawing on the experience of financial institutions such as Fannie Mae and Freddie Mac, SBA will also establish loan servicing performance goals for its private sector partners.

Reform initiatives. In FY 2000, SBA will continue to shift from loan servicing to lender oversight. Initiatives already in progress include: (1) delegating remaining 7(a) servicing and liquidation to its lending partners, including requiring them to service and liquidate all defaulted loans, (2) selling all direct loans and defaulted guarantees, and (3) making strategic investments in better portfolio oversight tools. This will allow SBA to focus on its goals of increasing access to credit, while relying on private lenders to perform functions where they have historically been more efficient. In conjunction with this shift in agency focus, SBA is proposing to implement a multi-year workforce transition strategy, beginning in FY 2000, to retrain workers in the skills needed in the SBA of the 21st Century, move employees to those functions where their skills will be most utilized, and provide retirement incentives for those employees who do not wish to participate in the transition effort.

Loan asset sales. One of the most significant events in completing the transition from loan servicing to lender oversight is SBA's planned sale of its current portfolio of defaulted guaranteed loans and direct loans in 1999, 2000, and 2001. The Disaster loan portfolio will be sold in 1999 and 2000. Implementation of an ongoing sales program will be based upon the knowledge gained in these upcoming sales. Drawing on the experience of Federal agencies such as the Resolution Trust Corporation and the Department of Housing and Urban Development, and SBA's analysis of its portfolio value stemming from its Liquidation Improvement Project, the Administration estimates that SBA's business loan assets (face value of approximately $2 billion) can be sold at a gain to the government. It is estimated that disaster loans can be sold at their current value. These sales are also expected to yield future operational cost savings.

USDA Rural Infrastructure and Business Development Programs

USDA provides grants, loans, and loan guarantees to communities for constructing facilities such as health-care clinics, day-care centers, and water and wastewater systems. Direct loans are available at lower interest rates for lower-income communities. These programs are targeted to rural communities with fewer than 10,000 residents.

USDA also provides grants, direct loans, and loan guarantees to assist rural businesses, including cooperatives, to increase employment and diversify the rural economy. In 2000, USDA proposes to provide $1 billion in loan guarantees to rural businesses, and $50 million in direct loans. USDA's assistance to rural businesses has grown from $100 million in 1993 to almost $1.1 billion in 1998. The default rate for these community programs is low.

The 1996 Farm Bill enacted the Rural Community Assistance Program (RCAP). Funding for 12 USDA rural development activities was consolidated into a "performance partnership" to provide more flexibility in targeting Federal assistance to the highest-priority needs of States and localities. In FY 1997, Congress provided increased flexibility through three funding "streams," but blocked transfers among streams. In FY 1998, Congress consolidated the three streams into one RCAP account, but the FY 1998 and 1999 bills still did not allow transfers between funding streams. The budget proposes $668 million for a fully flexible RCAP.

Electric and Telecommunications Loans

USDA's rural electric and telecommunications program makes new loans to maintain existing infrastructure and to modernize electric and telephone service. Historically, the Federal risk associated with the $33 billion loan portfolio in electric and telephone loans has been small, although several large defaults occurred in the electric program, primarily as a result of nuclear power construction loans, and $667 million was written off in 1997. However, both the telephone and electric industries are moving into a more competitive environment.

In the electric industry, increased deregulation may erode loan security and the ability of some borrowers to repay. Maintaining the goal of "affordable, universal service" is also of concern to USDA. Many rural cooperatives are by nature high cost providers of electricity, since there are fewer subscribers per line-mile than in urban areas. This Budget includes a legislative proposal for a new direct Electric Loan Program with a loan level of $400 million. Borrowers would pay an interest rate equal to the Treasury rate. This loan program would be an additional tool to help provide for the increasing demand for electric distribution loans as rural borrowers begin to position themselves in a newly competitive deregulated environment. The demand for loans to rural electric coops is expected to continue to rise as borrowers replace many of the 40-year-old electric plants.

The Rural Telephone Bank (RTB) provides financing for rural telecommunications systems. The FY 1998 Budget proposed, but did not achieve, privatization of the RTB. The 2000 Budget proposes legislation to charter the RTB as a Performance-Based Organization (PBO). As a PBO, the RTB would remain under the Secretary of Agriculture through majority Federal membership on the RTB Board of Directors. The RTB's managers would be required to set strategic and financial goals. A key goal would be to achieve privatization within 10 years; the RTB would be on-budget until fully privatized.

As a PBO, the RTB would have authority to hire its own personnel, and appoint its own CEO and CFO. It could seek waivers from government-wide regulations, policies, and procedures. Funding for both administrative expenses and subsidy budget authority would be provided from the RTB liquidating account balances beginning in 2000. It could establish its interest rates, charge administrative fees, and retain proceeds from any negative subsidies for RTB operations. It would also have authority to prepay its outstanding Treasury borrowing without penalty. This approach would allow the RTB to establish a private governance structure and demonstrate its ability to be financially self-sufficient, which should help prepare it for privatization. A privatization feasibility study will be required within 3 years.

Loans to Farm Operators

Farm Service Agency (FSA) direct and guaranteed operating loans provide credit to farmers and ranchers for annual production expenses and purchases of livestock, machinery, and equipment. Direct and guaranteed farm ownership loans assist producers in acquiring their farming or ranching operations. These loans are proposed to increase as part of USDA's Civil Rights Initiative. As a condition of eligibility for direct loans, borrowers must have been denied private credit at reasonable rates and terms, or they must be beginning or socially disadvantaged farmers. Loans are provided at Treasury rates or 5 percent. As FSA is the "lender of last resort," high defaults and delinquencies are inherent in the direct loan program; over $15 billion in direct farm loans have been written off since 1988.

FSA guaranteed farm loans are made to more creditworthy borrowers who have access to private credit markets. Because the private loan originators must retain 10 percent of the risk, they exercise care in examining borrower repayment ability. As a result, guaranteed farm loans have not experienced losses as high as those on direct loans.

The 1999 Appropriations Bill changed portions of the servicing requirements for delinquent borrowers. A borrower who has received an FSA loan write-down or write-off may now be eligible for an additional farm operating loan when the borrower is current under a debt reorganization plan or in certain emergency circumstances. Property acquired through foreclosure on direct loans must now be sold at auction within 105 days of acquisition, and leasing of inventory property is no longer permitted except to beginning farmers. Prior to the 1996 Farm Bill, acquired property remained in inventory on average for five years before the FSA could dispose of it.

The Farm Credit System and Farmer Mac

The Farm Credit System (FCS) and the Federal Agricultural Mortgage Corporation (Farmer Mac) are GSEs that enhance credit availability for the agricultural sector. The FCS is a direct lender, financing its loans largely through bond sales in the national credit markets, while Farmer Mac facilitates a secondary market for agricultural loans. Both GSEs face a business risk exceeding that of other GSEs because their borrowers are generally dependent on a single economic sector: agriculture. The Farm Credit Banks are also geographically limited, often to areas dependent on one or a few commodities. The downturn in the agricultural economy in the 1980s led the FCS to the brink of insolvency. Legislation in 1987 provided Federal assistance to bail out the FCS and created Farmer Mac.

The Nation's agricultural sector and its lenders are now on much firmer ground, although periodic commodity price and income declines, such as experienced in some parts of the country in 1998, highlight its continuing volatility. Strong farm income has enabled most borrowers to improve their debt-to-asset ratios, and lenders to augment their capital. Farmland prices regained most of their previous levels in 1997 and generally held steady in 1998. Interest rates and inflationary expectations remain low. Credit usage by farmers and credit standards of lenders are more conservative. However, the emergence of non-traditional, trade-credit lenders has increased competition among lenders.

Another sign of the increasing health of agricultural finance is the greater share of credit provided by commercial banks. From 1986 to 1997, commercial banks' share of all farm debt increased from 24 percent to 41 percent, while the share for FCS declined from 29 percent to 26 percent and for USDA from 12 percent to 6 percent. In 1995, however, FCS's share of farm operating loans began to creep up—a trend that continued through 1996, leveling-off in 1997. FCS is expected to maintain 1997 market share levels in 1998 at 19 percent.

The Farm Credit System

The Farm Credit System has achieved positive net income every year in the past decade, including over $1 billion in each of the last five years. Nonperforming loans increased slightly to 1.65 percent of the portfolio, up from 1.5 percent in 1997. Loan volume has gradually increased since 1992, although the $66.1 billion in September 1998 is far below the high of over $80 billion in the early 1980s. Increases in loan volume and declines in the cost of funds have widened the FCS's net interest margin from less than one percent in 1987 to 2.93 in 1997.

Improved asset quality and income enabled FCS to post record capital levels: by September 30, 1998, capital stood at $12.4 billion—an increase of 9 percent for the year, primarily as a result of retained earnings. Included in this capital are investments set aside to repay about $600 million of the $1.3 billion of Federal assistance provided through the Financial Assistance Corporation (FAC) due beginning in 2003. The System has adopted an annual repayment mechanism required of FCS institutions to cover the remainder. The FCS has further reduced its risk exposure by retiring all of its high-coupon long-term debt, using marginal cost loan pricing, and adopting asset/liability management practices designed to reduce its interest rate risk.

Operating risk is also being reduced. Substantial consolidation has occurred in the structure of the FCS. In January 1988, there were 12 FCS districts with 36 banks plus 376 associations; by December 1998, there were only 6 FCS districts, 8 banks and 189 associations.

The 1987 Act established the FCS Insurance Corporation (FCSIC) to insure timely payment of interest and principal on FCS obligations. Insurance fund balances, largely comprised of premiums paid by FCS institutions, supplement the System's capital, the joint and several liability of all System banks for FCS obligations, and the Farm Credit Administration's enforcement authorities. On September 30, 1998, the Insurance Fund's net assets were $1.2 billion, and are estimated to attain the statutorially required level of two percent of outstanding debt in 2000.

Improvement in the FCS' financial condition is also reflected in the evaluations of FCS member institutions by the Farm Credit Administration (FCA), its Federal regulator. The FCA rates each of the System's institutions for capital, asset quality, management, earnings, and liquidity (CAMEL). At the end of 1990, 94 institutions carried the best "CAMEL" ratings of "1" or "2," and 40 were rated in the problem range of "4" or "5." By September 1998, in contrast, 201 institutions were given the top ratings, only 3 received the mid-range rating of "3," and none was rated "4." Enforcement actions to correct illegal or unsafe operations were applied to 77 institutions, with 80 percent of the FCS's assets, in 1991, but only 1 institution, with 0.5 percent of the FCS's assets, in 1998.

FCS loans outstanding as of September 1998 were $66 billion, up 5 percent over 1997, and representing a 32 percent increase since 1990. Loans to farmers and other eligible producers comprise 73 percent of the System's portfolio. The volume of lending secured by farm land has been generally stagnant since 1990, but farm operating loans have increased by 41 percent since

1992, with most of the gain since 1994. Loans to finance processing, marketing, credit cooperatives, and rural utilities cooperatives accounted for 21 percent of FCS's portfolio at fiscal year-end 1998.

During 1997, the FCA published regulations that expand the agriculture-related business loan-making authority of Farm Credit System banks. Previously, System banks could only lend to businesses that provided custom services performed on the customer's farm, such as hiring owner/operators of harvesting machinery. Under the revised rules, farm-related businesses are eligible for full-firm financing if more than 50 percent of their income is derived from farm-related services. Furthermore, if less than 50 percent of the firm's income is farm-service related, then at least the farm-related service portion of the firm's business is eligible for financing. The rule also permits Farm Credit banks to finance non-farm, single-family, moderately priced homes for residents of rural areas (where the population does not exceed 2,500 in a village or town).

The Farm Credit System is stronger now than it has been in years. But primarily due to its concentration in agriculture, it is exposed to risks arising from natural disasters, changes in Government policies toward agriculture, and to structural changes in the agricultural and commercial banking sectors. From 1995 through 1998, FCS's loan growth rate increased, in part due to more aggressive lending as its capital strengthened. Volatility of agricultural exports and crop prices will continue to be a risk factor for future repayment and collateral capacity. However, 1998 farm income, including government assistance, is anticipated be the fourth highest on record at $48 billion, down from $49.8 billion in 1997.

Farmer Mac

Farmer Mac was established in 1987 to create and oversee a secondary market for, and to guarantee securities based on, farm real estate and rural housing loans. Since the 1987 Act, Farmer Mac's authorities have been legislatively expanded to permit it to issue its own debt securities, and to purchase and securitize the guaranteed portions of farm program, rural business, and community development loans guaranteed by the USDA (known as the "Farmer Mac II" program). The Farm Credit System Reform Act of 1996 transformed Farmer Mac from just a guarantor of securities formed from loan pools into a direct purchaser of mortgages in order to form pools to securitize.

The 1996 Act was passed in response to a steady erosion of Farmer Mac's capital base. Revenues had not met expectations and showed no prospect of improvement. The new powers increase commercial banks' incentives to participate in Farmer Mac. However, these powers also subject the Corporation to more credit risk. As a direct purchaser of loans with no required subordination, Farmer Mac is exposed to greater risk and must set appropriate fees and level of capital reserves.

Farmer Mac has taken steps to minimize losses on securitized loans under the new authorities. These steps include: (1) a higher annual guarantee fee of 50 basis points on securitized loans, (2) a loan loss reserve adequate to cover anticipated losses, and (3) loan underwriting standards that include a maximum loan-to-value ratio of 70 percent for loans up to $2.3 million and 60 percent for loans between $2.3 million and $3.3 million.

The 1996 Act gave Farmer Mac three additional years to reach its capital requirements, and 2 years to raise capital to $25 million. In December 1996, Farmer Mac sold 1.4 million shares of Class C common stock, generating $32 million of new equity. In November 1997, Farmer Mac completed its second public offering, selling 400,000 shares of Class C common stock and raising $23 million of new equity. Farmer Mac's year-end 1998 capital is estimated to be about $80 million—three times greater than the 1996 statutory capital requirement and fully compliant with the revised regulatory capital requirements.

International Credit Programs

Seven Federal agencies, the Departments of Agriculture, Defense, State, and Treasury and the Agency for International Development, the Export-Import Bank, and the Overseas Private Investment Corporation, provide direct loans, loan guarantees, and insurance to a variety of foreign private and sovereign borrowers.

Through the Trade Promotion Coordinating Committee (TPCC), agencies providing export credit have developed a unified National Export Strategy, and they are working together to make the delivery of trade promotion support more effective and convenient for U.S. exporters.

Leveling the playing field. The Federal Government provides credit to U.S. exporters to offset the subsidies that foreign governments, largely in Europe and Japan, provide their exporters usually through export credit agencies (ECAs). Although the Arrangement on Official Export Credits of the Organization for Economic Cooperation and Development (OECD) has significantly constrained direct interest rate subsidies and tied-aid grants, foreign ECAs continue to provide implicit subsidies (by charging interest rates or fees that do not fully compensate for risk).

The Export-Import Bank (Eximbank) attempts to strategically "level the playing field" and to fill gaps in the availability of private export credit. Compared to the other major ECAs, Eximbank provides the most unrestricted financing, and provides this financing in almost twice as many markets as its nearest competitor.

USDA's GSM–102 and 103 programs guarantee credit extended by private U.S. exporters and U.S. financial institutions to facilitate exports to buyers in countries where credit is necessary to maintain or increase U.S. sales. The GSM programs are targeted to countries where government guarantees are needed to counter competition from countries that offer credit through ECAs or commodity marketing boards.

The increase in world trade and the globalization of capital markets have officially supported direct and guaranteed credit, including export credit, somewhat less important in recent years. Aggregate net resource flows to all developing countries grew from $144 billion in 1992 to $300 billion in 1997. In comparison, resource flows from official direct or guaranteed credit fell from $23 billion in 1992 to $10 billion in 1997.

Stabilizing international financial and commercial markets. In today's global economy, the health and prosperity of the American economy depend importantly on the stability of the global financial system and the economic health of our major trading partners. The United States has several ways in which it can help to stabilize world financial markets. It can provide resources on a multilateral basis through the IMF (discussed in other sections of the President's Budget), or through a bilateral loan provided by the Exchange Stabilization Fund (ESF).

The ESF provides "bridge loans" to other countries in times of short-term liquidity problems and financial crises. In the past, "bridge loans" from ESF have usually provided dollars to a country over the short period before the first disbursement under an IMF loan. A $12.5 billion "bridge loan" of ESF was provided to Mexico during its crisis in 1995. This loan was essential in helping to stabilize Mexico, as well as the global financial markets. Mexico paid back its loan ahead of schedule in 1997, and the loan didn't cost the taxpayers any money.

ESF support was offered in response to the crises in some Asian economies, including South Korea. These ESF facilities would have carried interest rates that would have resulted in zero subsidy cost for the United States as defined under credit reform. While the ESF was not drawn upon by any of these countries, the offer in and of itself helped to provide the international confidence needed by these countries to begin the stabilization process.

Export credit programs also help to ensure continued access for US exporters to important overseas markets facing liquid problems. In response to the Asian financial crisis, USDA's GSM programs in FY 1998 were expanded by 40 percent (to $4 billion) over the previous year to assist these countries in meeting their food and agricultural import needs.

Supporting more manufacturing exports in more markets. In FY 1998, Ex-Im Bank supported exports totaling $13 billion with a budget of $683 million. Ex-Im Bank's role is particularly critical now, because banks have rolled back, or stopped in some cases, providing credit to many developing countries that are key markets for U.S. exports. The FY 2000 budget proposes $81 million in additional funds for Ex-Im Bank—10 percent above its FY 1999 budget of $815 million—so that Ex-Im Bank can:

- *Help meet the demand for financing aircraft and capital equipment exports in developing markets.* One of every four U.S. commercial aircraft is sold to an Asian airline, but commercial credit has decreased drastically because of Asia's economic problems. Ex-Im Bank currently finances 10 percent of all U.S. capital equipment exports to the developing world. More funding will allow Ex-Im to provide significantly more long-term financing for exports of U.S. manufactured capital goods and aircraft.
- *Expand short-term and medium-term credit to keep U.S. products flowing to emerging markets where private sector financing is no longer available.* Ex-Im Bank supported 2,400 transactions involving more than $1 billion in U.S. exports to Korea in 1998 (up from $50 million in 1997). Ex-Im has been active in expanding support for U.S. businesses seeking to sell goods and services to Brazil. To date in FY 1999, Ex-Im has opened for financing short-, medium-, and long-term transactions in the public sector and has increased its credit limit to certain Brazilian banks seeking to purchase U.S. products.
- *Finance exports to riskier markets.* U.S. exporters increasingly seek Ex-Im financing to meet the demand in riskier markets, but the higher cost of providing such financing strains Ex-Im's budget. Ex-Im support is critical in these markets because bank financing often is unavailable, and U.S. exporters compete with government-financed foreign firms.

Using credit to promote sustainable development. Credit has become an increasingly important tool in U.S. bilateral assistance to promote sustainable development. USAID received funding through transfer authority in the FY 1998 budget for a new credit program, the Development Credit Authority (DCA). The DCA will provide loan guarantees in cases where credit is the most effective mechanism to achieve sustainable development, such as more effective financial markets or reductions in global climate change-causing emissions. Increased funding for this program has been requested in the FY 2000 budget. However, these funds cannot be used until OMB certifies that USAID can adequately manage its credit programs, as required in the FY 1998 Foreign Operations Appropriations Act. USAID is outsourcing many of its credit management activities in order to comply with this requirement.

OPIC investment guarantees also support development by promoting U.S. direct investment in developing countries. This can transfer skills and technology and create more efficient financial markets. OPIC has implemented investment funds, on-lending facilities, and bond insurance—building onto its traditional political risk insurance, lending, and guarantee products.

International lending cost estimates. Since 1992, the President's budget requests have used the same assumptions about default risk in international lending. These assumptions became less accurate given the changes in financial markets over the last six years. In addition, due to the scarcity of emerging market debt information in 1992, these assumptions were based on domestic corporate bond risk spreads, rather than international bond market data.

Beginning with the FY 1999 budget, new assumptions about default risk, as defined by the risk premia set for each country-risk category in the International Country Risk Assessment System (ICRAS), were used to estimate the cost of U.S. Government international lending. The new premia reflect the risk spreads observed on international debt market instruments from 1992 to 1997 for a variety of risk categories. These new cost estimates will continue to be updated and refined over time, given agencies' default experience and additional observation of emerging market debt data.

The "subsidy cost" of international credit programs is the government's contribution to an agency's long-term expense from extending a foreign credit, excluding administrative costs. Agency subsidy rates depend not only on the international lending risks measured by the ICRAS risk premia, but also on what fees or subsidies (such as below-market interest rates) the agencies offer with their credits, and on transaction-specific risks for credits that do not have a sovereign guarantee from the beneficiary country. Most international credit agencies charge borrowers fees that substantially offset the cost due to credit risk. The FY 2000 Budget Credit Supplement shows lending terms and subsidy rates for each international credit agency.

III. INSURANCE PROGRAMS

Deposit Insurance

Federal deposit insurance was begun in the 1930s to protect depositors against losses from failures of insured institutions. Deposit insurance also protects the Nation against widespread disruption in financial markets by reducing the probability that the failure of one financial institution will lead to a cascade of other failures. The Federal Deposit Insurance Corporation (FDIC) insures the deposits of banks and savings associations (thrifts) through separate insurance funds, the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF). Deposits of credit unions are insured through the National Credit Union Administration (NCUA).

Deposits are currently insured up to $100,000 per account. The FDIC insures about $2.8 trillion at over 8,900 commercial banks and about 1,700 savings institutions. The NCUA insures 11,125 credit unions with $308 billion in insured deposits.

Current Industry and Insurance Fund Conditions. The 1980s and early 1990s were a turbulent period for the bank and thrift industries, with over 1,400 bank failures and 1,100 thrift failures. The Federal Government responded with the Financial Institutions Reform, Recovery and Enforcement Act of 1989 and the Federal Deposit Insurance Corporation Improvement Act of 1991. These reforms, combined with more favorable economic conditions, helped to restore the health of depository institutions and the deposit insurance system. No thrifts have failed in the last two years, and only three relatively small commercial banks failed during 1998. Nineteen credit unions with $15 million in assets failed during 1998. The FDIC currently classifies only 88 institutions with $8 billion in assets as "problem" institutions, compared to nearly 575 institutions with over $300 billion in assets just five years ago.

Banks have achieved record levels of earnings in recent years, which enabled the industry to recapitalize BIF in 1995 up to its statutorily-designated reserve ratio of 1.25 percent of insured deposits. As of September 30, 1998, BIF had estimated reserves of $29 billion, 1.41 percent of insured deposits.

The earnings of the thrift industry also have improved significantly in recent years. With record profits again in 1998, the industry remains in strong financial condition despite enactment of the Deposit Insurance Funds Act of 1996 (DIFA) which imposed a $4.5 billion special assessment to bring SAIF's reserves up to 1.25 percent of insured deposits. By September 30, 1998, SAIF's reserves reached an estimated $9.7 billion or 1.39 percent of insured deposits. However, on January 1, 1999, in accordance with the DIFA, the FDIC was required to transfer all funds in the SAIF above 1.25 percent to a Special Reserve. Approximately $1 billion was transferred and is available only if SAIF's reserve ratio falls below 0.625 percent.

The FDIC continues to maintain deposit insurance premiums in a range from zero for the healthiest institutions to 27 cents per $100 of deposits for the riskiest institutions. Due to the strong financial condition of the industry and the insurance funds, 95 percent of commercial banks and 92 percent of thrifts did not pay insurance premiums in 1998.

The National Credit Union Share Insurance Fund (NCUSIF) also remains strong with assets of $3.8 billion. Each insured credit union is required to deposit and maintain in the fund an amount equal to 1 percent of its member share accounts. In 1998, the income generated from the 1 percent deposit eliminated the need to assess an additional insurance premium, and after the end of the fiscal year, the NCUA Board approved a dividend to reduce the Fund's equity ratio to the statutory ceiling of 1.30 percent. This was the fourth consecutive year that the Fund paid a dividend to federally insured credit unions. The Board also waived premiums for 1999.

Although depository institutions and their Federal insurance funds currently are in good financial condition, the U. S. economy has experienced strong growth in recent years. This trend is unlikely to continue indefinitely. An economic downturn, international events or other changes in the industry could put pressure on industry profits and ultimately the deposit insurance funds. In the last quarter of fiscal 1998, some large banks reported lower-than-expected earnings from their international operations due to recent international economic crises.

Legislative, Judicial and Regulatory Developments. Recent marketplace and regulatory changes highlight the importance of financial modernization in a rapidly changing financial market. Depository institutions have faced increasing competition from non-bank providers of financial services in recent years. Legislative and regulatory changes that alter depository institution charters and/or expand the range of permissible activities for bank subsidiaries, holding companies, or affiliates will contribute to increasing integration and efficiency in the financial services sector.

In May 1997, the Administration presented to Congress its recommendations for modernizing the financial services industry and developing a common depository institution charter. The Administration's proposal would have removed Depression-era barriers to competition, preserved the safety and soundness of our Nation's depository institutions, and protected consumer rights. The proposal also would have promoted competition and efficiency within the industry, fostering the creation of new products and services and benefiting consumers. However, Congress did not pass legislation to modernize the financial services industry during the last session.

On February 25, 1998, the Supreme Court (in National Credit Union Administration v. First National Bank and AT&T Family Federal Credit Union v. First National Bank) struck down NCUA's longstanding policy of allowing credit unions to accept members from multiple fields of membership. On August 7, 1998, the President signed the Credit Union Membership Access Act, overturning the Supreme Court's ruling and allowing credit unions to accept members from multiple employers with fewer than 3,000 employees. This will allow smaller firms and associations greater opportunity to offer credit union services to their employees and members. NCUA promulgated rules to implement this legislation in January 1999, which is expected to increase the growth rate and total size of credit unions and the NCUSIF.

The Federal regulators of depository institutions (FDIC, Comptroller of the Currency, Office of Thrift Supervision, NCUA, and the Federal Reserve) are aggressively reaching out to educate banks, thrifts, and credit unions about the "Year 2000 Problem," which refers to the possibility that information technology and computer-aided systems may malfunction on January 1, 2000 due to computer programming that reads the date improperly. The regulators are conducting on-site examinations of depository institutions and some of their service providers. They are prepared to close institutions which fail to prevent disruptions to the financial and payments systems and to protect depositors. As a result of regulators' actions, the vast majority of depository institutions should be ready for the Year 2000 date change well in advance of January 1, 2000.

Pension Guarantees

The Pension Benefit Guaranty Corporation (PBGC) insures most defined-benefit pension plans sponsored by private employers. PBGC pays the benefits guaranteed by law when a company with an underfunded pension plan becomes insolvent. PBGC's exposure to claims relates to the underfunding of pension plans, that is, to any amount by which expected future benefits exceed plan assets. In the near term, its loss exposure results from financially distressed firms with underfunded plans. In the longer term, additional loss exposure results from firms that are currently healthy but become distressed, and from changes in the funding of plans and their investment results.

The number of plans insured by PBGC has been declining as small companies with defined benefit plans terminate them and shift to defined contribution pension arrangements such as 401(k) accounts. The number of plans with 1,000 or more participants has increased slightly since 1980. However, the number of active workers in defined benefit plans declined from 29 million in 1985 to fewer than 25 million in 1994. If the trend continues, by 2005 fewer than half of the participants in defined benefit plans will be active workers.

In 1998, PBGC posted a positive financial position for the third straight year after 21 years of being in a deficit position. This was due to good economic conditions and favorable investment returns. But risk remains. That risk has been reduced somewhat by steps taken by PBGC and the Congress. Since 1990, PBGC has been working to more actively to prevent and mitigate losses. Under its Early Warning Program, PBGC has negotiated more than 75 major settlements, providing more than $16 billion in new pension contributions from companies and improving pension security for 1.8 million people. In 1995, the Early Warning Program was one of the first six Federal programs to receive an award from the Ford Foundation and Harvard's Kennedy School of Government. The program also received the National Performance Review's Hammer Award.

The Retirement Protection Act of 1994 (RPA) also is strengthening PBGC's financial condition. The RPA requires companies to increase their contributions to underfunded plans over 10 to 15 years, and relates companies' premiums more fairly to PBGC's exposure by increasing the insurance premiums for those pension plans that are the most underfunded. RPA also required companies to notify participants if the plan is less than 90 percent funded, so companies have increased funding to avoid giving this notice. In addition, RPA requires privately held companies with seriously underfunded plans to give PBGC advance notice of certain transactions that potentially are harmful to their plans.

PBGC fared well in 1998. There were no major plan terminations, and investment performance was strong. Premium revenues dropped somewhat, largely reflecting lower underfunding-related premiums because of improved pension funding and a previously-enacted increase in the statutory interest rate for calculating the underfunding.

The multiemployer program guarantees pension benefits of certain unionized plans offered by several employers in an industry. The program continues to be financially strong. The Administration proposes to increase the maximum guarantee level on pension benefits paid to retirees for the first time since 1980. It would be increased from $5,580 to $12,870 per year for retirees with 30 years of service.

This budget proposes a new and simplified defined-benefit pension plan for small businesses, featuring accounts for individual participants. Unlike defined-contribution plans, the new plan guarantees a known level of annual income throughout a worker's retirement years. The new plan is designed to be fully funded virtually constantly, but also would be protected by PBGC at a reduced premium. The budget also proposes expanding the PBGC's missing participant program to multiemployer and defined-contribution plans.

Disaster Insurance

Flood Insurance

The Federal Government provides flood insurance through the National Flood Insurance Program (NFIP) administered by the Federal Emergency Management Agency (FEMA). This insurance is available to property owners living in communities that have adopted and enforced appropriate floodplain management measures. Coverage is limited to buildings and their contents. Policies for structures built before a community joined the flood insurance program are subsidized by law, while policies for structures built after a community joined the NFIP are actuarially rated.

When the Federal flood insurance program was created in the early 1970s, private insurance companies, with little information on flood risks by geographic area, had deemed the risk of floods uninsurable. In response, the NFIP provided insurance coverage, required building standards and other mitigation efforts to reduce losses, and undertook flood hazard mapping to quantify the geographic risk of flooding. The program has substantially met these goals.

The flood insurance policy base grew by approximately 10 percent from 1997 to 1998, exceeding the goal of a 5 percent increase set in 1997. The NFIP's "Cover America" initiative, which is a major marketing and advertising campaign, should continue to increase awareness of flood insurance and educate people about the risks of floods. FEMA is using three strategies to increase the number of flood insurance policies in force: lender compliance, program simplification, and expanded marketing.

The NFIP's Community Rating System (CRS) now allows policyholders in over 900 communities to receive discounts of at least 5 percent on their premiums by undertaking activities which will reduce flood losses, facilitate more accurate insurance rating, and promote public awareness of flood insurance and flood risk.

In 1997, the NFIP offered expanded insurance to cover increased costs of compliance (ICC), as authorized by the National Flood Insurance Reform Act of 1994. This separate coverage, which took effect May 1, 1997, allows repetitively flooded or substantially damaged structures to be rebuilt in accordance with existing floodplain management requirements. This will reduce the amount and cost of future flood damage and allow those structures to be actuarially rated.

In 1999 and 2000, FEMA will continue efforts to reduce future flood damage by educating Federal financial regulators about mandatory flood insurance requirements for federally related home and business loans on properties located in flood hazard areas; simplifying policy language; using mitigation insurance to allow flood victims to rebuild to code, thereby reducing future flood damage costs; and using flood insurance premium adjustments to encourage community and State mitigation activities beyond those required by the NFIP.

The President's FY 2000 budget proposes two additional reforms of this program. First, $12 million is requested to begin the process of purchasing and/or elevating insured properties that have filed four or more flood insurance claims over the last 10 years. This effort will ultimately result in lower claims payments. Second, the budget includes a proposal to charge a $15 mortgage transaction fee, to supplement a request of $5 million in discretionary funds, to support a multi-year program to update and modernize FEMA's inventory of floodplain maps. These maps are essential in developing appropriate risk-based flood insurance premium charges, will ensure that property owners have appropriate levels of insurance, and will result in a more actuarially sound program.

Crop Insurance

Subsidized Federal crop insurance administered by USDA assists farmers in managing yield shortfalls due to bad weather or other natural disasters. Private companies are unwilling to offer multi-peril crop insurance because losses tend to be correlated across geographic areas, and the companies are therefore exposed to large losses. For example, a drought will affect many farms at the same time. Damage from hail, on the other hand, tends to be more localized, and a private market for hail insurance has existed for over 100 years.

The USDA crop insurance program is a cooperative effort between the Federal Government and the private insurance industry. Private insurance companies sell and adjust crop insurance policies. The Federal Government reimburses private companies for the administrative expenses associated with extending crop insurance and reinsures the private companies for excess insurance losses on all policies. The Federal Government also subsidizes premiums for farmers.

A major program reform was enacted in 1994 to address a growing problem caused by the repeated provision of Federal ad hoc agricultural disaster payments. Participation in the crop insurance program had been kept low by the availability of post-event disaster aid to farmers from the Federal Government. Because disaster payments were no-cost grants, farmers had little incentive to purchase Federal crop insurance. The 1994 reform repealed agricultural disaster payment authorities and substituted a "catastrophic" insurance policy that indemnifies farmers at a rate roughly equal to the previous disaster payments. The catastrophic policy is free to farmers except for an administrative fee. Private companies sell and adjust the catastrophic portion of the crop insurance program, and also provide higher levels of coverage (which are also federally subsidized.) In 1995, 82 percent of eligible acres particiated in the program—140 percent over 1994. However, the 1996 Farm Bill eliminated the requirement that farmers participating in USDA's commodity programs carry crop insurance, and participation dropped in 1997 to an estimated 61 percent of eligible acres.

The 1996 Farm Bill significantly changed the commodity programs and associated price and income support for farmers. The President's signing statement for the Farm Bill stated: "The fixed payments in the bill do not adjust to changes in market conditions, which would leave farmers, and the rural communities in which they live, vulnerable to reductions in crop prices or yields. I am firmly committed to submitting legislation and working with the Congress next year to strengthen the farm safety net." To begin to address the safety net problem, the 1998 Budget proposed to expand the crop insurance program to include "revenue insurance" coverage. Revenue insurance protects farmers against lost revenue caused by low prices, low yields, or any combination of the two. Revenue insurance programs are now available in 36 states and further expansion is being studied. The Administration will work with the Congress to enact further improvements to the Crop Insurance program in 1999.

To ensure that sufficient funding is available to provide agent sales commissions, the 1998 Agricultural Research, Extension, and Education Reform Act shifted Federal funding to reimburse this private sector administrative costs shifted from discretionary spending back to mandatory spending through the Federal Crop Insurance Corporation Fund. Further, the Administration developed, and Congress adopted, a combination of program changes to reduce program costs such as reducing the reimbursement rate paid to the private insurance companies from the current 27 percent of premium to 25 percent and increasing administrative fees.

Chart 8-1. FACE VALUE OF FEDERAL CREDIT OUTSTANDING

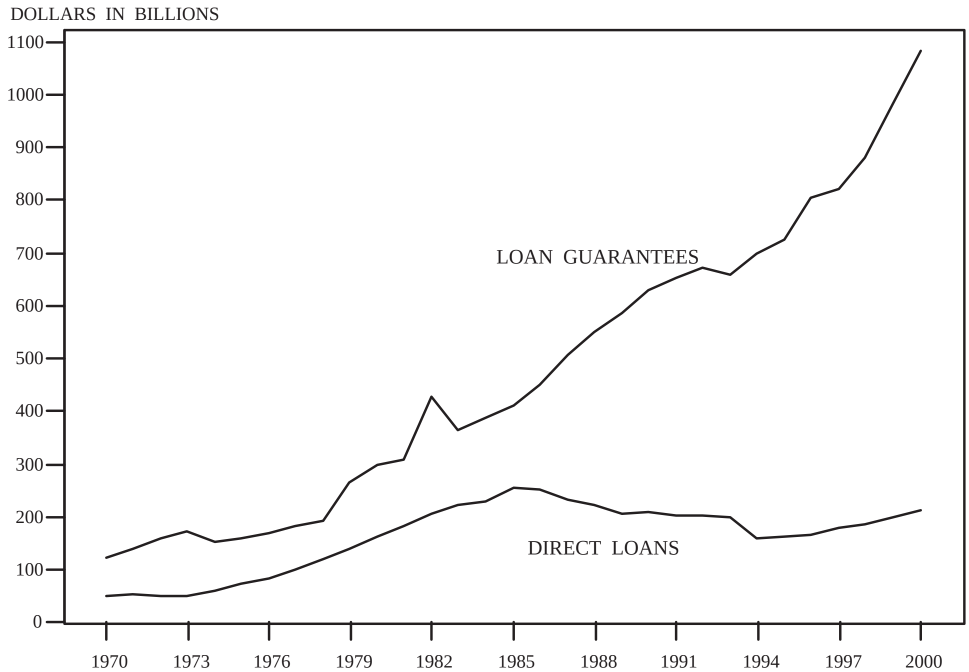


Chart 8-2. KEY DEBT COLLECTION TOOLS

(Cumulative collections)

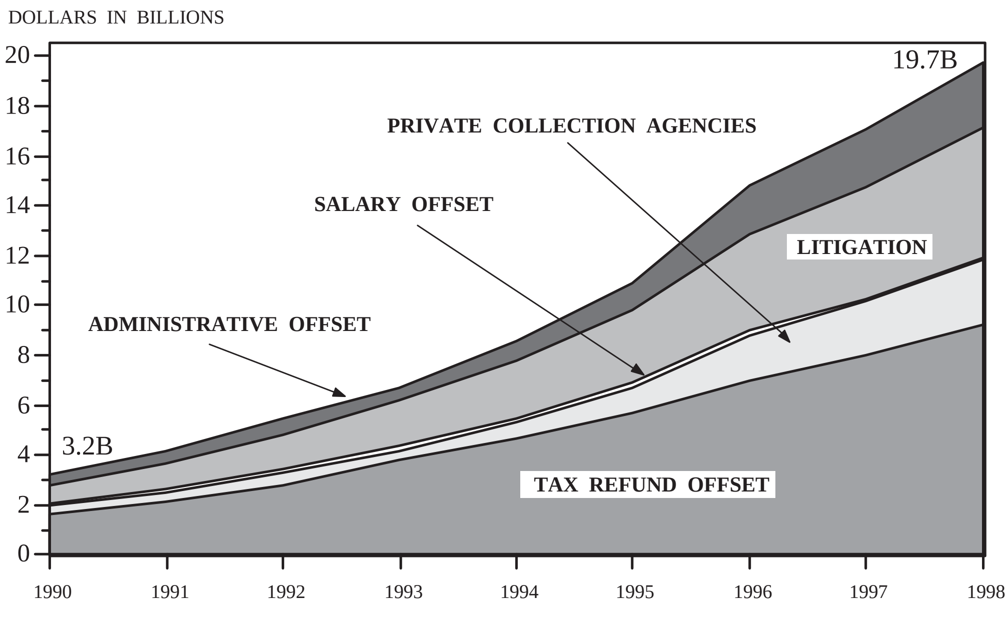


Table 8–1. ESTIMATED FUTURE COST OF OUTSTANDING FEDERAL AND FEDERALLY ASSISTED CREDIT PROGRAMS

(in billions of dollars)

Program	Outstanding 1997	Estimated Future Costs of 1997 Outstanding [1]	Outstanding 1998	Estimated Future Costs of 1998 Outstanding [1]
Direct Loans: [2]				
Federal Student Loan Programs	35	1	49	2
Farm Service Agency (excl.CCC), Rural Development, Rural Housing	47	14	46	14
Rural Electrification Admin. and Rural Telephone Bank	30	6	30	4
Housing and Urban Development	13	3	14	2
Agency for International Development	13	6	12	6
Public Law 480	11	7	11	7
Export-Import Bank	10	2	11	3
Commodity Credit Corporation	9	1	9	2
Federal Communications Commission	7	1	7	2
Disaster Assistance	10	....	7	1
Other Direct Loans	11	1	21	5
Total Direct Loans	196	41	217	45
Loan Guarantees: [2]				
FHA Mutual Mortgage Insurance Fund	361	–1	380	–2
VA Mortgage	170	4	200	5
Federal Family Education Loan Program	96	13	101	4
FHA General/Special Risk Insurance Fund	88	7	89	7
Small Business	34	2	37	2
Export-Import Bank	22	....	22	1
International Assistance	18	1	19	1
Farm Service Agency and Rural Housing	12	....	14	....
Other Loan Guarantees	21	4	20	4
Total Loan Guarantees	822	30	882	22
Total Federal Credit	1,018	72	1,099	67
Government-Sponsored Enterprises: [3]				
Federal National Mortgage Association	862	....	989	....
Federal Home Loan Mortgage Corporation	627	....	702	....
Federal Home Loan Banks [4]	182	....	238	....
Student Loan Marketing Association [5]	....	....	....	....
Farm Credit System	59	....	60	....
Total Government-Sponsored Enterprises	1,730	....	1,989	....
Total	2,748	72	3,088	67

[1] Direct loan future costs are the financing account allowance for subsidy cost and the liquidating account allowance for estimated uncollectible principal and interest. Loan guarantee future costs are estimated liabilites for loan guarantees.
[2] Excludes loans and guarantees by deposit insurance agencies and programs not included under credit reform, such as CCC farm supports. Defaulted guaranteed loans which become loans receivable are accounted for as direct loans.
[3] Net of purchases of federally guaranteed loans.
[4] The lending by the Federal Home Loans Banks measures their advances to member thrift and other financial institutions. In addition, their investment in private financial instruments at the end of 1998 was $135 billion, including federally guaranteed securities and GSE securities.
[5] The face value and Federal costs of Federal Family Education Loans in Student Loan Marketing Association's portfolio are included in the account of that program under guaranteed loans above.

Table 8–2. REESTIMATES OF CREDIT SUBSIDIES ON LOANS DISBURSED BETWEEN 1992—1998 [1]

(In millions of dollars)

Program	1994	1995	1996	1997	1998	1999
Direct Loans:						
Agriculture credit insurance fund	–72	28	2	–31	23	....
Agricultural conservation	–1	....	....	....	....	....
Rural electrification and telephone loans	*	61	–37	84	....	–79
Rural telephone bank	1	....	....	10	....	–12
Rural housing insurance fund	2	152	46	–73	....	82
Rural economic development loans	....	....	....	1	....	–2
Rural development loan program	....	1	....	....	....	–7
Rural community advancement program [2]	....	....	....	8	....	4
P.L. 480 Title I loan program	....	....	–37	–1	....	....
Federal direct student loans	....	....	3	–83	172	–361
Bureau of Reclamation direct loans	....	....	....	....	....	3
BIA-Indian direct loans	....	....	....	....	....	18
High priority corridor loans	....	....	....	....	–3	....
Veterans housing benefit program fund	–39	30	76	–72	465	–22
Foreign military financing	....	....	....	13	4	2
SBA-Disaster loans	....	....	....	....	–193	–227
Export-Import Bank direct loans	–28	–16	37	....	....	....
Spectrum auction program	....	....	....	....	4,592	....
Loan Guarantees:						
Agriculture credit insurance fund	5	14	12	–51	96	....
Commodity Credit Corporation export guarantees	3	103	–426	343	....	....
Rural development insurance fund	49	....	....	–3	....	....
Rural housing insurance fund	2	10	7	–10	....	122
Rural community advancement program [2]	....	....	....	–10	....	49
P.L. 480 Title I Food for Progress credits	....	84	–38	....	....	....
Fisheries finance, guaranteed loans	....	....	....	....	–2	....
Federal family education (formerly GSL): [3]						
Technical reestimate	97	421	60	....	....	63
Volume reestimate	....	....	535	99	....	–216
FHA-Mutual mortgage	....	....	....	–340	....	1,264
FHA-General and special risk	–175	....	–110	–25	743	....
BIA-Indian guaranteed loans	....	....	....	31	....	–17
Maritime guaranteed loans (Title XI)	....	....	....	....	....	–85
Veterans housing benefit fund guarantees	–447	167	334	–706	38	34
AID housing guaranty	–2	–1	–7	....	–14	....
SBA-Business loans	....	....	257	–16	–279	–545
Export-Import Bank guarantees	–11	–59	13	....	....	....
Total	–616	995	727	–832	5,642	68

* $500 thousand or less.

[1] Additional information on credit reform subsidy rates is contained in the Federal Credit Supplement to the budget for 2000.

[2] Includes rural water and waste disposal, rural community facilities, and rural business and industry programs.

[3] Volume reestimates in mandatory programs represent a change in volume of loans disbursed in the prior years. These estimates are the result of guarantee programs where data from loan issuers on actual disbursements of loans are not received until after the close of the fiscal year.

Table 8–3. ESTIMATED 2000 SUBSIDY RATES, BUDGET AUTHORITY, AND LOAN LEVELS FOR DIRECT LOANS [1]

(in millions of dollars)

Agency and Program	Weighted average subsidy as a percentage of disbursements	Subsidy budget authority	Estimated loan levels
Agriculture:			
Agricultural credit insurance fund	4.86	38	782
Rural community advancement program	5.99	72	1,200
Rural electrification and telecommunications loans	0.60	9	1,470
Rural telephone bank	1.88	3	175
Distance learning and telemedicine program	0.35	1	200
Rural housing insurance fund	12.24	156	1,274
Rural development loan fund	31.95	33	102
Rural economic development loans	23.02	3	15
P.L. 480	82.46	114	138
Commerce:			
Fisheries finance	1.00	1	56
Education:			
Federal direct student loan program [2]	–5.16	–918	17,783
Housing and Urban Development:			
FHA-mutual mortgage insurance	....	....	50
FHA-General and special risk	....	....	50
Interior:			
Bureau of reclamation loan	27.91	12	43
State:			
Repatriation loans	80.00	1	1
Transportation:			
Minority business resource center	11.00	2	14
Federal-aid highways	9.00	79	884
Treasury:			
Community development financial institutions fund	31.05	17	53
Veterans Affairs:			
Miscellaneous veterans housing loans	7.72	....	21
Miscellaneous Veterans Programs loan fund	35.02	....	3
Veterans housing benefit program fund	10.79	70	648
Federal Emergency Management Agency:			
Disaster assistance direct loan	4.15	2	25
International Assistance Programs:			
Overseas private investment corporation	11.00	14	130
Small Business Administration:			
Disaster loans	22.20	39	176
Business loans	8.54	4	47
Other Independent Agencies:			
Export Import Bank loans	1.90	32	1,687
Total	–0.57	–216	27,027

[1] Additional information on credit subsidy rates is contained in the Federal Credit Supplement.
[2] Excludes savings from proposed modifications.

Table 8–4. ESTIMATED 2000 SUBSIDY RATES, BUDGET AUTHORITY, AND LOAN LEVELS FOR LOAN GUARANTEES [1]

(in millions of dollars)

Agency and Program	Weighted average subsidy as a percentage of disbursements	Subsidy budget authority	Estimated loan levels
Agriculture:			
Agricultural credit insurance fund	1.57	35	2,226
Commodity Credit Corporation export loans	9.76	440	4,506
Rural community advancement program	2.28	29	1,285
Rural housing insurance fund	0.56	20	3,400
Defense—Military:			
Defense, Family Housing Improvement Fund	4.70	33	697
Education:			
Federal family education loan [2]	12.12	3,371	27,780
Health and Human Services:			
Health Resources and Services	2.41	4	51
Housing and Urban Development:			
Indian housing loan guarantee fund	8.13	6	72
Native American housing block grant	11.07	5	45
Community development loan guarantees	2.30	29	1,261
America's private investment companies	3.60	36	1,000
FHA-mutual mortgage insurance	–1.99	–2,048	120,000
FHA-General and special risk [3]	0.48	....	18,100
Interior:			
Indian guaranteed loan	7.54	4	60
Transportation:			
Maritime guaranteed loan (Title XI)	5.01	6	120
Veterans Affairs:			
Miscellaneous veterans housing loans	48.25	3	7
Veterans housing benefit program fund	0.68	212	31,237
International Assistance Programs:			
Micro and small enterprise development	4.94	1	30
Urban and environmental credit	1.15	3	26
Development credit authority	6.50	13	200
Overseas private investment corporation	1.00	10	1,000
Small Business Administration:			
Business loans	1.13	144	16,159
Other Independent Agencies:			
Export Import Bank loans	5.84	807	13,825
Presidio Trust	0.52	1	200
Total	1.47	3,165	243,287
ADDENDUM: SECONDARY GUARANTEED LOAN COMMITMENT LIMITATIONS			
GNMA:			
Guarantees of mortgage-backed securities loan guarantee	–0.33	–422	200,000

[1] Additional information on credit subsidy rates is contained in the Federal Credit Supplement.
[2] Excludes savings from proposed modifications.
[3] Subsidy will be financed by $153 million of unobligated balances.

Table 8–5. SUMMARY OF FEDERAL DIRECT LOANS AND LOAN GUARANTEES

(In billions of dollars)

	Actual				Estimate	
	1995	1996	1997	1998	1999	2000
Direct Loans:						
Obligations	30.9	23.4	33.6	28.8	38.5	37.9
Disbursements	22.0	23.6	32.2	28.7	39.6	36.2
Subsidy budget authority [1]	2.6	1.8	2.4	6.5	1.1	–0.2
Loan Guarantees: [2]						
Commitments	138.5	175.4	172.3	218.4	216.5	237.6
Lender Disbursements	117.9	143.9	144.7	199.5	192.9	203.0
Subsidy budget authority [1]	4.6	4.0	3.6	2.6	4.3	3.2

[1] Excludes subsidy reestimates made prior to 1998, and student loan modifications proposed for 2000.
[2] GNMA secondary guarantees of loans that are guaranteed by FHA, VA and RHS are excluded from the totals to avoid double-counting.

Table 8–6. DIRECT LOAN WRITE-OFFS AND GUARANTEED LOAN TERMINATIONS FOR DEFAULTS

Agency and Program	In millions of dollars			As a percentage of outstanding loans [1]		
	1998 actual	1999 estimate	2000 estimate	1998 actual	1999 estimate	2000 estimate
DIRECT LOAN WRITEOFFS						
Agriculture:						
Agricultural credit insurance fund	320	327	330	3.39	3.61	3.96
Rural Development Insurance Fund	4	3	3	0.10	0.08	0.08
Rural Housing Insurance Fund	4	30	29	0.01	0.10	0.10
Rural development loans	1	1	1	0.34	0.32	0.29
Commerce:						
Economic development loans	....	1	1	....	1.96	2.22
Education:						
Student financial assistance	7	9	8	5.10	6.18	4.87
Federal direct student loan program	1	2	5	....	....	....
Housing and Urban Development:						
Revolving fund (liquidating programs)	5	....	....	2.27	....	....
FHA—Mutual mortgage insurance	....	1	2	....	6.89	6.55
Interior:						
BIA—Revolving funds for loans	2	5	4	2.59	6.84	6.06
State:						
Repatriation loans	1	1	1	25.00	25.00	25.00
Veterans Affairs:						
Veterans housing benefit program	49	49	24	3.38	3.14	1.61
Federal Emergency Management Agency:						
FEMA—Disaster Assistance	1	....	....	0.54	....	....
Small Business Administration:						
Disaster loans	16	23	18	0.23	0.32	0.25
Business loans	100	54	20	9.18	7.44	6.25
Other Independent Agencies:						
Spectrum auction program	2,539	....	....	37.39	....	....
Tennessee Valley Authority	2	1	1	4.65	2.06	1.73
Total, direct loan writeoffs	3,052	507	447	1.64	0.26	0.21
GUARANTEED LOAN TERMINATIONS FOR DEFAULT						
Agriculture:						
Agricultural credit insurance fund	66	87	101	0.93	1.20	1.31
CCC Export guarantee programs	78	402	465	1.80	8.80	9.94
Rural community advancement program	16	33	33	0.79	1.31	0.94
Rural Development Insurance Fund	54	32	19	23.78	17.53	17.11
Rural Housing Insurance Fund	27	44	61	0.37	0.51	0.54
Education:						
Federal family education	4,095	3,390	3,734	4.07	3.28	3.44

Table 8–6. DIRECT LOAN WRITE-OFFS AND GUARANTEED LOAN TERMINATIONS FOR DEFAULTS—Continued

Agency and Program	In millions of dollars			As a percentage of outstanding loans [1]		
	1998 actual	1999 estimate	2000 estimate	1998 actual	1999 estimate	2000 estimate
Health and Human Services:						
Health education assistance loan program	31	49	48	1.04	1.67	1.70
Housing and Urban Development:						
FHA—Mutual mortgage insurance	5,310	6,527	5,581	1.39	1.59	1.19
FHA—General and special risk	1,229	1,561	2,020	1.37	1.65	1.94
Transportation:						
Federal ship financing fund	....	34	....	....	9.71	....
Veterans Affairs:						
Veterans housing benefit program	2,544	3,424	3,682	1.27	1.63	1.61
International Assistance Programs:						
Foreign military financing	2	1	....	0.03	0.01	....
Microenterprise and other development	–1	1	2	–3.22	2.50	3.47
AID—Housing and other credit guaranty programs	39	25	12	1.74	1.09	0.51
Overseas Private Investment Corporation	7	63	66	0.25	2.14	1.92
Small Business Administration:						
Business loans	492	486	516	1.31	1.24	1.21
Other Independent Agencies:						
Export-Import Bank	330	237	421	1.51	1.05	1.82
Total, guaranteed loan terminations for default	14,319	16,396	16,761	1.00	1.11	1.05
Total, direct loan writeoffs and guaranteed loan terminations	17,371	16,903	17,208	1.07	1.01	0.96
ADDENDUM: WRITEOFFS OF DEFAULTED GUARANTEED LOANS THAT RESULT IN LOANS RECEIVABLE						
Education:						
Federal family education	515	455	463	2.93	2.52	2.42
Health and Human Services:						
Health education assistance loan program	20	20	20	3.80	3.73	3.61
Housing and Urban Development:						
FHA—Mutual mortgage insurance	53	34	1	8.26	10.39	5.40
FHA—General and special risk	224	133	319	9.23	5.20	11.70
Veterans Affairs:						
Veterans housing benefit program	567	541	544	73.06	71.84	75.60
Small Business Administration:						
Business loans	195	213	218	8.47	10.75	13.47
Total, writeoffs of loans receivable	1,574	1,396	1,565	5.04	4.47	4.91

[1] Average of loans outstanding for the year.

Table 8–7. APPROPRIATIONS ACTS LIMITATIONS ON CREDIT LOAN LEVELS [1]

(In millions of dollars)

Agency and Program	1998 Actual	Estimate 1999	Estimate 2000
DIRECT LOAN OBLIGATIONS			
Agriculture: [2]			
Agricultural credit insurance fund	803	946	782
Distance learning and telemedicine	5	150	200
Rural electrification and telecommunications	1,420	1,562	1,070
Rural electrification and telecommunications	....	....	400
Rural telephone bank	175	158	175
Rural water and waste disposal direct loans	752	724	900
Rural housing insurance fund	1,230	1,158	1,275
Rural community facility direct loans	206	169	250
Rural economic development	25	15	15
Rural development loan fund	35	33	102
Rural business and industry direct loans	50	50	50
P.L. 480 Direct credit	228	965	138
Housing and Urban Development:			
FHA-General and special risk	120	120	50
FHA-Mutual mortgage insurance	200	100	50
Interior:			
Bureau of Reclamation	31	38	43
State:			
Repatriation loans	1	1	1
Transportation:			
Minority business resource center	15	14	14
Transportation infrastructure finance and innovation program	....	1,600	1,800
Treasury:			
Community development financial institutions fund	32	32	53
Federal Emergency Management Agency:			
Disaster assistance	25	30	25
International Assistance Programs:			
Foreign military financing	100	167	....
Military debt reduction	5	....	....
Total, limitations on direct loan obligations	5,458	8,032	7,393
LOAN GUARANTEE COMMITMENTS			
Agriculture: [2]			
Agricultural credit insurance fund	1,653	1,880	2,227
Rural water and waste water disposal guaranteed loans	75	75	75
Rural housing insurance fund	3,040	3,075	3,300
Rural housing insurance fund	....	....	100
Rural community facility guaranteed loans	81	210	210
Rural business and industry guaranteed loans	1,099	1,078	1,000
Department of Defense:			
Defense export loan guarantee program	15,000	15,000	15,000
Health and Human Services:			
Health education assistance loans	85	....	....
Health center	160	151	51
Housing and Urban Development:			
Indian housing loan guarantee fund	67	69	72
Title VI Indian Federal guarantees	45	54	45
Community development loan guarantees	1,261	1,261	1,261
America's private investment companies	....	....	1,000
FHA-General and special risk	17,400	18,100	18,100
FHA-Loan guarantee recovery fund	10	8	....
FHA-Mutual mortgage insurance	110,000	110,000	120,000
Interior:			
Indian guaranteed loans	35	60	60
Transportation:			
Maritime guaranteed loan (Title XI)	1,000	120	120

Table 8–7. APPROPRIATIONS ACTS LIMITATIONS ON CREDIT LOAN LEVELS [1]—Continued

(In millions of dollars)

Agency and Program	1998 Actual	Estimate	
		1999	2000
International Assistance Programs:			
Overseas private investment corporation	1,800	1,750	1,100
Small Business Administration:			
Business loans	13,000	13,500	14,800
Other Independent Agencies:			
Presidio trust	....	....	200
Total, limitations on loan guarantee commitments	150,811	151,391	163,721
ADDENDUM: SECONDARY GUARANTEED LOAN COMMITMENT LIMITATIONS			
GNMA:			
Guarantees of mortgage-backed securities	130,000	150,000	200,000
Total, limitations on secondary guaranteed loan commitments	130,000	150,000	200,000

[1] Data represents loan level limitations enacted or proposed to be enacted in appropriation acts. For information on actual and estimated loan levels supportable by new subsidy budget authority requested, see Tables 8–3 and 8–4.

[2] Limitations for Agriculture are overridden by a general provision in the appropriations act.

Table 8–8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT

(in millions of dollars)

Agency and Account	1998 Actual	Estimate	
		1999	2000
Department of Agriculture			
Farm Service Agency			
Agricultural credit insurance fund liquidating account:			
Obligations	....	....	....
Loan disbursements	....	2	2
Change in outstandings	–1,010	–1,007	–998
Outstandings	6,699	5,692	4,694
Agricultural credit insurance fund direct loan financing account:			
Obligations	796	999	782
Loan disbursements	816	859	867
Change in outstandings	457	289	236
Outstandings	2,715	3,004	3,240
Commodity credit corporation fund:			
Obligations	7,189	8,813	10,524
Loan disbursements	7,189	8,813	10,524
Change in outstandings	864	–393	127
Outstandings	2,633	2,240	2,367
Rural Utilities Service			
Rural communication development fund liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–1	–1	....
Outstandings	8	7	7
Distance learning and telemedicine direct loan financing account:			
Obligations	5	150	200
Loan disbursements	....	47	136
Change in outstandings	....	44	122
Outstandings	....	44	166
Rural development insurance fund liquidating account:			
Obligations	....	....	....
Loan disbursements	4	3	....
Change in outstandings	–327	–305	–284
Outstandings	3,808	3,503	3,219
Rural electrification and telecommunications direct loan financing account:			
Obligations	1,322	1,562	1,470
Loan disbursements	942	1,549	1,265
Change in outstandings	800	1,463	1,163
Outstandings	5,106	6,569	7,732
Rural telephone bank direct loan financing account:			
Obligations	168	158	175
Loan disbursements	34	52	53
Change in outstandings	29	46	45
Outstandings	232	278	323
Rural water and waste disposal direct loans financing account:			
Obligations	786	730	900
Loan disbursements	613	937	751
Change in outstandings	547	896	700
Outstandings	2,807	3,703	4,403
Rural electrification and telecommunications liquidating account:			
Obligations	....	....	....
Loan disbursements	34	21	8
Change in outstandings	–1,170	–1,865	–2,949
Outstandings	27,076	25,211	22,262
Rural telephone bank liquidating account:			
Obligations	....	....	....
Loan disbursements	21	27	24
Change in outstandings	–92	–93	–96
Outstandings	1,172	1,079	983

Table 8–8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency and Account	1998 Actual	Estimate	
		1999	2000
Rural Housing Service			
Rural housing insurance fund liquidating account:			
Obligations	....	....	....
Loan disbursements	6	....	....
Change in outstandings	–1,243	–1,192	–1,143
Outstandings	19,704	18,512	17,369
Rural housing insurance fund direct loan financing account:			
Obligations	1,226	1,158	1,275
Loan disbursements	1,113	1,215	1,245
Change in outstandings	844	960	924
Outstandings	9,411	10,371	11,295
Rural community facility direct loans financing account:			
Obligations	211	171	250
Loan disbursements	137	193	217
Change in outstandings	113	176	195
Outstandings	606	782	977
Rural Business—Cooperative Service			
Rural economic development loans liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	....	....	–1
Outstandings	6	6	5
Rural economic development direct loan financing account:			
Obligations	25	15	15
Loan disbursements	16	22	17
Change in outstandings	8	15	7
Outstandings	50	65	72
Rural development loan fund direct loan financing account:			
Obligations	35	33	102
Loan disbursements	40	48	42
Change in outstandings	36	44	36
Outstandings	209	253	289
Rural business and industry direct loans financing account:			
Obligations	21	50	50
Loan disbursements	16	22	40
Change in outstandings	16	21	38
Outstandings	19	40	78
Rural development loan fund liquidating account:			
Obligations	....	....	....
Loan disbursements	1	1	1
Change in outstandings	–5	–4	–3
Outstandings	77	73	70
Foreign Agricultural Service			
Expenses, Public Law 480, foreign assistance programs, Agriculture liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–300	–369	–363
Outstandings	9,146	8,777	8,414
P.L. 480 Direct credit financing account:			
Obligations	228	965	138
Loan disbursements	217	986	167
Change in outstandings	158	983	162
Outstandings	1,529	2,512	2,674
P.L. 480 Title I Food for Progress Credits, financing account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	....	....	....
Outstandings	508	508	508

Table 8–8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency and Account	1998 Actual	Estimate 1999	Estimate 2000
Debt reduction—financing account:			
Obligations	....	....	....
Loan disbursements	....	142	80
Change in outstandings	....	140	78
Outstandings	63	203	281
Department of Commerce			
Economic Development Administration			
Economic development revolving fund liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–4	–6	–6
Outstandings	54	48	42
National Oceanic and Atmospheric Administration			
Fisheries finance, direct loan financing account:			
Obligations	34	229	56
Loan disbursements	27	251	56
Change in outstandings	26	247	52
Outstandings	26	273	325
Department of Defense—Military			
Operation and Maintenance			
Defense vessel transfer program financing account:			
Obligations	....	172	238
Loan disbursements	....	172	238
Change in outstandings	....	155	156
Outstandings	....	155	311
Family Housing			
Department of Defense, Family Housing Improvement, Direct Loan Financing Account:			
Obligations	....	....	11
Loan disbursements	....	....	11
Change in outstandings	....	....	11
Outstandings	....	....	11
Department of Education			
Office of Postsecondary Education			
Student financial assistance:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–4	17	20
Outstandings	137	154	174
College housing and academic facilities loans liquidating account:			
Obligations	....	....	....
Loan disbursements	4	....	....
Change in outstandings	–48	–35	–32
Outstandings	566	531	499
College housing and academic facilities loans financing account:			
Obligations	....	....	....
Loan disbursements	1	1	1
Change in outstandings	1	1	1
Outstandings	21	22	23
Federal direct student loan program, financing account:			
Obligations	13,861	17,853	17,868
Loan disbursements	12,140	16,117	16,014
Change in outstandings	10,458	14,691	13,690
Outstandings	31,670	46,361	60,051

Table 8–8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency and Account	1998 Actual	Estimate	
		1999	2000
Department of Energy			
Power Marketing Administration			
Bonneville Power Administration fund:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	....	....	....
Outstandings	2	2	2
Department of Health and Human Services			
Health Resources and Services Administration			
Medical facilities guarantee and loan fund:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–7	–7	–10
Outstandings	17	10	....
Department of Housing and Urban Development			
Public and Indian Housing Programs			
Low-rent public housing—loans and other expenses:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–70	–59	–45
Outstandings	1,492	1,433	1,388
Community Planning and Development			
Revolving fund (liquidating programs):			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–51	–40	–35
Outstandings	220	180	145
Community development loan guarantees liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–6	–4	–4
Outstandings	30	26	22
Housing Programs			
Nonprofit sponsor assistance liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	....	....	....
Outstandings	1	1	1
Flexible Subsidy Fund:			
Obligations	....	....	....
Loan disbursements	35	21	7
Change in outstandings	26	17	3
Outstandings	769	786	789
FHA-Mutual mortgage and cooperative housing insurance funds liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	....	–5	....
Outstandings	5	....	....
FHA-General and special risk insurance funds liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–6	–7	–7
Outstandings	72	65	58
FHA-General and special risk direct loan financing account:			
Obligations	1	20	50
Loan disbursements	1	20	50
Change in outstandings	1	18	45
Outstandings	1	19	64

Table 8–8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency and Account	1998 Actual	Estimate	
		1999	2000
Housing for the elderly or handicapped fund liquidating account:			
Obligations	....	....	....
Loan disbursements	5	....	....
Change in outstandings	–84	–88	–87
Outstandings	8,144	8,056	7,969
FHA-Mutual mortgage insurance direct loan financing account:			
Obligations	5	50	50
Loan disbursements	4	40	40
Change in outstandings	–1	22	15
Outstandings	1	23	38
Government National Mortgage Association			
Guarantees of mortgage-backed securities liquidating account:			
Obligations	....	....	....
Loan disbursements	129	127	106
Change in outstandings	26	65	42
Outstandings	358	423	465
Department of the Interior			
Bureau of Reclamation			
Bureau of reclamation loan liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–3	–3	–3
Outstandings	69	66	63
Bureau of Reclamation direct loan financing account:			
Obligations	30	38	43
Loan disbursements	39	35	46
Change in outstandings	39	35	45
Outstandings	120	155	200
National Park Service			
Construction and major maintenance:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	....	....	....
Outstandings	6	6	6
Bureau of Indian Affairs			
Revolving fund for loans liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–6	–6	–4
Outstandings	47	41	37
Indian direct loan financing account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–2	–2	–2
Outstandings	30	28	26
Insular Affairs			
Assistance to territories:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–1	–1	–2
Outstandings	18	17	15
Department of State			
Administration of Foreign Affairs			
Repatriation loans financing account:			
Obligations	1	1	1
Loan disbursements	1	1	1
Change in outstandings	....	....	....
Outstandings	4	4	4

Table 8–8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency and Account	1998 Actual	Estimate	
		1999	2000
Department of Transportation			
Office of the Secretary			
Minority business resource center direct loan financing account:			
Obligations	6	8	14
Loan disbursements	4	8	14
Change in outstandings	1	–3	3
Outstandings	7	4	7
Federal Highway Administration			
Right-of-way revolving fund liquidating account:			
Obligations	....	....	....
Loan disbursements	7	20	20
Change in outstandings	–2	–2	–4
Outstandings	182	180	176
Transportation infrastructure finance and innovation program direct loan financing account:			
Obligations	....	811	884
Loan disbursements	....	608	866
Change in outstandings	....	608	866
Outstandings	....	608	1,474
Federal Railroad Administration			
Amtrak corridor improvement loans liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–1	....	–1
Outstandings	5	5	4
Alameda Corridor direct loan financing account:			
Obligations	....	....	....
Loan disbursements	140	120	....
Change in outstandings	140	120	....
Outstandings	280	400	400
Railroad rehabilitation and improvement liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–4	–3	–5
Outstandings	56	53	48
Railroad rehabilitation and improvement direct loan financing account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	....	....	....
Outstandings	4	4	4
Department of the Treasury			
Departmental Offices			
Community development financial institutions fund direct loan financing account:			
Obligations	7	5	16
Loan disbursements	1	5	9
Change in outstandings	1	5	9
Outstandings	5	10	19
Department of Veterans Affairs			
Veterans Benefits Administration			
Veterans Housing Benefit Program Fund Liquidating Account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–94	–109	–56
Outstandings	326	217	161
Veterans Housing Benefit Program Fund Direct Loan Financing Account:			
Obligations	1,339	1,947	648
Loan disbursements	1,339	1,947	648
Change in outstandings	130	327	–300
Outstandings	1,122	1,449	1,149

Table 8–8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency and Account	1998 Actual	Estimate	
		1999	2000
Miscellaneous veterans housing loans direct loan financing account:			
Obligations	3	11	22
Loan disbursements	3	10	22
Change in outstandings	2	10	21
Outstandings	16	26	47
Miscellaneous veterans programs loan fund direct loan financing account:			
Obligations	2	2	3
Loan disbursements	2	2	2
Change in outstandings	....	....	....
Outstandings	....	....	....
Miscellaneous veterans programs loan fund liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	....	....	....
Outstandings	1	1	1
Environmental Protection Agency			
Abatement, control, and compliance direct loan liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–9	–9	–8
Outstandings	76	67	59
Abatement, control, and compliance direct loan financing account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–4	–5	–5
Outstandings	56	51	46
Federal Emergency Management Agency			
Disaster assistance direct loan liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	....	....	....
Outstandings	37	37	37
Disaster assistance direct loan financing account:			
Obligations	....	36	25
Loan disbursements	24	36	25
Change in outstandings	20	34	23
Outstandings	147	181	204
International Assistance Programs			
International Security Assistance			
Foreign military loan liquidating account:			
Obligations	....	....	....
Loan disbursements	9	8	8
Change in outstandings	–762	–816	–495
Outstandings	5,392	4,576	4,081
Foreign military financing direct loan financing account:			
Obligations	100	167	....
Loan disbursements	291	433	470
Change in outstandings	131	171	157
Outstandings	1,582	1,753	1,910
Military debt reduction financing account:			
Obligations	5	....	....
Loan disbursements	5	100	....
Change in outstandings	5	100	....
Outstandings	9	109	109
Multilateral Assistance			
International organizations and programs:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–2	–2	–2
Outstandings	30	28	26

Table 8–8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency and Account	1998 Actual	Estimate	
		1999	2000
Agency for International Development			
Economic assistance loans—liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–729	–547	–515
Outstandings	11,435	10,888	10,373
Debt reduction, financing account:			
Obligations	....	....	....
Loan disbursements	....	53	....
Change in outstandings	–57	–4	–57
Outstandings	282	278	221
Microenterprise and small enterprise development credit direct loan financing account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–1	....	....
Outstandings	1	1	1
Overseas Private Investment Corporation			
Overseas Private Investment Corporation liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–15	–8	–9
Outstandings	22	14	5
Overseas private investment corporation direct loan financing account:			
Obligations	76	136	130
Loan disbursements	26	60	70
Change in outstandings	–14	48	56
Outstandings	69	117	173
Small Business Administration			
Business direct loan financing account:			
Obligations	10	40	60
Loan disbursements	7	30	30
Change in outstandings	–10	9	16
Outstandings	99	108	124
Disaster direct loan financing account:			
Obligations	639	814	221
Loan disbursements	595	1,009	770
Change in outstandings	–25	543	38
Outstandings	5,605	6,148	6,186
Disaster loan fund liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–203	–213	–410
Outstandings	1,254	1,041	631
Business loan fund liquidating account:			
Obligations	....	....	....
Loan disbursements	55	62	41
Change in outstandings	–258	–737	–99
Outstandings	990	253	154
Other Independent Agencies			
District of Columbia Financing			
Loans to the District of Columbia for capital projects:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–12	–12	–12
Outstandings	39	27	15
Repayable advances to the District of Columbia direct loan financing account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–223	....	....
Outstandings	....	....	....

Table 8–8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency and Account	1998 Actual	Estimate	
		1999	2000
Export-Import Bank of the United States			
Export-Import Bank of the United States liquidating account:			
Obligations	....	....	....
Loan disbursements	2	....	....
Change in outstandings	–667	–2,526	–482
Outstandings	5,721	3,195	2,713
Debt reduction financing account:			
Obligations	....	....	....
Loan disbursements	514	2,059	118
Change in outstandings	514	2,059	118
Outstandings	514	2,573	2,691
Export-Import Bank direct loan financing account:			
Obligations	103	1,286	1,687
Loan disbursements	1,498	1,288	1,092
Change in outstandings	1,208	841	471
Outstandings	5,027	5,868	6,339
Farm Credit System Financial Assistance Corporation			
Financial assistance corporation assistance fund, liquidating account:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–199	–33	–17
Outstandings	933	900	883
Federal Communications Commission			
Spectrum auction direct loan financing account:			
Obligations	594	....	....
Loan disbursements	594	....	....
Change in outstandings	–2,071	....	–10
Outstandings	6,789	6,789	6,779
Bank Insurance			
Bank insurance fund:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	....	....	....
Outstandings	100	100	100
FSLIC Resolution			
FSLIC resolution fund:			
Obligations	....	....	....
Loan disbursements	....	....	....
Change in outstandings	–32	....	....
Outstandings	63	63	63
National Credit Union Administration			
Community development credit union revolving loan fund:			
Obligations	....	....	....
Loan disbursements	3	4	3
Change in outstandings	1	2	....
Outstandings	7	9	9
Tennessee Valley Authority			
Tennessee Valley Authority fund:			
Obligations	16	22	22
Loan disbursements	16	22	22
Change in outstandings	2	11	7
Outstandings	43	54	61
Subtotal, direct loan transactions:			
Obligations	28,844	38,452	37,930
Loan disbursements	28,720	39,608	36,239
Change in outstandings	6,769	14,712	11,137
Outstandings	185,790	200,502	211,639

Table 8–8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency and Account	1998 Actual	Estimate	
		1999	2000
ADDENDUM: DEFAULTED GUARANTEED LOANS THAT RESULT IN A LOAN RECEIVABLE			
Department of Agriculture			
Farm Service Agency			
Commodity credit corporation export guarantee financing account:			
Claim payments	72	402	465
Change in outstandings	69	394	450
Outstandings	1,375	1,769	2,219
Commodity credit corporation guaranteed loans liquidating account:			
Claim payments	6	....	....
Change in outstandings	–76	–133	–80
Outstandings	4,923	4,790	4,710
Department of Commerce			
National Oceanic and Atmospheric Administration			
Federal ship financing fund, fishing vessels liquidating account:			
Claim payments	....	....	....
Change in outstandings	....	....	....
Outstandings	24	24	24
Department of Education			
Office of Postsecondary Education			
Federal family education loan program, financing account:			
Claim payments	2,844	2,835	3,263
Change in outstandings	1,597	1,891	1,971
Outstandings	6,083	7,974	9,945
Federal family education loan liquidating account:			
Claim payments	953	287	188
Change in outstandings	–544	–867	–910
Outstandings	11,458	10,591	9,681
Department of Health and Human Services			
Health Resources and Services Administration			
Health education assistance loans financing account:			
Claim payments	14	15	20
Change in outstandings	14	13	18
Outstandings	32	45	63
Health education assistance loans liquidating account:			
Claim payments	29	40	34
Change in outstandings	24	6	....
Outstandings	494	500	500
Department of Housing and Urban Development			
Housing Programs			
FHA-Mutual mortgage and cooperative housing insurance funds liquidating account:			
Claim payments	....	3	2
Change in outstandings	6	–290	1
Outstandings	294	4	5
FHA-General and special risk insurance funds liquidating account:			
Claim payments	268	313	324
Change in outstandings	–166	–45	–298
Outstandings	2,044	1,999	1,701
FHA-General and special risk guaranteed loan financing account:			
Claim payments	197	381	472
Change in outstandings	171	310	369
Outstandings	381	691	1,060
FHA-Mutual mortgage insurance guaranteed loan financing account:			
Claim payments	30	6	11
Change in outstandings	62	–338	10
Outstandings	347	9	19

Table 8–8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency and Account	1998 Actual	Estimate	
		1999	2000
Department of the Interior			
Bureau of Indian Affairs			
Indian loan guaranty and insurance fund liquidating account:			
Claim payments	....	....	....
Change in outstandings	....	....	....
Outstandings	40	40	40
Indian guaranteed loan financing account:			
Claim payments	1	3	3
Change in outstandings	1	3	3
Outstandings	44	47	50
Department of Transportation			
Maritime Administration			
Federal ship financing fund liquidating account:			
Claim payments	....	34	....
Change in outstandings	....	19	–9
Outstandings	46	65	56
Department of Veterans Affairs			
Veterans Benefits Administration			
Veterans Housing Benefit Program Fund Liquidating Account:			
Claim payments	121	103	88
Change in outstandings	–45	–32	–27
Outstandings	620	588	561
Veterans Housing Benefit Program Fund Guaranteed Loan Financing Account:			
Claim payments	546	439	475
Change in outstandings	53	–14	6
Outstandings	156	142	148
International Assistance Programs			
International Security Assistance			
Foreign military loan liquidating account:			
Claim payments	26	11	25
Change in outstandings	....	5	25
Outstandings	1	6	31
Agency for International Development			
Housing and other credit guaranty programs liquidating account:			
Claim payments	56	31	15
Change in outstandings	–2	–400	–1
Outstandings	485	85	84
Microenterprise and small enterprise development guaranteed loan financing account:			
Claim payments	1	1	2
Change in outstandings	1	1	2
Outstandings	1	2	4
Overseas Private Investment Corporation			
Overseas private investment corporation guaranteed loan financing account:			
Claim payments	8	50	50
Change in outstandings	3	35	30
Outstandings	21	56	86
Small Business Administration			
Pollution control equipment fund liquidating account:			
Claim payments	....	....	....
Change in outstandings	–1	....	–1
Outstandings	45	45	44
Business guaranteed loan financing account:			
Claim payments	416	425	475
Change in outstandings	–36	–700	–128
Outstandings	834	134	6

Table 8–8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency and Account	1998 Actual	Estimate	
		1999	2000
Business loan fund liquidating account:			
Claim payments	76	61	41
Change in outstandings	76	61	41
Outstandings	1,466	1,527	1,568
Subtotal, defaulted guaranteed loans that result in a loan receivable:			
Claim payments	5,664	5,440	5,953
Change in outstandings	1,207	–81	1,472
Outstandings	31,214	31,133	32,605
Total:			
Obligations	28,844	38,452	37,930
Loan disbursements	34,384	45,048	42,192
Change in outstandings	7,976	14,631	12,609
Outstandings	217,004	231,635	244,244

Table 8–9. GUARANTEED LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT

(in millions of dollars)

Agency and Account	1998 Actual	Estimate	
		1999	2000
Department of Agriculture			
Farm Service Agency			
Agricultural credit insurance fund liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–218	–213	–212
Outstandings	776	563	351
Agricultural credit insurance fund guaranteed loan financing account:			
Commitments	1,653	1,880	2,227
New guaranteed loans	1,493	1,842	2,182
Change in outstandings	253	535	742
Outstandings	6,292	6,827	7,569
Commodity credit corporation export guarantee financing account:			
Commitments	5,000	4,721	4,506
New guaranteed loans	2,733	4,721	4,506
Change in outstandings	–216	471	–255
Outstandings	4,332	4,803	4,548
Commodity credit corporation guaranteed loans liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–16	....	....
Outstandings	....	....	....
Natural Resources Conservation Service			
Agricultural resource conservation demonstration guaranteed loan financing account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	....	....	....
Outstandings	24	24	24
Rural Utilities Service			
Rural communication development fund liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	....	–1	....
Outstandings	5	4	4
Rural development insurance fund liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–148	–89	–54
Outstandings	227	138	84
Rural water and waste water disposal guaranteed loans financing account:			
Commitments	15	75	75
New guaranteed loans	4	20	69
Change in outstandings	4	19	67
Outstandings	11	30	97
Rural electrification and telecommunications liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–24	–20	–20
Outstandings	618	598	578
Rural Housing Service			
Rural housing insurance fund liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–3	–3	–3
Outstandings	27	24	21
Rural housing insurance fund guaranteed loan financing account:			
Commitments	2,862	3,075	3,400
New guaranteed loans	2,416	2,927	3,125
Change in outstandings	2,167	2,585	2,669
Outstandings	7,206	9,791	12,460

Table 8–9. GUARANTEED LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency and Account	1998 Actual	Estimate	
		1999	2000
Rural community facility guaranteed loans financing account:			
Commitments	65	210	210
New guaranteed loans	47	81	131
Change in outstandings	34	74	119
Outstandings	155	229	348
Rural Business—Cooperative Service			
Rural business and industry guaranteed loans financing account:			
Commitments	1,171	1,096	1,000
New guaranteed loans	801	1,019	1,019
Change in outstandings	597	879	841
Outstandings	1,855	2,734	3,575
Department of Commerce			
Economic Development Administration			
Economic development revolving fund liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–2	–1	–1
Outstandings	13	12	11
National Oceanic and Atmospheric Administration			
Fisheries finance, guaranteed loan financing account:			
Commitments	....	....	....
New guaranteed loans	8	....	....
Change in outstandings	–14	–22	–22
Outstandings	80	58	36
Federal ship financing fund, fishing vessels liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–17	–12	–10
Outstandings	68	56	46
Department of Defense—Military			
Operation and Maintenance			
Defense export loan guarantee financing account:			
Commitments	....	25	....
New guaranteed loans	15	11	19
Change in outstandings	15	7	15
Outstandings	15	22	37
Procurement			
Arms Initiative Guaranteed Loan Financing Account:			
Commitments	10	21	18
New guaranteed loans	10	21	18
Change in outstandings	10	21	16
Outstandings	10	31	47
Family Housing			
Department of Defense, Family Housing Improvement, Guaranteed Loan Financing Account:			
Commitments	....	177	697
New guaranteed loans	....	....	....
Change in outstandings	....	....	....
Outstandings	....	....	....
Department of Education			
Office of Postsecondary Education			
Federal family education loan liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–7,465	–5,367	–4,075
Outstandings	16,118	10,751	6,676

Table 8–9. GUARANTEED LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency and Account	1998 Actual	Estimate	
		1999	2000
Federal family education loan program, financing account:			
Commitments	26,820	26,182	27,780
New guaranteed loans	21,966	23,170	24,550
Change in outstandings	9,016	10,685	9,007
Outstandings	84,402	95,087	104,094
Historically black college and university capital financing, guaranteed loan financing account:			
Commitments	....	....	....
New guaranteed loans	....	1	7
Change in outstandings	....	1	7
Outstandings	....	1	8
Department of Health and Human Services			
Health Resources and Services Administration			
Health education assistance loans financing account:			
Commitments	85	....	....
New guaranteed loans	85	....	....
Change in outstandings	68	–16	–21
Outstandings	1,562	1,546	1,525
Health education assistance loans liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–66	–91	–96
Outstandings	1,412	1,321	1,225
Health center guaranteed loan financing account:			
Commitments	9	100	51
New guaranteed loans	9	73	48
Change in outstandings	9	73	48
Outstandings	9	82	130
Medical facilities guarantee and loan fund:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–60	–40	–30
Outstandings	82	42	12
Department of Housing and Urban Development			
Public and Indian Housing Programs			
Low-rent public housing—loans and other expenses:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–279	–279	–279
Outstandings	3,307	3,028	2,749
Indian housing loan guarantee fund financing account:			
Commitments	22	69	72
New guaranteed loans	24	34	40
Change in outstandings	21	34	40
Outstandings	38	72	112
Title VI Indian Federal guarantees financing account:			
Commitments	....	54	45
New guaranteed loans	....	....	....
Change in outstandings	....	....	....
Outstandings	....	....	....
Community Planning and Development			
Revolving fund (liquidating programs):			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	....	–1	–1
Outstandings	2	1	....
Community development loan guarantees financing account:			
Commitments	382	1,261	1,261
New guaranteed loans	547	1,000	1,000
Change in outstandings	415	800	800
Outstandings	1,190	1,990	2,790

Table 8–9. GUARANTEED LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency and Account	1998 Actual	Estimate	
		1999	2000
Community development loan guarantees liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–33	–30	–25
Outstandings	165	135	110
America's private investment companies financing account:			
Commitments	....	....	1,000
New guaranteed loans	....	....	730
Change in outstandings	....	....	730
Outstandings	....	....	730
Housing Programs			
FHA-Mutual mortgage and cooperative housing insurance funds liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–16,725	–5,150	–4,579
Outstandings	71,030	65,880	61,301
FHA-General and special risk insurance funds liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–5,815	–1,787	–2,536
Outstandings	36,590	34,803	32,267
FHA-General and special risk guaranteed loan financing account:			
Commitments	15,513	18,100	16,507
New guaranteed loans	15,074	17,153	16,118
Change in outstandings	7,034	12,151	10,568
Outstandings	52,697	64,848	75,416
FHA-Loan guarantee recovery fund—financing account:			
Commitments	2	8	....
New guaranteed loans	1	5	4
Change in outstandings	1	5	4
Outstandings	1	6	10
FHA-Mutual mortgage insurance guaranteed loan financing account:			
Commitments	100,245	96,218	112,873
New guaranteed loans	90,518	86,398	96,162
Change in outstandings	36,559	62,908	63,739
Outstandings	309,309	372,217	435,956
Government National Mortgage Association			
Guarantees of mortgage-backed securities liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–434,033	–88,444	–6,954
Outstandings	96,009	7,565	611
Guarantees of mortgage-backed securities financing account:			
Commitments	130,000	150,000	200,000
New guaranteed loans	138,450	119,390	127,884
Change in outstandings	445,615	92,791	18,409
Outstandings	445,615	538,406	556,815
Department of the Interior			
Bureau of Indian Affairs			
Indian loan guaranty and insurance fund liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–17	–13	–8
Outstandings	40	27	19
Indian guaranteed loan financing account:			
Commitments	35	60	60
New guaranteed loans	28	45	45
Change in outstandings	11	24	15
Outstandings	113	137	152

Table 8–9. GUARANTEED LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency and Account	1998 Actual	Estimate	
		1999	2000
Department of Transportation			
Maritime Administration			
Federal ship financing fund liquidating account:			
Commitments			
New guaranteed loans			
Change in outstandings	–150	–94	–58
Outstandings	397	303	245
Maritime guaranteed loan (Title XI) financing account:			
Commitments	686	120	120
New guaranteed loans	686	120	120
Change in outstandings	430	–146	–175
Outstandings	2,457	2,311	2,136
Department of Veterans Affairs			
Veterans Benefits Administration			
Veterans Housing Benefit Program Fund Liquidating Account:			
Commitments			
New guaranteed loans	9		
Change in outstandings	–488	–454	–379
Outstandings	23,408	22,954	22,575
Veterans Housing Benefit Program Fund Guaranteed Loan Financing Account:			
Commitments	39,862	32,635	31,237
New guaranteed loans	40,980	33,455	32,311
Change in outstandings	30,202	19,860	17,189
Outstandings	176,777	196,637	213,826
Miscellaneous veterans housing loans guaranteed loan financing account:			
Commitments			7
New guaranteed loans			7
Change in outstandings			7
Outstandings			7
International Assistance Programs			
International Security Assistance			
Foreign military loan liquidating account:			
Commitments			
New guaranteed loans			
Change in outstandings	–387	–380	–373
Outstandings	5,304	4,924	4,551
Agency for International Development			
Loan guarantees to Israel financing account:			
Commitments			
New guaranteed loans	1,412		
Change in outstandings	1,412		
Outstandings	9,226	9,226	9,226
Development credit authority guaranteed loan financing account:			
Commitments		120	320
New guaranteed loans		31	95
Change in outstandings		31	95
Outstandings		31	126
Housing and other credit guaranty programs liquidating account:			
Commitments			
New guaranteed loans	19	20	10
Change in outstandings	–50	–34	–46
Outstandings	1,834	1,800	1,754
Private sector revolving fund liquidating account:			
Commitments			
New guaranteed loans			
Change in outstandings	–8		
Outstandings			

Table 8–9. GUARANTEED LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency and Account	1998 Actual	Estimate	
		1999	2000
Microenterprise and small enterprise development guaranteed loan financing account:			
Commitments	160	191	200
New guaranteed loans	12	39	41
Change in outstandings	–1	18	17
Outstandings	31	49	66
Urban and environmental credit guaranteed loan financing account:			
Commitments	18	14	26
New guaranteed loans	64	107	35
Change in outstandings	64	107	35
Outstandings	407	514	549
Assistance for the New Independent States of the Former Soviet Union: Ukraine export credit insurance financing account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–81	–61	....
Outstandings	61	....	....
Overseas Private Investment Corporation			
Overseas Private Investment Corporation liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–60	–53	–26
Outstandings	81	28	2
Overseas private investment corporation guaranteed loan financing account:			
Commitments	2,418	2,600	2,100
New guaranteed loans	760	950	1,000
Change in outstandings	632	550	500
Outstandings	2,613	3,163	3,663
Small Business Administration			
Pollution control equipment fund liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–19	–11	–11
Outstandings	57	46	35
Business guaranteed loan financing account:			
Commitments	10,970	14,770	16,471
New guaranteed loans	9,671	7,336	7,597
Change in outstandings	3,488	4,039	4,167
Outstandings	33,695	37,734	41,901
Business loan fund liquidating account:			
Commitments	....	....	....
New guaranteed loans	1	1	1
Change in outstandings	–1,201	–698	–579
Outstandings	3,804	3,106	2,527
Other Independent Agencies			
Export-Import Bank of the United States			
Export-Import Bank of the United States liquidating account:			
Commitments	....	....	....
New guaranteed loans	....	....	....
Change in outstandings	–661	–493	–287
Outstandings	1,707	1,214	927
Export-Import Bank guaranteed loan financing account:			
Commitments	10,447	12,737	15,172
New guaranteed loans	10,102	12,229	11,802
Change in outstandings	329	1,782	405
Outstandings	20,072	21,854	22,259

Table 8–9. GUARANTEED LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency and Account	1998 Actual	Estimate	
		1999	2000
National Credit Union Administration			
Credit union share insurance fund:			
Commitments	1	1	....
New guaranteed loans	....	....	....
Change in outstandings	....	–1	....
Outstandings	1	....	....
Presidio Trust			
Presidio trust guaranteed loan financing account:			
Commitments	....	....	150
New guaranteed loans	....	....	150
Change in outstandings	....	....	150
Outstandings	....	....	150
Subtotal, Guaranteed loans (gross)			
Commitments	348,451	366,520	437,585
New guaranteed loans	337,945	312,199	330,826
Change in outstandings	70,129	106,446	109,286
Outstandings	1,423,337	1,529,783	1,639,069
Less, secondary guaranteed loans: [1]			
GNMA guarantees of FmHA/VA/FHA pools:			
Commitments	–130,000	–150,000	–200,000
New guaranteed loans	–138,450	–119,390	–127,884
Change in outstandings	–11,582	–4,347	–11,455
Outstandings	–541,624	–545,971	–557,426
Total, primary guaranteed loans:			
Commitments	218,451	216,520	237,585
New guaranteed loans	199,495	192,809	202,942
Change in outstandings	58,547	102,099	97,831
Outstandings	881,713	983,812	1,081,643

[1] Loans guaranteed by FHA, VA, or FmHA are included above. GNMA places a secondary guarantee on these loans, so they are deducted here to avoid double counting.

Table 8–10. LENDING AND BORROWING BY GOVERNMENT-SPONSORED ENTERPRISES (GSEs) [1]

(in millions of dollars)

Enterprise	1998 Actual	Estimate	
		1999	2000
LENDING			
Student Loan Marketing Association:			
New transactions	8,310	8,295	8,766
Net change	–4,791	–3,420	–5,787
Outstandings	29,468	26,048	20,261
Federal National Mortgage Association:			
FNMA corporation accounts:			
New transactions	136,759	159,075	106,308
Net change	71,499	100,812	55,636
Outstandings	393,210	494,022	549,658
FNMA mortgage-backed securities:			
New transactions	275,533	346,794	204,271
Net change	60,509	98,275	58,480
Outstandings	627,451	725,726	784,206
Federal Home Loan Mortgage Corporation:			
FHLMC corporation accounts:			
New transactions	100,869	49,000	45,000
Net change	59,357	20,000	20,000
Outstandings	216,522	236,522	256,522
FHLMC participation certificates pools:			
New transactions	217,539	175,000	169,000
Net change	20,672	21,581	22,530
Outstandings	490,687	512,268	534,798
Farm Credit System:			
Bank for Cooperatives:			
New transactions	8,267	7,171	6,892
Net change	–192	17	102
Outstandings	1,835	1,852	1,954
Agricultural credit bank:			
New transactions	41,710	45,000	50,000
Net change	–185	874	897
Outstandings	14,776	15,650	16,547
Farm Credit Banks:			
New transactions	36,673	36,936	37,754
Net change	3,063	1,208	1,274
Outstandings	44,061	45,269	46,543
Federal Agricultural Mortgage Corporation:			
New transactions	349	436	545
Net change	234	292	366
Outstandings	1,048	1,340	1,706
Federal Home Loan Banks: [2]			
New transactions	952,121	952,121	952,121
Net change	63,819	63,819	63,819
Outstandings	245,647	309,466	373,285
Subtotal GSE lending (gross):			
New transactions	1,778,130	1,779,828	1,580,657
Net change	273,985	303,458	217,317
Outstandings	2,064,705	2,368,163	2,585,480
Less guaranteed loans purchased by:			
Student Loan Marketing Association: [3]			
Net change	–4,791	–3,420	–5,787
Outstandings	29,468	26,048	20,261
Federal National Mortgage Corporation:			
Net change	3,753	....	....
Outstandings	31,626	31,626	31,626
Other:			
Net change	–1,134	....	....
Outstandings	14,525	14,525	14,525
Total GSE lending (net):			
New transactions	1,778,130	1,779,828	1,580,657
Net change	276,157	306,878	223,104
Outstandings	1,989,086	2,295,564	2,519,068

Table 8–10. LENDING AND BORROWING BY GOVERNMENT-SPONSORED ENTERPRISES (GSEs) [1]—Continued

(in millions of dollars)

Enterprise	1998 Actual	Estimate	
		1999	2000
BORROWING			
Student Loan Marketing Association:			
Net Change	–6,713	–4,990	–5,384
Outstandings	33,517	28,527	23,143
Federal National Mortgage Association:			
FNMA corporation accounts:			
Net Change	72,579	63,774	56,010
Outstandings	430,582	494,356	550,366
FNMA mortgage-backed securities:			
Net Change	60,509	98,275	58,480
Outstandings	627,451	725,726	784,206
Federal Home Loan Mortgage Corporation:			
FHLMC corporation accounts:			
Net Change	72,943	20,000	20,000
Outstandings	232,994	252,994	272,994
FHLMC participation certificates pools:			
Net Change	20,672	21,581	22,530
Outstandings	490,687	512,268	534,798
Farm Credit System:			
Bank for Cooperatives:			
Net Change	–241	–10	47
Outstandings	1,826	1,816	1,863
Agricultural credit bank:			
Net Change	–216	755	845
Outstandings	16,253	17,008	17,853
Farm Credit Banks:			
Net Change	4,126	1,047	1,556
Outstandings	47,714	48,761	50,327
Federal Agricultural Mortgage Corporation:			
Net Change	285	148	184
Outstandings	1,598	1,746	1,930
Federal Home Loan Banks:			
Net Change	51,717	61,761	62,221
Outstandings	336,262	398,023	460,244
Financing Corporation:			
Net Change	1	1	1
Outstandings	8,145	8,146	8,147
Resolution Funding Corporation:			
Net Change	–3	–2	–2
Outstandings	30,069	30,067	30,065
Subtotal GSE borrowing (gross):			
Net change	275,659	262,340	216,488
Outstandings	2,257,098	2,519,438	2,735,936
Less borrowing from other GSEs:			
Net Change	14,398	....	....
Outstandings	65,557	65,557	65,557
Less purchase of Federal debt securities:			
Net Change	–841	412	580
Outstandings	8,123	8,535	9,115
Less borrowing to purchase loans guaranteed by:			
Student Loan Marketing Association: [4]			
Net change	–4,791	–3,420	–5,787
Outstandings	29,468	26,048	20,261
Federal National Mortgage Corporation:			
Net change	3,753	....	....
Outstandings	31,626	31,626	31,626
Other:			
Net change	–1,134	....	....
Outstandings	14,525	14,525	14,525

Table 8–10. LENDING AND BORROWING BY GOVERNMENT-SPONSORED ENTERPRISES (GSEs) [1]—Continued

(in millions of dollars)

Enterprise	1998 Actual	Estimate	
		1999	2000
Total GSE borrowing (net):			
Net change	293,070	265,348	221,695
Outstandings	2,238,913	2,504,261	2,725,966

[1] The estimates of borrowing and lending were developed by the GSEs based on certain assumptions that they made. The estimates are subject to periodic review and revision and do not represent offficial GSE forecasts of future activity. The data for all years include programs of mortgage-backed securities. In cases where a GSE owns securities issued by the same GSE, including mortgage-backed securities, the borrowing and lending data for that GSE are adjusted to remove double-counting.

[2] The lending by the Federal Home Loans Banks measures their advances to member thrift and other financial institutions. In addition, their investment in private financial instruments at the end of 1998 was $135 billion, including federally guaranteed securities and GSE securities.

[3] The change in debt outstanding is due solely to the amortization of discounts and premiums. No sale or redemption of debt securities is estimates to occur in 1999 or 2000.

[4] All SLMA loans acquired are guaranteed by the Federal Government and therefore also counted as guaranteed loans.

9. AID TO STATE AND LOCAL GOVERNMENTS [1]

State and local governments have a vital constitutional responsibility to provide government services. They have the major role in providing domestic public services, such as public education, law enforcement, roads, water supply, and sewage treatment. The Federal Government contributes to that role both by promoting a healthy economy and by providing grants, loans, and tax subsidies to State and local governments.

Federal grants help State and local governments finance programs covering most areas of domestic public spending, including income support, infrastructure, education, and social services. Federal grant outlays were $246.1 billion in 1998 and are estimated to increase to $262.2 billion in 1999 and $283.5 billion in 2000.

Grant outlays for payments for individuals, such as Medicaid, are estimated to be 62 percent of total grants in 2000; for physical capital investment, 17 percent; and for all other purposes, largely education, training, and social services, 21 percent.

Federal aid to State and local governments is also provided through tax expenditures. Tax expenditures are revenue losses due to preferential provisions of the Federal tax laws, such as special exclusions, exemptions, deductions, credits, deferrals, or tax rates.

The two major tax expenditures benefiting State and local governments are the deductibility of personal income and property taxes from gross income for Federal income tax purposes, and the exclusion of interest on State and local securities from Federal taxation. These provisions, on an outlay equivalent basis, are estimated to be $73.4 billion in 1999 and $76.9 billion in 2000. A detailed discussion of the measurement and definition of tax expenditures and a complete list of the amount of specific tax expenditures are in Chapter 5, "Tax Expenditures." As discussed in that chapter, there are generally interactions among tax expenditure provisions, so that the estimates above only approximate the aggregate effect of these provisions.

Tax expenditures that especially aid State and local governments are displayed separately at the end of Table 5–5 in that chapter.

Table 9–1. FEDERAL GRANT OUTLAYS BY AGENCY

(In billions of dollars)

Agency	1998 actual	Estimate	
		1999	2000
Department of Agriculture	18.5	19.4	19.6
Department of Commerce	0.5	0.5	0.6
Department of Education	18.1	18.7	21.4
Department of Energy	0.2	0.2	0.2
Department of Health and Human Services	138.8	149.1	160.2
Department of Housing and Urban Development	24.3	23.5	24.6
Department of the Interior	1.9	2.3	2.2
Department of Justice	3.5	3.6	5.5
Department of Labor	7.2	8.5	9.3
Department of Transportation	26.1	29.1	31.6
Department of the Treasury	0.4	0.4	0.4
Department of Veterans Affairs	0.3	0.3	0.4
Environmental Protection Agency	2.7	3.0	3.4
Federal Emergency Management Agency	1.9	2.3	2.5
Other agencies	1.7	1.5	1.4
Total	246.1	262.2	283.5

Table 9–1 shows the distribution of grants by agency. Grant outlays for the Department of Health and Human Services are estimated to be $160.2 billion in 2000, 57 percent of total grants, more than five times as much as any other agency.

HIGHLIGHTS OF THE FEDERAL AID PROGRAM

Major proposals in this budget affect Federal aid to State and local governments and the important relationships between the levels of government. Through the use of grants, the Federal government can share with State and local governments the cost and, ultimately, the benefits of a better educated, healthier, and safer citizenry. The Administration is committed to a Federal system that is more efficient and effective and to improving the design and administration of Federal grants.

This budget continues the Administration's commitment to giving State and local governments increased flexibility. Through the use of grants, Federal agencies can create partnerships with State and local governments that focus on joint goals and the progress made toward meeting them.

In addition, this budget proposes several initiatives to increase access to health care, to increase child care assistance for low-income families, to help States recruit new teachers and reduce class sizes, to encourage economic re-vitalization, and to protect the environment and encourage "smart-growth." Additional information

[1] Federal aid to State and local governments is defined as the provision of resources by the Federal Government to support a State or local program of governmental service to the public. The three primary forms of aid are grants, loans, and tax expenditures.

on these and other proposals can be found in the main budget volume.

Medicaid.—Medicaid is the largest grant program. Outlays for Medicaid are projected to be $114.7 billion in 2000. The Administration proposes to give States the option of expanding Medicaid eligibility for people who need nursing home care but choose to live in the community. Capital grants would be available for the conversion of elderly housing projects to assisted living facilities where States agree to provide new Medicaid home and community based services at those facilities. The budget also proposes to give States increased flexibility to set higher income and resource standards for people with disabilities, and to adopt more generous income and resource standards to cover individuals who no longer meet disability criteria because of medical improvement. The Administration would also restore Medicaid eligibility to three vulnerable groups of legal immigrants: children, pregnant women, and the disabled. The budget also would enable States to incrase spending outreach to eligible children.

Other health.—The Children's Health Insurance Program, with projected grant budget authority of $4.2 billion in 2000, extends health insurance coverage to as many as 5 million uninsured children. The budget seeks to expand coverage to qualified legal immigrant children who entered the United States after the enactment of welfare reform. In addition, $144 million in increased funding for Puerto Rico and the other four territories is requested.

Energy.—The budget includes $191 million in budget authority for energy conservation grants to States, the same as requested in 1999. Of this amount, $154 million is for the Weatherization Assistance Program, which will help to weatherize about 77,000 low-income homes. The remaining $37 million is for the State Energy Program, which assists States in suporting innovative energy conservation projects and energy efficient improvements to State and municipal buildings.

Education.—The budget includes $7.9 billion in outlays for Title I grants to school districts to help them provide educational services to over 12 million children in poor communities. Title I provides funds to raise the educational achievement of disadvantaged children. The budget proposes $5.3 billion for Head Start in 2000. The funding would add 35 thousand pre-school slots and 7,000 Early Head Start slots in 2000 to the 835,000 low income children who will be served by Head Start in 1999.

The budget would also provide $1.4 billion to help schools recruit, hire and train 100,000 new teachers by 2005 and reduce class size to an average of 18 students in the early grades.

Training.—The budget proposes $1.6 billion to fund the dislocated worker assistance program to provide re-adjustment services, job search assistance, training, and other services to help dislocated workers, including those displaced by trade and related causes, find new jobs as quickly as possible.

Welfare-to-work.—To help reach the Temporary Assistance for Needy Families program's employment goal for the most severely disadvantaged welfare recipients, the budget includes $1.0 billion in budet authority for 2000 to continue the program, and to provide non-custodial parents of children on welfare the work and employment services they need to help them contribute to the support of their children.

Transportation.—The budget includes more than $31.6 billion in outlays for transportation grants to States and local governments in 2000. Of this amount, grants to maintain and improve surface transportation infrastructure include $25.8 billion in outlays for highways and $4.0 billion in outlays for mass transit. In addition $1.8 billion in outlays are proposed for grants to improve the Nation's airports.

Agriculture.—The budget includes $30 million in mandatory grants to State universities and other agricultural research entities through the Fund for Rural America (an additional $30 million from the Fund will be available for rural development programs). Research, extension and education grants are provided to improve international competitiveness and profitability of producers, reduce economic and health risks, develop new crops, and preserve plant and animal germ-plasm.

Community and regional development.—The budget proposes additional funding for the new Empowerment Zones and Enterprise Communities (EZ/ECs) announced in January 1999. The additional funding would be used to stimulate the public-private partnerships needed for large scale job creation. Funding for several mandatory initiatives is proposed for 2000: $105 million for urban Empowerment Zones; $45 million for Strategic Planning Communities; $10 million for rural Empowerment Zones; and $5 million for rural Enterprise Communities.

The budget also includes $10 million for the Department of Housing and Urban Development's Planning/Implementation Grants and $10 million for technical assistance to urban EZ/ECs. The original EZ/ECs have already proven successful in leveraging private sector funds and promoting economic opportunity and community-wide revitalization. In addition, the Brownfields Redevelopment Initiative would be extended to allow cities to clean up polluted sites, returning them to productive uses that create jobs and address the economic development needs of communities in and around those sites.

The budget includes a new Department of Agriculture program to provide $5 million for partnership technical assistance grants to help rural communities develop comprehensive strategies for revitalization and better coordinate Federal assistance.

Rural development.—The Administration proposes to give States, localities, and tribes more flexibility in how they use the Department of Agriculture's (USDA) Rural Development grants and loans for businesses, water and wastewater facilities, and community facilities such as day care centers and health clinics. The 1996 Farm Bill authorized this approach through a new Rural

Community Assistance Program (RCAP), combining 12 separate USDA programs into a Performance Partnership that can tailor assistance to the unique economic development needs of each rural community. The budget proposes $3.0 billion in loans and grants for RCAP, 9 percent more than in 1999, and the full flexibility that the 1996 Farm Bill envisioned.

Environment.—The budget proposes $825 million in capitalization grants for Drinking Water State Revolving Funds (SRFs), which make low-interest loans to help municipalities meet the requirements of the Safe Drinking Water Act Amendments. These funds help ensure that Americans have safe, clean, drinking water. In addition, $800 million in capitalization grants are proposed for Clean Water SRFs to help municipalities reduce beach closure and keep waterways safe and clean. The budget also includes $200 million for the Clean Air Partnership Fund, which would finance demonstration projects that achieve early air pollution and greenhouse gas emission reductions.

In addition, the budget includes a new $200 million program to provide grants to States, tribes, and localities, to acquire lands and easements in support of the Lands Legacy Initiative, including open space, wildlife habitat, urban parks, outdoor recreation, greenways, and coastal wetlands. The Land and Water Conservation Fund (LWCF) State grants program, which has not been funded since 1995, would be re-engineered for the next century as a tool for smart growth and open space preservation. It would include a new State planning grants program and be designed to work with the Department of Housing and Urban Development's "Regional Connections" proposal. The program would be administered by the Interior Department, which would award competitive matching grants.

The budget also includes $100 million in budget authority for the new Pacific Coastal Salmon Recovery fund to help share the costs of state, tribal and local initiatives to recover coastal salmon runs in Washington, Oregon, California and Alaska. The fund will be administered through Commerce's National Oceanic and Atmospheric Administration, and will make grants that match non-Federal contributions dollar for dollar.

HISTORICAL PERSPECTIVES

In recent decades, Federal aid to State and local governments has become a major factor in the financing of certain government functions. The rudiments of the present system date back to the Civil War. The Morrill Act, passed in 1862, established the land grant colleges and instituted certain federally-required standards for States that received the grants, as is characteristic of the present grant programs. Federal aid was later initiated for agriculture, highways, vocational education and rehabilitation, forestry, and public health. In the depression years, Federal aid was extended to meet income security and other social welfare needs. However, Federal grants did not become a significant factor in Federal Government expenditures until after World War II.

Table 9–2 displays trends in Federal grants to State and local governments since 1960. Section A shows Federal grants by function. Functions with a substantial amount of grants are shown separately. Grants for the national defense, energy, and the veterans benefits and services functions are combined in the "other functions" line in the table.

Federal grants for transportation increased to $3.0 billion, or 43 percent of all Federal grants, in 1960 after initiation of aid to States to build the Interstate Highway System in the late 1950s.

By 1970 there had been significant increases in the relative amounts for education, training, employment, social services, and health (largely Medicaid).

In the early and mid-1970s, major new grants were created for natural resources and environment (construction of sewage treatment plants), community and regional development (community development block grants), and general government (general revenue sharing).

Since the late 1970s changes in the relative amounts among functions reflect steady growth of grants for health (Medicaid) and income security and restraint in most other areas. The functions with the largest amount of grants are health; income security; education, training, employment, and social services; and transportation, with combined estimated grant outlays of $260 billion or 92 percent of estimated total grant outlays in 2000.

An increase in funding for grants overall since 1990 has been driven by increases in grants for health, which increased by more than 175 percent from $43.9 billion in 1990 to an estimated $121.8 billion in 2000. The income security; education, training, employment, and social services; and transportation functions also increased substantially, but at a slower rate than the increase for health.

Section B of the Table shows the distribution of grants divided into mandatory and discretionary spending.

Funding for grant programs classified as mandatory occurs in authorizing legislation. Funding levels for mandatory programs can only be changed by changing eligibility criteria or benefit formulas established in law and are not subject to the annual appropriations process. Outlays for mandatory grant programs are estimated to be $167.6 billion in 2000. The three largest mandatory grant programs are Medicaid, with estimated outlays of $114.7 billion in 2000, Temporary Assistance to Needy Families, $14.1 billion in 2000, and Food Stamp grants for State administration and Child nutrition programs, with combined outlays of $12.7 billion in 2000.

The funding level for discretionary grant programs is subject to approval by Congress annually through

Table 9–2. TRENDS IN FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS

(Outlays; dollar amounts in billions)

	Actual									Estimate					
	1960	1965	1970	1975	1980	1985	1990	1995	1998	1999	2000	2001	2002	2003	2004
A. Distribution of grants by function:															
Natural resources and environment	0.1	0.2	0.4	2.4	5.4	4.1	3.7	4.1	3.8	4.3	4.8	5.2	4.9	4.9	4.9
Agriculture	0.2	0.5	0.6	0.4	0.6	2.4	1.3	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Transportation	3.0	4.1	4.6	5.9	13.0	17.0	19.2	25.8	26.1	29.1	31.6	33.9	34.3	35.2	36.2
Community and regional development	0.1	0.6	1.8	2.8	6.5	5.2	5.0	7.2	7.7	8.7	8.8	8.5	8.0	7.8	7.6
Education, training, employment, and social services	0.5	1.1	6.4	12.1	21.9	17.8	23.4	34.1	36.5	38.9	43.8	45.9	46.0	46.3	47.0
Health	0.2	0.6	3.8	8.8	15.8	24.5	43.9	93.6	105.8	114.8	121.8	131.0	140.7	151.6	163.1
Income security	2.6	3.5	5.8	9.4	18.5	27.2	35.2	55.1	58.9	59.0	63.3	66.8	68.5	70.1	72.2
General government	0.2	0.2	0.5	7.1	8.6	6.8	2.3	2.2	2.2	2.0	1.9	1.9	1.9	1.9	2.0
Justice	0.0	0.0	0.0	0.7	0.5	0.1	0.6	1.2	3.7	3.8	5.8	6.0	4.3	4.2	4.2
Other	0.0	0.1	0.1	0.2	0.7	0.8	0.8	0.8	0.7	0.8	0.9	0.9	0.9	0.9	0.9
Total	7.0	10.9	24.1	49.8	91.4	105.9	135.3	225.0	246.1	262.2	283.5	300.7	310.3	323.6	338.8
B. Distribution of Grants by BEA Category:															
Discretionary	NA	2.9	10.2	21.0	53.3	55.5	63.3	94.0	101.2	105.3	115.9	122.0	119.7	119.9	120.3
Mandatory	NA	8.0	13.9	28.8	38.1	50.4	72.0	131.0	144.9	156.9	167.6	178.7	190.6	203.7	218.5
Total	7.0	10.9	24.1	49.8	91.4	105.9	135.3	225.0	246.1	262.2	283.5	300.7	310.3	323.6	338.8
C. Composition:															
Current dollars:															
Payments for individuals [1]	2.5	3.7	8.7	16.8	32.6	49.3	75.7	141.2	155.9	164.2	174.9	186.2	197.4	209.9	223.4
Physical capital [1]	3.3	5.0	7.1	10.9	22.6	24.9	27.2	39.6	41.1	44.9	48.4	51.6	52.2	53.1	54.1
Other grants	1.2	2.2	8.3	22.2	36.2	31.6	32.5	44.2	49.1	53.0	60.2	62.9	60.7	60.6	61.2
Total	7.0	10.9	24.1	49.8	91.4	105.9	135.3	225.0	246.1	262.2	283.5	300.7	310.3	323.6	338.8
Percentage of total grants:															
Payments for individuals [1]	35%	34%	36%	34%	36%	47%	56%	63%	63%	63%	62%	62%	64%	65%	66%
Physical capital [1]	47%	46%	29%	22%	25%	24%	20%	18%	17%	17%	17%	17%	17%	16%	16%
Other grants	17%	20%	34%	45%	40%	30%	24%	20%	20%	20%	21%	21%	20%	19%	18%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Constant (FY 1992) dollars:															
Payments for individuals [1]	10.7	15.1	30.0	43.0	56.7	65.2	81.9	130.8	136.5	141.1	146.9	152.9	158.5	164.7	171.4
Physical capital [1]	15.0	21.3	23.8	22.3	33.6	29.5	28.0	36.7	36.0	38.7	40.8	42.4	41.9	41.7	41.4
Other grants	7.7	11.9	33.1	61.3	65.4	40.9	34.9	40.9	42.7	45.3	50.3	51.4	48.4	47.2	46.5
Total	33.4	48.2	86.9	126.6	155.7	135.6	144.7	208.5	215.2	225.2	238.0	246.7	248.8	253.6	259.4
D. Total grants as a percent of:															
Federal outlays:															
Total	8%	9%	12%	15%	15%	11%	11%	15%	15%	15%	16%	17%	17%	17%	17%
Domestic programs [2]	18%	18%	23%	22%	22%	18%	17%	22%	21%	21%	22%	22%	23%	23%	23%
State and local expenditures	19%	20%	24%	27%	31%	25%	21%	25%	25%	NA	NA	NA	NA	NA	NA
Gross domestic product	1%	2%	2%	3%	3%	3%	2%	3%	3%	3%	3%	3%	3%	3%	3%
E. As a share of total State and local capital spending:															
Federal capital grants	25%	26%	26%	26%	36%	31%	23%	27%	23%	NA	NA	NA	NA	NA	NA
State and local source financing	75%	74%	74%	74%	64%	69%	77%	73%	77%	NA	NA	NA	NA	NA	NA
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	NA	NA	NA	NA	NA	NA

NA = Not available.

* 0.5 percent or less.

[1] Grants that are both payments for individuals and capital investment are shown under capital investment.

[2] Excludes national defense, international affairs, net interest, and undistributed offsetting receipts

appropriations acts. Outlays for discretionary grant programs are estimated to be $115.9 billion in 2000. The three largest discretionary grant programs are Federal-aid for highways ($23.6 billion in 2000), education for the disadvantaged ($7.9 billion in 2000), and Head Start and other children and family services programs ($8.6 billion in 2000). Table 9–3. "Federal Grants To State And Local Governments" at the end of this chapter identifies discretionary and mandatory grant programs separately. For more information on the Budget Enforcement Act and these categories, see Chapter 23. "Budget System and Concepts and Glossary" in this volume.

Section C of the Table shows the composition of grants divided into three major categories: payments for individuals, grants for physical capital, and other grants.[2] Grant outlays for payments for individuals, which are mainly entitlement programs in which the Federal Government and the States share the costs, have grown significantly as a percent of total grants. They increased from 36 percent of the total in 1980 to 63 percent of the total in 1995. While payments for individuals will comprise 62 percent of grants in 2000, they are estimated to continue to increase, making up an estimated 66 percent of the total by 2004.

These grants are distributed through State or local governments to provide cash or in-kind benefits that constitute income transfers to individuals or families. The major grant in this category is Medicaid, which had outlays of $101.2 billion in 1998, increasing to $114.7 billion in 2000. Welfare payments to States (Aid To Families with Dependent Children (Pre 1997) and Temporary Assistance for Needy Families), child nutrition programs, and housing assistance are also large grants in this category.

Grants for physical capital assist States and localities with construction and other physical capital activities. The major capital grants are for highways, but there are also grants for airports, mass transit, sewage treatment plant construction, community development, and other facilities. Grants for physical capital were almost half of total grants in 1960, shortly after grants began for construction of the Interstate Highway System. The relative share of these outlays has declined, as payments for individuals have grown. In 2000, grants for physical capital are estimated to be 17 percent of total grants.

The other grants are primarily for education, training, employment, and social services. These grants increased to 45 percent of total grants by 1975, and are projected to be 21 percent of total grants in 2000.

Section C of Table 9–2 also shows these three categories in constant dollars. In constant 1992 dollars, total grants increase from $144.7 billion in 1990 to an estimated $238.0 billion in 2000, an average annual increase of 5.1 percent. Grants for payments to individuals increase from $81.9 billion in 1990 to an estimated $146.9 billion in 2000, an average annual increase of 6.0 percent; grants for physical capital increase from $28.0 billion in 1990 to an estimated $40.8 billion in 2000, an average annual increase of 3.8 percent, and other grants increased from $34.9 billion in 1990 to an estimated $50.3 billion in 2000, an average annual increase of 3.7 percent.

The real growth in grants during the 1990s is in contrast to the 1980s. During the period between 1980 and 1990, outlays for grants in constant 1992 dollars actually decreased from $155.7 billion in 1980 to $144.7 billion in 1990.

Section D of this table shows grants as a percentage of Federal outlays, State and local expenditures, and gross domestic product. Grants have increased as a percentage of total Federal outlays from 11 percent in 1990 to an estimated 16 percent in 2000. Grants as a percentage of domestic spending are estimated to be 22 percent in 2000.

As a percentage of total State and local expenditures, grants have increased from 21 percent in 1990 to 25 percent in 1998.

Section E shows the relative contribution of physical capital grants in assisting States and localities with capital spending. After a slight increase to 27 percent of State and local capital spending in 1995, Federal capital grants have declined to be 23 percent of State and local spending in 1998, the same percentage as in 1990.

OTHER INFORMATION ON FEDERAL AID TO STATE AND LOCAL GOVERNMENTS

Additional information regarding aid to State and local governments can be found elsewhere in this budget and in other documents.

Major public physical capital investment programs providing Federal grants to State and local governments are identified in Chapter 6, "Federal Investment Spending and Capital Budgeting."

Data for summary and detailed grants to State and local governments can be found in many sections of a separate document entitled *Historical Tables.* Section 12 of that document is devoted exclusively to grants to State and local governments. Additional information on grants can be found in Section 6 (Composition of Federal Government Outlays); Section 9 (Federal Government Outlays for Investment: Major Physical Capital, Research and Development, and Education and Training); Section 11 (Federal Government Payments for Individuals); and Section 15 (Total (Federal and State and Local) Government Finances).

In addition to these sources, a number of other sources of information are available that use slightly different concepts of grants, provide State-by-State information, or provide information on how to apply for Federal aid.

Government Finances, published annually by the Bureau of the Census in the Department of Commerce, provides data on public finances, including Federal aid to State and local governments.

The *Survey of Current Business,* published monthly by the Bureau of Economic Analysis in the Department of Commerce, provides data on the national income and product accounts (NIPA), a broad statistical concept encompassing the entire economy. These accounts include data on Federal grants to State and local governments. Data using the NIPA concepts appear in this volume in Chapter 16, "National Income and Product Accounts."

The *Budget Information for States* (BIS) provides estimates of State-by-State funding allocations for the largest formula grant programs for the past, present, and budget year. These programs comprise approximately 85 percent of total Federal aid to State and local gov-

[2] Certain housing grants are classified in the budget as both payments for individuals and physical capital spending. In the text and tables in this section, these grants are included in the category for physical capital spending.

ernments. The document is prepared by the Office of Management and Budget soon after the Budget is released.

Federal Expenditures by State, a report prepared by the Bureau of the Census, shows Federal spending by State for grants and other spending for the most recently completed fiscal year.

The *Consolidated Federal Funds* Report is an annual document that shows the distribution of Federal spending by State and county areas and by local governmental jurisdictions. It is released by the Bureau of the Census in the Spring.

The Federal Assistance Awards Data System (FAADS) provides computerized information about current grant funding. Data on all direct assistance awards are provided quarterly by the Bureau of the Census to the States and to the Congress.

The *Catalog of Federal Domestic Assistance* is a primary reference source for communities wishing to apply for grants and other domestic assistance. The Catalog is prepared by the General Services Administration with data collected by the Office of Management and Budget and is available from the Government Printing Office. The basic edition of the Catalog is usually published in June and an update is generally published in December. It contains a detailed listing of grant and other assistance programs; discussions of eligibility criteria, application procedures, and estimated obligations; and related information.

DETAILED FEDERAL AID TABLE

Table 9–3, "Federal Grants to State and Local Governments-Budget Authority and Outlays," provides detailed budget authority and outlay data for grants. This table displays discretionary and mandatory grant programs separately.

Table 9–3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	1998 Actual	1999 Estimate	2000 Estimate	1998 Actual	1999 Estimate	2000 Estimate
NATIONAL DEFENSE						
Discretionary:						
Department of Defense—Military:						
Military Construction:						
Military construction, Army National Guard	....	....	....	5	3	....
Federal Emergency Management Agency:						
Emergency management planning and assistance	....	....	....	7	....	....
Total, discretionary	....	....	....	**12**	**3**	....
Total, national defense	....	....	....	**12**	**3**	....
ENERGY						
Discretionary:						
Department of Energy:						
Energy Programs:						
Energy conservation	155	166	191	160	158	172
Total, discretionary	**155**	**166**	**191**	**160**	**158**	**172**
Mandatory:						
Tennessee Valley Authority:						
Tennessee Valley Authority fund	264	298	313	264	298	313
Total, mandatory	**264**	**298**	**313**	**264**	**298**	**313**
Total, energy	**419**	**464**	**504**	**424**	**456**	**485**
NATURAL RESOURCES AND ENVIRONMENT						
Discretionary:						
Department of Agriculture:						
Natural Resources Conservation Service:						
Resource conservation and development	....	....	....	1	1	1
Watershed and flood prevention operations	43	27	22	63	93	62
Forest Service:						
State and private forestry	103	79	172	96	78	159
Management of national forest lands for subsistence uses	....	3	....	....	....	3
Department of Commerce:						
National Oceanic and Atmospheric Administration:						
Operations, research, and facilities	88	103	127	70	81	102
Pacific coastal salmon recovery	....	....	100	....	....	62
Department of the Interior:						
Office of Surface Mining Reclamation and Enforcement:						
Regulation and technology	47	51	51	50	50	50
Abandoned mine reclamation fund	168	170	195	188	134	138
Bureau of Reclamation:						
Bureau of reclamation loan subsidy	10	11	12	19	13	10
United States Fish and Wildlife Service:						
Cooperative endangered species conservation fund	14	14	80	12	14	21
Wildlife conservation and appreciation fund	1	1	1	1	1	1
Miscellaneous permanent appropriations	2	2	2	2	2	2
National Park Service:						
Urban park and recreation fund	....	....	4	1	2	4
Historic preservation fund	41	72	81	40	54	67
Conservation grants and planning assistance	....	....	200	....	....	80

Table 9–3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	1998 Actual	1999 Estimate	2000 Estimate	1998 Actual	1999 Estimate	2000 Estimate
Environmental Protection Agency:						
State and Tribal Assistance Grants	3,213	3,407	2,838	2,597	2,800	3,140
Hazardous substance superfund	206	195	335	95	113	230
Leaking underground storage tank trust fund	56	61	61	54	59	62
Total, discretionary	**3,992**	**4,196**	**4,281**	**3,289**	**3,495**	**4,194**
Mandatory:						
Department of the Interior:						
Bureau of Land Management:						
Miscellaneous permanent payment accounts	71	120	130	71	120	101
Minerals Management Service:						
National forests fund, payment to States	3	3	3	3	3	3
Leases of lands acquired for flood control, navigation, and allied purposes	1	1	1	1	1	1
United States Fish and Wildlife Service:						
Federal aid in wildlife restoration	193	199	212	210	211	200
Sport fish restoration	310	261	324	251	285	298
National Park Service:						
Other permanent appropriations	....	....	....	....	....	....
Departmental Management:						
Everglades watershed protection	....	....	....	4	160	....
Everglades restoration account	....	1	1	....	1	1
Total, mandatory	**578**	**585**	**671**	**540**	**781**	**604**
Total, natural resources and environment	**4,570**	**4,781**	**4,952**	**3,829**	**4,276**	**4,798**
AGRICULTURE						
Discretionary:						
Department of Agriculture:						
Departmental Administration:						
Outreach for socially disadvantaged farmers	3	3	10	1	7	10
Cooperative State Research, Education, and Extension Service:						
Extension activities	423	438	402	413	430	424
Research and education activities	222	237	163	219	221	217
Integrated activities	....	....	17	....	....	2
Agricultural Marketing Service:						
Payments to States and possessions	1	1	1	1	1	1
Farm Service Agency:						
State mediation grants	2	4	4	3	2	3
Total, discretionary	**651**	**683**	**597**	**637**	**661**	**657**
Mandatory:						
Department of Agriculture:						
Office of the Secretary:						
Fund for rural America	....	30	....	6	12	9
Farm Service Agency:						
Commodity credit corporation fund	25	73	20	25	73	20
Total, mandatory	**25**	**103**	**20**	**31**	**85**	**29**
Total, agriculture	**676**	**786**	**617**	**668**	**746**	**686**
COMMERCE AND HOUSING CREDIT						
Mandatory:						
Department of Commerce:						
National Oceanic and Atmospheric Administration:						
Promote and develop fishery products and research pertaining to American fisheries	3	3	2	9	8	4
Total, mandatory	**3**	**3**	**2**	**9**	**8**	**4**
Total, commerce and housing credit	**3**	**3**	**2**	**9**	**8**	**4**

Table 9–3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	1998 Actual	1999 Estimate	2000 Estimate	1998 Actual	1999 Estimate	2000 Estimate
TRANSPORTATION						
Discretionary:						
Department of Transportation:						
Coast Guard:						
Boat safety	35			32	15	6
Federal Aviation Administration:						
Grants-in-aid for airports (Airport and airway trust fund)	1,640	2,322	1,600	1,511	1,670	1,750
Federal Highway Administration:						
State infrastructure banks				64	37	17
Appalachian development highway system	300	132		73	150	113
Highway-related safety grants				3	2	
National motor carrier safety grants program	84	100	105	73	95	101
Federal-aid highways	23,724	28,249	29,834	18,265	21,151	23,647
Miscellaneous appropriations				111	134	156
Miscellaneous highway trust funds				46	60	43
National Highway Traffic Safety Administration:						
Highway traffic safety grants	178	190	197	146	187	199
Federal Railroad Administration:						
Emergency railroad rehabilitation and repair	10			14	14	
Alameda Corridor direct loan financing program				21	18	
Local rail freight assistance				4	6	
Alaska railroad rehabilitation	15	38		9	24	23
Railroad research and development	1	1		1	1	
Conrail commuter transition assistance				5	9	2
Federal Transit Administration:						
Research, training, and human resources				1	3	2
Job Access and Reverse Commute Grants		75	150		4	23
Interstate transfer grants-transit				3	14	6
Washington metropolitan area transit authority	200	50		184	207	142
Formula grants	2,500	2,799	3,310	2,079	2,069	2,027
Capital Investment Grants		2,307	2,451		115	630
Transit planning and research	68	80	88	76	75	82
Discretionary grants (Highway trust fund, Mass transit account)	2,000	–392		1,875	1,459	1,144
Miscellaneous expired accounts				3		
Research and Special Programs Administration:						
Research and special programs	1				1	
Pipeline safety	13	15	16	13	14	15
Total, discretionary	**30,769**	**35,966**	**37,751**	**24,612**	**27,534**	**30,128**
Mandatory:						
Department of Transportation:						
Federal Highway Administration:						
Federal-aid highways	754	739	739	1,526	1,597	1,497
Research and Special Programs Administration:						
Emergency preparedness grants	7	7	13	6	6	7
Total, mandatory	**761**	**746**	**752**	**1,532**	**1,603**	**1,504**
Total, transportation	**31,530**	**36,712**	**38,503**	**26,144**	**29,137**	**31,632**
COMMUNITY AND REGIONAL DEVELOPMENT						
Discretionary:						
Department of Agriculture:						
Rural Development:						
Rural community advancement program	581	732	599	569	748	676
Rural Utilities Service:						
Distance learning and telemedicine program	11	11	21	8	14	22
Rural Housing Service:						
Rural community fire protection grants	2			3	2	
Rural Business—Cooperative Service:						
Rural cooperative development grants	3	3	9	2	4	4
Forest Service:						
Southeast Alaska economic disaster fund				20	20	13
Department of Commerce:						
Economic Development Administration:						
Economic development assistance programs	342	387	365	364	411	411

Table 9–3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	1998 Actual	1999 Estimate	2000 Estimate	1998 Actual	1999 Estimate	2000 Estimate
Department of Housing and Urban Development:						
Community Planning and Development:						
Community development block grants	4,925	4,873	4,775	4,621	4,965	4,856
Urban development action grants				6	9	10
Supplemental assistance for facilities to assist the homeless					2	
Community development loan guarantees subsidy	30	30	30	6	16	23
National cities in schools community development program		5			1	4
Brownfields redevelopment	25	25	50		10	20
Urban empowerment zones	5	45	150	1	4	20
Regional connections			50			1
Redevelopment of abandoned buildings			50			1
Regional empowerment zone initiative			50			1
Office of Lead Hazard Control:						
Lead hazard reduction		80	80		1	27
Department of the Interior:						
Bureau of Indian Affairs:						
Operation of Indian programs	121	139	143	121	139	143
Indian guaranteed loan subsidy	5	5	5	3	5	5
Departmental Management:						
King Cove road and airstrip		35			35	
Department of the Treasury:						
Departmental Offices:						
United States community adjustment and investment program		5	9		5	5
Federal Emergency Management Agency:						
Emergency management planning and assistance	135	159	160	147	170	158
Disaster relief	1,440	231	222	1,598	1,968	2,228
National flood mitigation fund	27	20	32	4	21	29
Appalachian Regional Commission:						
Appalachian regional commission	164	59	60	180	145	123
Denali Commission:						
Denali commission		20			2	4
Total, discretionary	**7,816**	**6,864**	**6,860**	**7,653**	**8,697**	**8,784**
Total, community and regional development	**7,816**	**6,864**	**6,860**	**7,653**	**8,697**	**8,784**
EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES						
Discretionary:						
Department of Commerce:						
National Telecommunications and Information Administration:						
Public telecommunications facilities, planning and construction	10	19	34	19	21	24
Information infrastructure grants	20	18	20	20	27	24
Department of Education:						
Office of Elementary and Secondary Education:						
Reading excellence		260	286		13	105
Indian education	60	65	75	50	63	68
Impact aid	805	859	731	689	968	843
Chicago litigation settlement				2	4	3
Education Reform	1,100	1,030	990	731	1,133	1,025
Education for the disadvantaged	7,852	3,647	8,711	7,800	6,666	7,939
School improvement programs	1,428	2,624	2,520	1,260	1,373	1,968
Office of Bilingual Education and Minority Languages Affairs:						
Bilingual and immigrant education	323	324	334	204	351	359
Office of Special Education and Rehabilitative Services:						
Special education	4,567	5,090	3,227	3,425	4,032	4,881
Rehabilitation services and disability research	118	113	125	113	125	121
American printing house for the blind	7	8	8	7	9	8
Office of Vocational and Adult Education:						
Vocational and adult education	1,479	1,504	1,624	1,419	1,290	1,448
Office of Postsecondary Education:						
Student financial assistance	25	25	25	51	25	25
Higher education	55	135	172	39	40	97
Office of Educational Research and Improvement:						
Education research, statistics, and improvement	70	230	30	141	109	176
Department of Health and Human Services:						
Administration for Children and Families:						
Children and families services programs	5,381	5,735	6,289	5,052	5,553	5,904

Table 9–3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	1998 Actual	1999 Estimate	2000 Estimate	1998 Actual	1999 Estimate	2000 Estimate
Administration on Aging:						
Aging services programs	865	882	1,048	828	865	971
Department of the Interior:						
Bureau of Indian Affairs:						
Operation of Indian programs	93	93	105	93	93	105
Department of Labor:						
Employment and Training Administration:						
Training and employment services	3,634	3,634	3,749	3,399	3,728	3,692
Community service employment for older Americans	97	97	97	101	97	97
State unemployment insurance and employment service operations	172	162	232	219	132	239
Unemployment trust fund	958	964	952	958	956	912
Corporation for National and Community Service:						
Domestic volunteer service programs, Operating expenses	162	172	186	134	154	165
National and community service programs, operating expenses	77	90	112	55	55	64
Corporation for Public Broadcasting:						
Corporation for public broadcasting	83	98	120	83	85	106
National Endowment for the Arts:						
National endowment for the arts: Grants and administration	34	32	53	27	20	34
Institute of Museum and Library Services:						
Office of Museum Services: Grants and administration	6	5	7	5	9	6
Office of Library Services: Grants and administration	133	151	137	121	166	156
Total, discretionary	**29,614**	**28,066**	**31,999**	**27,045**	**28,162**	**31,565**
Mandatory:						
Department of Education:						
Office of Special Education and Rehabilitative Services:						
Rehabilitation services and disability research	2,247	2,304	2,339	2,155	2,499	2,327
Office of Vocational and Adult Education:						
Vocational and adult education	....	....	....	6	2	....
Department of Health and Human Services:						
Administration for Children and Families:						
State legalization impact assistance grants	....	....	....	–4	....	....
Job opportunities and basic skills training program	....	....	....	48	39	15
Preserving Safe and Stable Families	255	275	295	214	224	258
Social services block grant	2,299	1,909	2,380	2,441	2,050	2,445
Payments to states for foster care and adoption assistance	4,311	4,922	5,667	4,451	4,939	5,491
Department of Labor:						
Employment and Training Administration:						
Welfare to work jobs	1,488	1,409	1,000	16	872	1,597
Federal unemployment benefits and allowances	127	131	176	95	124	139
Total, mandatory	**10,727**	**10,950**	**11,857**	**9,422**	**10,749**	**12,272**
Total, education, training, employment, and social services	**40,341**	**39,016**	**43,856**	**36,467**	**38,911**	**43,837**
HEALTH						
Discretionary:						
Department of Agriculture:						
Food Safety and Inspection Service:						
Salaries and expenses	41	46	47	41	46	47
Department of Health and Human Services:						
Health Resources and Services Administration:						
Health Resources and Services	1,763	1,895	1,948	1,591	1,735	1,892
Centers for Disease Control and Prevention:						
Disease control, research, and training	624	653	672	643	666	654
Substance Abuse and Mental Health Services Administration:						
Substance abuse and mental health services	2,197	2,488	2,627	2,236	2,331	2,519
Departmental Management:						
Public health services for the uninsured	....	....	25	....	....	4
Department of Labor:						
Occupational Safety and Health Administration:						
Salaries and expenses	78	80	83	77	79	82
Mine Safety and Health Administration:						
Salaries and expenses	6	6	6	6	6	6

Table 9–3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	1998 Actual	1999 Estimate	2000 Estimate	1998 Actual	1999 Estimate	2000 Estimate
Total, discretionary	**4,709**	**5,168**	**5,408**	**4,594**	**4,863**	**5,204**
Mandatory:						
Department of Health and Human Services:						
Health Care Financing Administration:						
Grants to States for Medicaid	99,591	102,521	114,660	101,234	108,534	114,660
State children's health insurance fund	4,235	4,247	4,249	5	1,437	1,936
Total, mandatory	**103,826**	**106,768**	**118,909**	**101,239**	**109,971**	**116,596**
Total, health	**108,535**	**111,936**	**124,317**	**105,833**	**114,834**	**121,800**
INCOME SECURITY						
Discretionary:						
Department of Agriculture:						
Food and Nutrition Service:						
Food donations programs	141	141	151	141	142	149
Food stamp program			2			2
Commodity assistance program	141	131	155	123	142	151
Special supplemental nutrition program for women, infants, and children (WIC)	3,924	3,924	4,102	3,901	3,951	4,094
Child nutrition programs	6	4	4	6	4	4
Department of Health and Human Services:						
Administration for Children and Families:						
Low income home energy assistance	1,160	1,100	1,100	1,132	1,134	1,135
Refugee and entrant assistance	382	393	401	294	379	385
Payments to States for the child care and development block grant	999	997	1,180	1,092	1,001	1,114
Contingency fund			–1,644			
Department of Housing and Urban Development:						
Public and Indian Housing Programs:						
Public housing operating fund	2,900	2,818	3,003	3,116	2,806	2,908
Annual contributions for assisted housing				3,874	2,433	1,524
Drug elimination grants for low-income housing	310	310	310	281	274	326
Revitalization of severely distressed public housing (HOPE VI)	550	625	625	237	517	588
Public housing capital fund	2,500	3,000	2,555	3,321	2,703	3,151
Preserving existing housing investment						
Native American housing block grant	600	620	620	453	701	665
Section 8 reserve preservation account	–2,897				350	
Housing certificate fund	6,191	7,487	6,081	5,315	5,212	6,649
Community Planning and Development:						
Emergency shelter grants program				1	1	
Supportive housing program	–6			133	121	
Homeless assistance grants	823	975	1,020	463	688	961
Shelter plus care				71	50	
Home investment partnership program	1,500	1,600	1,610	1,286	1,500	1,656
Youthbuild program				9	4	
Innovative homeless initiatives demonstration program				19	14	
Housing opportunities for persons with AIDS	204	225	240	200	164	191
Rural housing and economic development		32	20		1	10
Homeless assistance demonstration program			5			
Housing Programs:						
Congregate services				7	7	2
Section 8 moderate rehabilitation, single room occupancy				29	46	
Homeownership and opportunity for people everywhere grants (HOPE grants)				29	30	30
Housing for special populations	839	854	854	824	809	946
Department of Labor:						
Employment and Training Administration:						
Unemployment trust fund	2,484	2,324	2,464	2,327	2,469	2,480
Federal Emergency Management Agency:						
Emergency food and shelter program	100	100	125	100	100	125
Total, discretionary	**22,851**	**27,660**	**24,983**	**28,784**	**27,753**	**29,246**
Mandatory:						
Department of Agriculture:						
Agricultural Marketing Service:						
Funds for strengthening markets, income, and supply (section 32)	497	587	669	497	552	536

Table 9–3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	1998 Actual	1999 Estimate	2000 Estimate	1998 Actual	1999 Estimate	2000 Estimate
Food and Nutrition Service:						
Food stamp program	3,553	3,374	3,232	3,673	3,642	3,362
Child nutrition programs	7,880	9,042	9,365	8,430	8,932	9,373
Department of Health and Human Services:						
Administration for Children and Families:						
Payments to states for child support enforcement and family support programs	607	2,649	741	2,171	2,738	2,941
Contingency fund	1,960			2		3
Child care entitlement to States	2,070	2,167	4,122	2,028	2,302	3,660
Temporary assistance for needy families	16,672	17,053	17,004	13,284	13,071	14,087
Children's research and technical assistance	1	1	9	1	1	3
Department of Housing and Urban Development:						
Housing Programs:						
Elderly vouchers			87			8
Department of Labor:						
Employment and Training Administration:						
Unemployment trust fund			90			90
Total, mandatory	**33,240**	**34,873**	**35,319**	**30,086**	**31,238**	**34,063**
Total, income security	**56,091**	**62,533**	**60,302**	**58,870**	**58,991**	**63,309**
VETERANS BENEFITS AND SERVICES						
Discretionary:						
Department of Veterans Affairs:						
Veterans Health Administration:						
Medical care	235	273	321	235	273	321
Construction:						
Grants for construction of State extended care facilities	80	90	40	50	52	64
Grants for the construction of State veterans cemeteries	10	10	11	3	5	8
Total, discretionary	**325**	**373**	**372**	**288**	**330**	**393**
Total, veterans benefits and services	**325**	**373**	**372**	**288**	**330**	**393**
ADMINISTRATION OF JUSTICE						
Discretionary:						
Department of Health and Human Services:						
Administration for Children and Families:						
Violent crime reduction programs	85	96	110	34	73	98
Department of Housing and Urban Development:						
Fair Housing and Equal Opportunity:						
Fair housing activities	30	40	47	24	27	34
Department of Justice:						
Office of Justice Programs:						
Justice assistance	96	88	235	68	32	96
State and local law enforcement assistance	505	548		414	268	571
Juvenile crime control and prevention programs	214	259	268	135	141	294
Violent crime reduction programs, State and local law enforcement assistance	2,383	2,370	1,612	1,477	1,218	2,351
Community oriented policing services	1,430	1,430	1,275	968	1,209	1,528
Court Services and Offender Supervision Agency for the District:						
Federal payment to the Court Services and Offender Supervision Agency for the District of Columbia		59	80		59	64
Equal Employment Opportunity Commission:						
Salaries and expenses	28	29	29	16	16	19
State Justice Institute:						
State Justice Institute: Salaries and expenses	7	7	5	6	17	6
Total, discretionary	**4,778**	**4,926**	**3,661**	**3,142**	**3,060**	**5,061**
Mandatory:						
Department of Justice:						
Legal Activities and U.S. Marshals:						
Assets forfeiture fund	196	203	209	179	194	208
Office of Justice Programs:						
Crime victims fund	350	316	366	252	495	482

Table 9–3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	1998 Actual	1999 Estimate	2000 Estimate	1998 Actual	1999 Estimate	2000 Estimate
Department of the Treasury:						
Departmental Offices:						
Department of the Treasury forfeiture fund	94	71	60	85	67	58
Total, mandatory	**640**	**590**	**635**	**516**	**756**	**748**
Total, administration of justice	**5,418**	**5,516**	**4,296**	**3,658**	**3,816**	**5,809**
GENERAL GOVERNMENT						
Discretionary:						
Department of the Interior:						
Bureau of Land Management:						
Payments in lieu of taxes	120	125	125	120	125	125
Insular Affairs:						
Trust Territory of the Pacific Islands	....	....	....	3	9	7
Department of the Treasury:						
Departmental Offices:						
Department-wide systems and Capital Investments Programs	....	....	3	....	....	3
District of Columbia:						
District of Columbia Courts:						
Federal payment to the District of Columbia Criminal Justice System	151	....	....	151	....	....
Federal payment to the District of Columbia Courts	....	130	137	....	130	137
District of Columbia Corrections:						
Payment to the District of Columbia Corrections Trustee, Operations	169	185	176	169	185	176
Payment to the District of Columbia Corrections Trustee for correctional facilities, construction, and repair	302	....	....	302	....	....
District of Columbia General and Special Payments:						
Federal payment for Management Reform	8	25	....	8	25	....
Federal support for economic development and management reforms in the District	190	86	....	190	86	....
Federal payment for Medicare Coordinated Care Demonstration Project	3	3	....	....	....	....
Total, discretionary	**943**	**554**	**441**	**943**	**560**	**448**
Mandatory:						
Department of Agriculture:						
Forest Service:						
Payments to States, northern spotted owl guarantee, Forest Service	130	125	147	130	125	147
Forest Service permanent appropriations	100	126	119	100	126	119
Department of Energy:						
Energy Programs:						
Payments to States under Federal Power Act	3	3	3	3	3	3
Department of the Interior:						
Minerals Management Service:						
Mineral leasing and associated payments	546	586	607	546	586	607
United States Fish and Wildlife Service:						
National wildlife refuge fund	19	19	20	20	19	20
Insular Affairs:						
Assistance to territories	68	66	68	69	123	127
Payments to the United States territories, fiscal assistance	80	77	89	80	77	89
Department of the Treasury:						
Bureau of Alcohol, Tobacco and Firearms:						
Internal revenue collections for Puerto Rico	230	217	253	230	217	253
United States Customs Service:						
Refunds, transfers, and expenses of operation, Puerto Rico	112	111	112	110	111	112
Corps of Engineers:						
Permanent appropriations	7	12	12	7	12	12
Total, mandatory	**1,295**	**1,342**	**1,430**	**1,295**	**1,399**	**1,489**
Total, general government	**2,238**	**1,896**	**1,871**	**2,238**	**1,959**	**1,937**
Total, Grants	**257,962**	**270,880**	**286,452**	**246,093**	**262,164**	**283,474**
Discretionary	106,603	114,622	116,544	101,159	105,276	115,852
Mandatory	151,359	156,258	169,908	144,934	156,888	167,622

10. FEDERAL EMPLOYMENT AND COMPENSATION

This section provides information on civilian employment policy as well as civilian and military employment, and personnel compensation and benefits, in the Executive, Legislative, and Judicial branches. A comparison of Federal employment levels, State and local government employment, and the United States population appears in the Historical Tables. Additional tables on civilian employment reductions appear in the Budget volume.

Civilian Employment Policy

The Administration policy is to provide Executive Branch agencies with flexibility to hire the right numbers of staff to meet program requirements. While it is not the norm, agency or sub-agency employment targets may be necessary when it is determined to be the most efficient or effective method of achieving Administration goals.

Federal Civilian Employment in the Executive Branch

Civilian employment in the Executive Branch is measured on the basis of full-time equivalents (FTEs). One FTE is equal to one work year or 2,080 non-overtime hours. Put simply, one full-time employee counts as one FTE, and two half-time employees also count as one FTE.

The Federal Workforce Restructuring Act (FWRA) of 1994 (P.L. 103–226) was enacted March 30, 1994. The Act established FTE limitations ("ceilings") for Executive Branch civilian employees through 1999. The starting point used to calculate FTE reductions required by the FWRA, called the 1993 base, is the estimate of FTEs for 1993 made in January of that year. Between the 1993 base and FY 1999, the Act requires a cut of 272,900 FTEs. The 2000 budget continues the implementation of the reductions pursuant to the Act. The limitations established by the Act, as well as the reductions to date, are as follows:

Year	FWRA Ceiling	Civilian FTEs	Cumulative reduction From 1993	Reduction as percent of 272,900 cut
1993 Base	2,155,200			
1994	2,084,600	2,052,700	–102,500	38%
1995	2,043,300	1,970,200	–185,000	68%
1996	2,003,300	1,891,700	–263,500	97%
1997	1,963,300	1,834,700	–320,500	117%
1998	1,922,300	1,790,200	–365,000	134%
1999 est.	1,882,300	1,801,600	–353,600	130%

Table 10–1 provides agency-wide totals from the 1993 base through 2000.

Allocations of FTE resources by agency are made based upon Presidential priorities and other factors. While most of the agencies in Table 10-1 show FTE reductions between 1993 and 2000, several agencies, such as the Department of Commerce and the Department of Justice, show an increase in FTEs.

Recent Trends in Civilian Employment Estimates in the Executive Branch

Each year the Budget reports actual FTEs in the prior year column, and estimates of FTEs in the current and budget years. In four of the five years since the FWRA was enacted, the current year FTE estimates for nearly all agencies in the Budget have been overstated when compared to the actual published in the following year's Budget. The table below shows this trend:

Year	Estimate	Actual	Over-Statement
1994	2,042.1	2,052.7	–10,700 (–0.5%)
1995	2,017.8	1,970.2	+47,600 (+2.4%)
1996	1,940.8	1,891.7	+49,100 (+2.5%)
1997	1,881.3	1,834.7	+46,600 (+2.5%)
1998	1,837.4	1,790.2	+47,200 (+2.6%)

Total Federal Employment Levels

The tables that follow show total Federal employment in all branches of Government, as well as the U.S. Postal Service, Postal Rate Commission, and active duty uniformed military personnel. Table 10–2 displays total Federal employment as measured by actual positions filled, i.e., the total number of employees, whether full-time, part-time or intermittent, at the end of the fiscal year. Table 10–3 shows total Federal employment as measured on an FTE basis.

Personnel Compensation and Benefits

Table 10–4 displays personnel compensation and benefits for all branches of Government, as well as for military personnel.

Direct compensation of the Federal work force includes base pay and premium pay, such as overtime. In addition, it includes other cash components, such as geographic pay differentials (i.e., locality pay, and special pay adjustments for law enforcement officers), recruitment and relocation bonuses, retention allowances, performance awards, and cost-of-living and overseas allowances.

In the case of military personnel, compensation includes basic pay, special and incentive pays (including enlistment and reenlistment bonuses), and allowances for clothing, housing, and subsistence.

Related compensation in the form of personnel benefits for current employees consists of the cost to Government agencies (as an employer) primarily for health insurance, life insurance, Social Security (old age, survivors, disability, and health insurance) and contributions to the retirement funds to finance future retirement benefits. Compensation for former personnel includes outlays for retirement pay benefits, and the Government's share of the cost of health and life insurance.

Table 10–1. FEDERAL EMPLOYMENT IN THE EXECUTIVE BRANCH

(Civilian employment as measured by Full-Time Equivalents, in thousands)

Agency	1993 Base	Actual						Estimate		Change: 1993 base to 2000	
		1993	1994	1995	1996	1997	1998	1999	2000	FTE's	Percent
Cabinet agencies:											
Agriculture [1]	115.6	114.4	109.8	103.8	100.7	98.5	96.4	98.0	97.6	–18.0	–15.6%
Commerce	36.7	36.1	36.0	35.3	33.8	32.6	35.7	47.5	92.9	56.1	152.9%
Defense-military functions	931.3	931.8	868.3	821.7	778.9	745.8	707.2	686.5	662.9	–268.4	–28.8%
Education	5.0	4.9	4.8	4.8	4.7	4.5	4.5	4.7	4.7	–0.3	–5.7%
Energy	20.6	20.3	19.8	19.7	19.1	17.3	16.3	16.5	16.2	–4.4	–21.5%
Health and Human Services [1]	65.0	66.1	62.9	59.3	57.2	57.6	57.9	60.5	62.0	–2.9	–4.5%
Social Security Administration	65.4	64.8	64.5	64.6	64.0	65.2	64.0	63.8	63.6	–1.8	–2.8%
Housing and Urban Development	13.6	13.3	13.1	12.1	11.4	11.0	9.8	10.6	10.6	–3.0	–22.3%
Interior	79.3	78.1	76.3	72.0	66.7	65.7	66.5	68.3	69.9	–9.4	–11.8%
Justice	99.4	95.4	95.3	97.9	103.8	111.0	117.3	124.1	128.7	29.3	29.5%
Labor	18.3	18.0	17.5	16.8	16.0	15.9	16.3	16.9	17.4	–0.9	–5.1%
State	35.0	34.2	33.5	31.8	30.2	29.2	26.4	26.9	27.6	–7.4	–21.2%
Transportation	70.3	69.1	66.4	63.2	62.4	62.5	63.4	65.0	65.8	–4.6	–6.5%
Treasury	166.1	161.1	157.3	157.5	151.1	145.5	142.1	145.4	146.1	–20.0	–12.0%
Veterans Affairs [1]	232.4	234.2	233.1	228.5	221.9	211.5	207.1	205.4	197.9	–34.5	–14.8%
Other agencies—excluding Postal Service:											
Agency for International Development [1]	4.4	4.1	3.9	3.6	3.4	2.8	2.7	2.6	2.6	–1.8	–41.2%
Corps of Engineers	29.2	28.4	27.9	27.7	27.1	26.0	24.8	25.2	24.7	–4.5	–15.3%
Environmental Protection Agency	18.6	17.9	17.6	17.5	17.2	17.0	17.7	18.4	18.4	–0.2	–0.9%
Equal Employment Opportunity Commission	2.9	2.8	2.8	2.8	2.7	2.6	2.5	2.8	2.9	0.1	3.2%
Federal Emergency Management Agency	2.7	4.0	4.9	4.6	4.7	5.1	4.6	4.6	4.7	2.0	72.4%
FDIC/RTC	21.6	21.9	20.0	15.7	11.8	8.7	7.9	7.3	6.9	–14.6	–67.9%
General Services Administration	20.6	20.2	19.5	17.0	15.7	14.5	14.1	14.2	14.2	–6.5	–31.5%
National Aeronautics and Space Administration	25.7	24.9	23.9	22.4	21.1	20.1	19.1	18.8	18.2	–7.6	–29.4%
National Archives and Records Administration	2.8	2.6	2.6	2.4	2.5	2.5	2.4	2.6	2.6	–0.1	–3.7%
National Labor Relations Board	2.1	2.1	2.1	2.0	1.9	1.9	1.9	1.9	2.0	–0.1	–6.7%
National Science Foundation	1.3	1.2	1.2	1.2	1.3	1.2	1.2	1.2	1.2	–0.1	–10.7%
Nuclear Regulatory Commission	3.4	3.4	3.3	3.2	3.1	3.0	3.0	2.9	2.8	–0.6	–17.6%
Office of Personnel Management	6.2	5.9	5.3	4.2	3.4	2.8	2.8	3.0	3.0	–3.2	–51.9%
Panama Canal Commission	8.7	8.5	8.5	8.8	9.0	9.5	9.6	10.2	2.5	–6.2	–71.0%
Peace Corps	1.3	1.2	1.2	1.2	1.1	1.1	1.1	1.2	1.2	–0.1	–4.8%
Railroad Retirement Board	1.8	1.8	1.7	1.6	1.5	1.4	1.3	1.2	1.2	–0.7	–37.2%
Securities and Exchange Commission	2.7	2.7	2.7	2.7	2.8	2.8	2.8	2.8	2.9	0.2	5.8%
Small Business Administration	4.0	5.6	6.3	5.7	4.7	4.5	4.4	4.6	4.6	0.6	15.4%
Smithsonian Institution	5.9	5.5	5.4	5.3	5.1	5.0	5.0	5.2	5.2	–0.6	–10.9%
Tennessee Valley Authority	19.1	17.3	18.6	16.6	16.0	14.9	14.4	13.9	13.7	–5.4	–28.4%
All other small agencies	15.9	15.2	14.7	14.9	13.9	13.6	16.0	17.0	17.3	1.5	9.2%
Total, Executive Branch civilian employment	**2,155.2**	**2,138.8**	**2,052.7**	**1,970.2**	**1,891.7**	**1,834.7**	**1,790.2**	**1,801.6**	**1,816.8**	**–338.4**	**–15.7%**
Reduction from 1993 Base	....	–16.4	–102.5	–185.0	–263.5	–320.5	–365.0	–353.6	–338.4	....	....
Subtotal, Defense	931.3	931.8	868.3	821.7	778.9	745.8	707.2	686.5	662.9	–268.4	–28.8%
Subtotal, Non-Defense	1,223.9	1,207.1	1,184.4	1,148.4	1,112.8	1,088.9	1,083.0	1,115.2	1,153.9	–70.0	–5.7%
Status of Federal Civilian Employment Relative to the Federal Workforce Restructuring Act [2]											
Total, Executive Branch Employment	NA	NA	2,052.7	1,970.2	1,891.7	1,834.7	1,790.2	1,801.6	NA	NA	NA
Less: FTEs exempt from FWRA	NA	NA	5.7	5.7	7.6	7.4	5.2	5.5	NA	NA	NA
Total, Executive Branch subject to FWRA Ceiling	NA	NA	2,047.0	1,964.4	1,884.1	1,827.3	1,785.0	1,796.1	NA	NA	NA
FWRA Ceiling	NA	NA	2,084.6	2,043.3	2,003.3	1,963.3	1,922.3	1,882.3	NA	NA	NA
Executive Branch Employment Relative to FWRA Ceiling	NA	NA	–37.6	–78.9	–119.2	–136.1	–137.3	–86.2	NA	NA	NA

[1] The Departments of Agriculture, Health and Human Services, Veterans Affairs, and the Agency for International Development have components that are exempt from FTE controls. In 1999, Agriculture has 2,128 exemptions; HHS has 358 exemptions; Veterans Affairs has 3,000 exemptions and AID has 10 exemptions.

[2] FTE liminations are set for the Executive Branch in the Federal Workforce Restructuring Act of 1994 (P.L. 103-226) from 1994-99.

Table 10–2. TOTAL FEDERAL EMPLOYMENT

(As measured by total positions filled)

Description	Actual as of September 30			Change: 1996 to 1998	
	1996	1997	1998	Positions	Percent
Executive branch civilian employment:					
All agencies except Postal Service and Postal Rate Commission:					
Full–time permanent	1,707,974	1,651,559	1,624,152	–83,807	–4.9%
Other than full–time permanent [1]	225,957	220,232	231,644	5,687	2.5%
Subtotal	1,933,931	1,871,791	1,855,796	–78,120	–4.0%
Postal Service: [2]					
Full–time permanent	652,855	648,684	660,987	8,132	1.2%
Other than full–time permanent	199,478	204,666	210,533	11,055	5.5%
Subtotal	852,333	853,350	871,520	19,187	2.3%
Subtotal, Executive branch civilian employment	2,786,264	2,725,141	2,727,331	–58,933	–2.1%
Military personnel on active duty: [3]					
Department of Defense	1,471,722	1,438,562	1,406,830	–64,892	–4.4%
Department of Transportation (Coast Guard)	35,243	35,137	35,459	216	0.6%
Subtotal, military personnel	1,506,965	1,473,699	1,442,289	–64,676	–4.3%
Subtotal, Executive Branch	4,293,229	4,198,840	4,169,605	–123,609	–2.9%
Legislative branch:					
Full–time permanent	13,288	12,696	12,399	–889	–6.7%
Other than full-time permanent	18,259	18,659	18,075	–184	–1.0%
Subtotal, Legislative Branch	31,547	31,355	30,474	–1,073	–3.4%
Judicial Branch:					
Full-time permanent	26,879	27,567	28,487	1,608	6.0%
Other than full-time permanent	2,702	3,074	3,255	553	20.5%
Subtotal, Judicial Branch	29,581	30,641	31,742	2,161	7.3%
Grand total	**4,354,357**	**4,260,836**	**4,231,821**	**–122,521**	**–2.8%**
ADDENDUM					
Executive branch civilian personnel (excluding Postal Service):					
DOD-Military functions [4]	768,098	723,032	692,552	–75,546	–9.8%
All other executive branch	1,165,833	1,148,759	1,163,244	–2,574	–0.2%
Total [5]	**1,933,931**	**1,871,791**	**1,855,796**	**–78,120**	**–4.0%**

[1] Includes Summer Aides, Stay-in-school, Junior Fellowship, Worker-Trainee Opportunity Program, formerly exempt from employment controls.
[2] Includes Postal Rate Commission.
[3] Excludes reserve components.
[4] Excludes Defense Intelligence Agency.
[5] Includes disadvantaged youth programs.

Table 10–3. TOTAL FEDERAL EMPLOYMENT

(As measured by Full-Time Equivalents)

Description	1998 actual	Estimate		Change: 1998 to 2000	
		1999	2000	FTE's	Percent
Executive branch civilian personnel:					
All agencies except Postal Service and Defense	1,082,969	1,115,150	1,153,910	70,941	6.6%
Defense-Military functions (civilians)	707,242	686,458	662,928	–44,314	–6.3%
Subtotal, excluding Postal Service	1,790,211	1,801,608	1,816,838	26,627	1.5%
Postal Service [1]	837,399	842,422	847,259	9,860	1.2%
Subtotal, Executive Branch civilian personnel	2,627,610	2,644,030	2,664,097	36,487	1.4%
Executive branch uniformed personnel: [2]					
Department of Defense	1,422,467	1,391,916	1,390,787	–31,680	–2.2%
Department of Transportation (Coast Guard)	35,130	35,183	35,828	698	2.0%
Subtotal, uniformed military personnel	1,457,597	1,427,099	1,426,615	–30,982	–2.1%
Subtotal, Executive Branch	4,085,207	4,071,129	4,090,712	5,505	0.1%
Legislative Branch: [3] Total FTE	30,415	30,755	30,900	485	1.6%
Judicial branch: Total FTE	30,192	31,547	31,970	1,778	5.9%
Grand total	**4,145,814**	**4,133,431**	**4,153,582**	**7,768**	**0.2%**

[1] Includes Postal Rate Commission.
[2] Military personnel on active duty. Excludes reserve components. Data shown for Department of Defense are average strengths, not FTEs.
[3] Actual 1998 FTE data not available for legislative branch.

TABLE 10–4. PERSONNEL COMPENSATION AND BENEFITS

(In millions of dollars)

Description	1998 actual	Estimate		Change: 1998 to 2000	
		1999	2000	Dollars	Percent
Civilian personnel costs:					
Executive Branch (excluding Postal Service):					
Direct compensation:					
DOD—military functions	31,766	32,088	31,980	214	0.7%
All other executive branch	54,893	58,674	61,840	6,947	12.7%
Subtotal, direct compensation	86,659	90,762	93,820	7,161	8.3%
Personnel benefits:					
DOD—military functions	6,963	6,761	6,877	–86	–1.2%
All other executive branch [1]	21,760	23,058	24,316	2,556	11.7%
Subtotal, personnel benefits	28,723	29,819	31,193	2,470	8.6%
Subtotal, executive branch	115,382	120,581	125,013	9,631	8.3%
Postal Service:					
Direct compensation	34,704	35,640	36,744	2,040	5.9%
Personnel benefits	9,648	9,734	10,020	372	3.9%
Subtotal	44,352	45,374	46,764	2,412	5.4%
Legislative Branch: [2]					
Direct compensation	1,273	1,356	1,434	161	12.6%
Personnel benefits	275	307	313	38	13.8%
Subtotal	1,548	1,663	1,747	199	12.9%
Judicial Branch:					
Direct compensation	1,625	1,776	1,910	285	17.5%
Personnel benefits	406	450	492	86	21.2%
Subtotal	2,031	2,226	2,402	371	18.3%
Total, civilian personnel costs	163,313	169,844	175,926	12,613	7.7%
Military personnel costs:					
DOD—Military Functions:					
Direct compensation	48,602	49,524	51,012	2,410	5.0%
Personnel benefits	17,674	17,874	19,136	548	3.1%
Subtotal	66,276	67,398	70,148	2,958	4.5%
All other executive branch, uniformed personnel:					
Direct compensation	1,172	1,233	1,297	125	10.7%
Personnel benefits	115	122	127	12	10.4%
Subtotal	1,287	1,355	1,424	137	10.6%
Total, military personnel costs [3]	67,563	68,753	71,572	3,095	4.6%
Grand total, personnel costs	**230,876**	**238,597**	**247,498**	**15,708**	**6.8**%
ADDENDUM					
Former Civilian Personnel:					
Retired pay for former personnel	43,893	45,674	47,686	3,793	8.6%
Government payment for Annuitants:					
Employee health benefits	4,115	4,654	5,105	990	24.1%
Employee life insurance	30	35	36	6	20.0%
Total Former Civilian Personnel	48,038	50,363	52,827	4,789	10.0%
Former Military personnel:					
Retired pay for former personnel	584	615	659	75	12.8%

[1] In addition to the employing agency's contribution to the costs of life and health insurance, retirement and Medicare Hospital insurance, this amount includes transfers from general revenues to amortize the effects of general pay increases on Federal retirement systems for employees in the Legislative and Judicial Branches as well as employees (non-Postal) in the Executive Branch and to amortize supplemental liabilities under FERS. The transfers amounted to 8,381 million in 1998 and are estimated to be $8,703 million in 1999 and $9,121 million in 2000.

[2] Excludes members and officers of the Senate.

[3] Excludes reserve components.

11. STRENGTHENING FEDERAL STATISTICS

Our democracy and economy demand that public and private leaders have unbiased, relevant, accurate, and timely information on which to base their decisions. Data on real Gross Domestic Product (GDP), the Consumer Price Index (CPI), and the trade deficit, for example, are critical inputs to monetary, fiscal, trade, and regulatory policy. They also have a major impact on government spending, budget projections, and the allocation of Federal funds. Economic data, such as measures of price change, have as well a significant influence on interest rates and cost-of-living adjustments that affect every American who runs a business, saves for retirement, or mortgages a home. Taken together, statistics produced by the Federal Government on demographic, economic, and social conditions and trends are essential to inform decisions that are made by virtually every organization and household.

The U.S. Federal statistical system comprises some 70 agencies that collect, analyze, and disseminate information for use by governments, businesses, researchers, and the public. Approximately half of the funding for the statistical system provides resources for ten agencies that have statistical activities as their principal mission (see Table 11–1.) The remaining funding is spread among some sixty agencies that carry out statistical activities in conjunction with other missions such as providing services or enforcing regulations.

Under the aegis of the congressionally-mandated Interagency Council on Statistical Policy (ICSP), the principal statistical agencies continue to extend their collaborative endeavors to improve the overall performance and efficiency of the Federal statistical system. For example, during 1998 the ICSP continued its support of FedStats (www.fedstats.gov), a "one-stop shopping" Internet site for Federal statistics that permits easy access via an initial point of entry to the wide array of information available to the public from the 70 agencies. In September 1998, FedStats doubled the number of Federal statistical sites indexed by its search engine from 14 to 28. FedStats has been enthusiastically received both by Web watchers and by more than a million users of Federal statistical information.

In May 1998, the Interagency Forum on Child and Family Statistics published a new report, *Nurturing Fatherhood: Improving Data and Research on Male Fertility, Family Formation and Fatherhood*, and in July released its second annual report, *America's Children, Key National Indicators of Well-Being, 1998*. In September, the Council of Economic Advisers in consultation with Federal statistical agencies published *Changing America: Indicators of Social and Economic Well-Being by Race and Hispanic Origin* for the President's Initiative on Race. This chart book, which documents current differences in well-being by race and Hispanic origin and describes how such differences have evolved over the past several decades, provides the basis for an informed discussion about the problems faced by people of different races and backgrounds in America. Among the benefits of these activities has been the stimulation of interagency efforts to close data gaps identified in the reports.

A singularly important initiative to improve the quality and efficiency of Federal statistical programs is a legislative proposal that would allow the sharing of confidential data among statistical agencies under strict safeguards. Passage of this legislation continues to be a top priority of the Administration.

Despite these accomplishments, rapid changes in our economy and society, and funding levels that do not enable statistical agencies to keep pace with them, can threaten the relevance and accuracy of our Nation's key statistics. A growing inability of our statistical system to mirror accurately our economy and society will, in turn, undermine core government activities, such as the accurate allocation of scarce Federal funds. Fortunately, the most serious shortcomings of our statistical infrastructure could be substantially mitigated by the proposals set forth in the Administration's budget. These initiatives include:

- implementing a sampling methodology for the 2000 Decennial Census that is designed to reduce the differential undercount for hard to enumerate populations in order to improve the accuracy of data used to reapportion seats in the U.S. House of Representatives, redraw State legislative districts, and distribute annually more than $100 billion in Federal funds to State and local jurisdictions (Bureau of the Census);
- providing a comprehensive, integrated, and internationally comparable statistical base for analysis as well as reliable and timely information on the impact on the U.S. economy of increasingly integrated world markets (Bureau of Economic Analysis);
- modernizing our basic industrial classification to reflect the structural and technological make-up of our economy and facilitate economic analyses that cover the entire North American Free Trade Agreement area (Bureau of Labor Statistics and Bureau of the Census);
- improving the timeliness and accuracy of the CPI to permit more rapid revision in future years, to produce alternative measures of the change in the cost of living, to reflect more accurately changes in the quality of goods and services, and to allow more timely introduction of new goods into the CPI (Bureau of Labor Statistics);

- providing consistent, accurate, and current demographic information for all States as well as for sub-State areas with populations greater than 250,000 through the American Community Survey program, which will result in numerous data improvements and efficiencies including far more timely data to distribute over $100 billion in Federal funds annually to States and local areas (Bureau of the Census); and
- providing new statutory authority for the limited sharing of confidential statistical information among specific Federal statistical agencies solely for statistical purposes. The proposed changes would permit these statistical agencies to manage information in many important respects as if they were part of a single agency, thereby increasing the accuracy of statistical estimates and the efficiency of Federal data collection.

The following highlights elaborate on the Administration's proposals to strengthen the programs of the principal Federal statistical agencies.

HIGHLIGHTS OF 2000 PROGRAM CHANGES FOR PRINCIPAL STATISTICAL AGENCIES

Bureau of Economic Analysis: Funding is requested to update and improve the data used in estimating GDP and national income and to continue moving forward on other key initiatives in BEA's Strategic Plan for improving its economic accounts. Initiatives would produce: (1) new and improved measures of output and prices, by extending BEA's work on quality adjustments; (2) better measures of investment, savings, and wealth, by developing a comprehensive accounting for software; and (3) improved measures of international transactions, by expanding the coverage of rapidly growing international services and financial instruments.

Bureau of Justice Statistics: Funding is requested to: (1) develop and implement a program to produce consistent annual measures of the incidence of hate crimes and to estimate the extent and nature of change from year to year; (2) develop a tribal data collection program that would include conducting a complete census of approximately 500 recognized Indian tribes to collect data on the types and characteristics of criminal justice agencies operating in these jurisdictions, measuring services provided to these communities, assessing the tribes' capacity to collect and report information on crime in their jurisdictions, improving crime measurement capabilities and information systems, integrating tribal crime statistics into existing national reports, and carrying out studies on violent crime in Indian tribal jurisdictions; and (3) collect and analyze data on pretrial drug testing of offenders; treatment policies, practices, and services available to arrestees; case processing of drug abuse violators; State court management of drug-related cases and services; and drug-free workplace policies in State and local agencies.

Bureau of Labor Statistics: Funding is requested to: (1) complete the Consumer Price Index (CPI) revision; (2) continue improvements in the CPI revision process that would make it possible to complete the CPI weight update more rapidly, allow BLS to produce alternative measures of change in the cost of living, improve the measurement of changes in the quality of goods and services, and provide a basis to bring new goods into the CPI on a more timely basis; (3) complete the initial transition from the Standard Industrial Classification (SIC) to the new North American Industry Classification System (NAICS); (4) expand the Employment Cost Index (ECI) sample to produce more precise indices of quality changes in employer wage and benefit costs by major industry and major occupational group and to produce better annual estimates of employer cost levels; (5) extend the application of quality adjustments and accelerate the introduction of new products in the Producer Price Index (PPI), expand PPI coverage for the first time to the construction sector of the U.S. economy, and enhance coverage of the service sector in the PPI and in BLS productivity data; and (6) improve data dissemination by expanding the Internet public access site.

Bureau of the Census: Funding is requested to: (1) shift from planning and testing for the 2000 Decennial Census to the operational phase based on sampling for nonresponse follow up; (2) establish a nationwide physical and technological infrastructure employing several hundred thousand people based in 476 local Census Bureau offices to collect and process data for Census 2000; (3) deliver Census 2000 questionnaires and collect data from an estimated 118 million households; (4) tabulate the data collected in Census 2000 for use in the reapportionment of Congressional representation and in formulas for annually distributing in excess of $100 billion in Federal funds; (5) prepare the American Community Survey national sample for benchmarking these data against Census 2000 data; (6) publish the first North American Industry Classification System (NAICS)-based Annual Survey of Manufactures and County Business Patterns reports in mid-2000, collect Annual Capital Expenditures Survey data on a NAICS basis for 1999, restructure the program of annual service industry surveys, and collect NAICS-based annual statistics for additional service industries in the new program for calendar years 1998 and 1999; and (7) complete dissemination of data from the 1997 Economic Censuses, and begin preparations for the 2002 Economic Censuses and the 2002 Census of Governments.

Bureau of Transportation Statistics: Funding is requested to: (1) produce and enhance data compilations and analyses concerning patterns of passenger travel and goods movements that are reported in the congressionally-mandated Transportation Statistics Annual Report and companion publications; (2) extend efforts to provide technical assistance in the use of statistics and data products to State and local authorities; (3) initiate analyses as directed by Congress in TEA–21, including the Intermodal Transportation Data Base, Transportation Capital Stocks Account, National Transportation Atlas Data Base, International Trade Impact Study, and other analyses related to international transportation; and (4) expand collections and services of the National Transportation Library.

Economic Research Service: Funding is requested to: (1) enhance commodity market analysis; (2) support an initiative on the economic incentives for carbon sequestration and trace gas emissions control in agriculture; (3) cooperate with the U.S. Global Change Research Program (USGCRP) National Assessment activities; (4) provide economic analyses in food-safety risk assessment; (5) meet the analytical information needs of small farmers, niche marketers, and other casualties of an industrializing agricultural sector; and (6) assess the effects of electric utility deregulation on rural communities. The decrease in ERS total funding reflects the proposal to reverse the 1999 transfer of funds ($12.2 million) for the evaluation of domestic food assistance programs from the Food and Nutrition Service.

Energy Information Administration: Funding is requested to: (1) enhance international analysis capabilities to assess carbon mitigation, permit trading, and other global climate change issues; (2) begin assessing the accuracy and reliability of energy data systems such as consumption surveys which are operating on a base that is reaching 20 years of age, well beyond the normal 10-year life-cycle; (3) continue overhauling survey frames and data systems to maintain the ability to analyze changes such as those brought on by deregulation and restructuring in the natural gas and electricity industries; and (4) seek further efficiency gains through the use of information processing and communications technologies.

National Agricultural Statistics Service: Funding is requested to: (1) conduct a survey of fruit and vegetable growers, as well as fruit and vegetable packing houses, to help ensure food safety in the production and processing of domestic and imported fruits and vegetables; (2) expand measurement of chemical usage on cropland within the Mid-Atlantic region, and lead a multi-agency collaborative effort to "warehouse" data and information from the many independent assessment activities into an integrated and consistent geographically linked information system in support of the National Environmental Monitoring and Research Framework; (3) establish a permanent office in Puerto Rico; (4) collect pesticide use data for the horticulture and greenhouse industries, and expand pesticide use surveys for other commodities; and (5) conduct the Agricultural Economics and Land Ownership Survey, which occurs every 10 years following the Census of Agriculture and provides the only comprehensive source of data on agricultural land ownership, financing, and inputs by farm operators and landlords for each State. The decrease in NASS total funding reflects a reduction in funding for the Census of Agriculture due to the cyclical nature of the program.

National Center for Education Statistics: Funding is requested to: (1) redesign the Integrated Postsecondary Education Data System (IPEDS) to utilize a new web-based system; (2) improve dissemination of consumer information on college costs and prices; (3) begin development of a higher-education cost index, in cooperation with the Bureau of Labor Statistics; (4) perform a post-secondary teacher education study that standardizes the definition for teacher certification at the State level; (5) develop individual State capacity to interpret, report, and use National Assessment of Educational Progress (NAEP) data; (6) permit State and local jurisdictions to provide annual NAEP-like indicators of educational progress; (7) enhance the dissemination of NAEP data on the Internet; and (8) increase the use of computers in all phases of NAEP assessments.

National Center for Health Statistics: Funding is requested to: (1) help States implement a major revision to the international coding system for mortality, make further improvements in data quality and timeliness, and maintain the scope of data available on births and deaths; (2) support a fundamental sample redesign for the National Health Interview Survey following the decennial census; (3) provide new, state-of-the-art medical and communications technology to improve quality and speed results for the National Health and Nutrition Examination Survey; (4) begin to implement new approaches to monitoring the health care delivery system, including organizational and financial arrangements of providers, as part of a public/private effort to address major data gaps in this area; (5) develop new approaches to acquiring data on special populations such as racial and ethnic groups in order to track progress in meeting health objectives, identify health differentials, and better understand differences among groups; (6) implement surveys to produce State level data for tracking changes in access to care, insurance coverage, health status, and use of health services as market and policy reforms are implemented; and (7) make data more readily available to users by improving timeliness and access through use of automated systems and the Internet.

Table 11–1. 1998–2000 BUDGET AUTHORITY FOR PRINCIPAL STATISTICAL AGENCIES

(In millions of dollars)

	1998 actual	1999 enacted	2000 request
Bureau of Economic Analysis	42.5	43.2	49.4
Bureau of Justice Statistics	21.5	25.0	32.0
Bureau of Labor Statistics	380.5	398.9	420.9
Bureau of the Census	686.5	1,339.9	3,071.7
Periodic Censuses and Programs	549.8	1,193.8	2,914.8
Salaries and Expenses	136.7	146.1	156.9
Bureau of Transportation Statistics	31.0	31.0	31.0
Economic Research Service	71.6	65.8	[1] 55.6
Energy Information Administration	66.8	70.5	72.6
National Agricultural Statistics Service [2]	118.3	104.0	100.6
National Center for Education Statistics	91.0	104.0	117.5
Statistics	59.0	68.0	77.5
Assessment	32.0	36.0	40.0
National Center for Health Statistics	84.6	94.6	109.6
PHS Evaluation Funds	58.5	67.8	109.6
Budget Authority	26.0	26.8	....

[1] Decrease reflects the proposal to reverse the 1999 transfer of $12.2 million for the evaluation of domestic food assistance programs from the Food and Nutrition Service.

[2] Includes funds for the periodic Census of Agriculture and Special Studies of $36.5, $23.6, and $16.5 (million) in 1998, 1999, and 2000, respectively.

FEDERAL BORROWING AND DEBT

12. FEDERAL BORROWING AND DEBT

Debt is the largest legally binding obligation of the Federal Government. At the end of 1998 the Government owed $3,720 billion of principal to the people who had loaned it the money to pay for past deficits. The gross Federal debt, which also includes the securities held by trust funds and other Government accounts, was $5,479 billion. This year the Government is estimated to pay around $234 billion of interest to the public on its debt.

After 28 consecutive years of deficits financed mainly by borrowing from the public, the Government had a $69 billion surplus in 1998 and repaid $51 billion of debt held by the public. This was a large improvement in its fiscal position from the record $290 billion deficit in 1992. The steady decline in deficits since that year and the eventual surplus were due in large part to the strong economic expansion and the budget discipline of the Omnibus Budget Reconciliation Act of 1993. The surpluses projected in this budget would substantially reduce Federal debt held by the public over the next few years both in dollar amount and relative to the size of the Nation's gross domestic product (GDP).

The tables and text in this chapter do not reflect the President's proposed reform of the social security system, which would affect the borrowing and debt estimates from 2000 onwards. Borrowing and debt estimates based on his proposal are, however, presented in Table S-14 of the main budget volume, *Budget of the United States Government, Fiscal Year 2000.*

TABLE 12–1. TRENDS IN FEDERAL DEBT HELD BY THE PUBLIC

(Dollar amounts in billions)

Fiscal year	Debt held by the public		Debt held by the public as a percent of:		Interest on debt held by the public as a percent of: [3]	
	Current dollars	FY 1992 dollars [1]	GDP	Credit market debt [2]	Total outlays	GDP
1950	219.0	1,210.1	80.1	55.3	11.4	1.8
1955	226.6	1,098.5	57.3	43.3	7.6	1.3
1960	236.8	1,019.5	45.7	33.8	8.5	1.5
1965	260.8	1,049.0	38.0	26.9	8.1	1.4
1970	283.2	946.2	28.1	20.8	7.9	1.5
1975	394.7	969.5	25.4	18.4	7.5	1.6
1980	709.8	1,197.0	26.1	18.5	10.6	2.3
1981	785.3	1,206.2	25.8	18.5	12.0	2.7
1982	919.8	1,319.3	28.6	19.8	13.6	3.1
1983	1,131.6	1,551.2	33.1	21.9	13.8	3.3
1984	1,300.5	1,716.8	34.1	22.1	15.7	3.5
1985	1,499.9	1,913.6	36.6	22.3	16.2	3.7
1986	1,736.7	2,154.7	39.7	22.6	16.1	3.6
1987	1,888.7	2,277.4	41.0	22.3	16.0	3.5
1988	2,050.8	2,390.2	41.4	22.3	16.2	3.5
1989	2,189.9	2,448.7	40.9	22.0	16.5	3.5
1990	2,410.7	2,587.2	42.4	22.6	16.2	3.6
1991	2,688.1	2,767.0	45.9	24.1	16.2	3.7
1992	2,998.8	2,998.8	48.8	25.7	15.5	3.5
1993	3,247.5	3,163.9	50.2	26.5	14.9	3.2
1994	3,432.1	3,264.6	50.1	26.8	14.4	3.1
1995	3,603.4	3,347.3	50.1	26.6	15.8	3.3
1996	3,733.0	3,400.7	49.4	26.2	15.8	3.3
1997	3,771.1	3,372.5	47.2	25.3	15.7	3.1
1998	3,719.9	3,286.7	44.3	23.4	15.1	3.0
1999 estimate	3,669.7	3,201.1	41.9	....	13.6	2.7
2000 estimate	3,571.8	3,053.3	39.2	....	12.5	2.4
2001 estimate	3,455.0	2,891.7	36.4	....	11.8	2.2
2002 estimate	3,285.0	2,692.6	33.2	....	11.1	2.0
2003 estimate	3,119.3	2,504.7	30.2	....	10.1	1.9
2004 estimate	2,926.4	2,301.2	27.1	....	9.3	1.7

[1] Debt in current dollars deflated by the GDP chain-type price index with fiscal year 1992 equal to 100.

[2] Total credit market debt owed by domestic nonfinancial sectors, modified to be consistent with budget concepts for the measurement of Federal debt. Financial sectors are omitted to avoid double counting, since financial intermediaries borrow in the credit market primarily in order to finance lending in the credit market. Source: Federal Reserve Board flow of funds accounts. Projections are not available.

[3] Interest on debt held by the public is estimated as the interest on the public debt less the ''interest received by trust funds'' (subfunction 901 less subfunctions 902 and 903). It does not include the comparatively small amount of interest on agency debt or the offsets for interest on public debt received by other Government accounts (revolving funds and special funds).

Trends in Federal Debt

Federal debt held by the public has increased five-fold since 1980, as shown in Table 12–1. In 1980 it was $709.8 billion; by the end of 1998 it stood at $3,719.9 billion. The data in this table are supplemented for earlier years by Tables 7.1–7.3 in *Historical Tables*, which is published as a separate volume of the budget.

After the end of World War II, Federal debt peaked at 109 percent of GDP in 1946. From then until the 1970s, Federal debt grew gradually, but, due to inflation, it declined in real terms. Because of an expanding economy as well as inflation, Federal debt as a percentage of GDP decreased almost every year. With households borrowing heavily to buy homes and consumer durables, and with businesses borrowing heavily to buy plant and equipment, Federal debt also decreased almost every year as a percentage of the total credit market debt outstanding. The cumulative effect was impressive. From 1950 to 1975, debt held by the public declined from 80.1 percent of GDP to 25.4 percent, and from 55.3 percent of credit market debt to 18.4 percent. Despite rising interest rates, interest outlays became a smaller share of the budget and were roughly stable as a percentage of GDP.

During the 1970s, large budget deficits emerged as the economy was disrupted by oil shocks and inflation. The nominal amount of Federal debt more than doubled, and, despite high inflation, the real value of Federal debt increased by a fourth. Federal debt relative to GDP and credit market debt stopped declining after the middle of the decade.

The growth of Federal debt held by the public accelerated during the early 1980s due to very large budget deficits. Since the deficits continued to be large until recently, debt continued to grow substantially. With inflation reduced, the rapid growth in nominal debt meant a rapid growth in real debt as well. The ratio of Federal debt to GDP rose from 26.1 percent in 1980 to 50.2 percent in 1993, the highest ratio since the mid-1950s. The ratio of Federal debt to credit market debt also rose, though to a much lesser extent, from 18.5 percent to 26.5 percent. Interest outlays on debt held by the public, calculated as a percentage of both total Federal outlays and GDP, increased by about two-fifths.

The growth of Federal debt held by the public was decelerating by this time, however, and in 1998 the amount of debt outstanding fell for the first time since the last budget surplus in 1969. Since 1994 the debt has declined considerably relative to both GDP and total credit market debt. Table 12–1 shows that debt as a percentage of GDP is estimated to decline significantly more in the next few years, falling from 44.3 percent in 1998 to 27.1 percent in 2004. The improvement in the last few years reflects the deficit reduction package enacted by the Omnibus Budget Reconciliation Act of 1993 and the long economic expansion. The further estimated improvement reflects the Balanced Budget Act of 1997 and the expectation that economic growth will continue at a steady pace without accelerating inflation for the foreseeable future.[1] Interest outlays on the debt held by the public are estimated to decline by about one-third relative to both total outlays and GDP over the next few years.

Debt Held by the Public, Gross Federal Debt, and Liabilities Other Than Debt

The Federal Government issues debt securities for two principal purposes. First, it borrows from the public in order to finance the Federal deficit. Second, it issues debt to Government accounts, primarily trust funds, that accumulate surpluses. By law, trust fund surpluses must generally be invested in Federal securities. The gross Federal debt is defined to consist of both the debt held by the public and the debt held by Government accounts. Nearly all the Federal debt has been issued by the Treasury and is formally called "public debt," but a small portion has been issued by other Government agencies and is called "agency debt."[2]

Borrowing from the public, whether by the Treasury or by some other Federal agency, has a significant impact on the economy. Borrowing from the public is normally a good approximation to the Federal demand on credit markets. Even if the proceeds are used productively for tangible or intangible investment, the Federal demand on credit markets has to be financed out of the saving of households and businesses, the State and local sector, or the rest of the world.[3] Federal borrowing thereby competes with the borrowing of other sectors for financial resources in the credit market, which affects interest rates and private capital accumulation. Borrowing from the public thus affects the size and composition of assets held by the private sector and the perceived wealth of the public. It also affects the amount of taxes required to pay interest to the public on Federal debt. Borrowing from the public is therefore an important concern of Federal fiscal policy.[4]

Issuing debt securities to Government accounts performs an essential function in accounting for the operation of these funds. The balances of debt represent the cumulative surpluses of these funds due to the excess of their tax receipts and other collections compared

[1] Chapter 1 of this volume, "Economic Assumptions," reviews recent economic developments and explains the economic assumptions for this budget.

[2] The term "agency debt" is defined more narrowly in the budget than in the securities market, where it includes not only the debt of the Federal agencies listed in Table 12–3 but also the debt of the Government-sponsored enterprises listed in Table 8–10 at the end of Chapter 8 and certain Government-guaranteed securities.

[3] The Federal sector of the national income and product accounts provides a better measure of the deficit for analyzing the effect of Federal fiscal policy on national saving than the budget deficit or Federal borrowing from the public. The Federal sector and its differences from the budget are discussed in chapter 16 of this volume, "National Income and Product Accounts." Also see chapter 6 of this volume, Part IV, the section on the analysis of saving and investment.

[4] Debt held by the public was measured until 1988 as the par value (or face value) of the security, which is the principal amount due at maturity. The only exception was savings bonds. However, most Treasury securities are sold at a discount from par, and some are sold at a premium. Treasury debt held by the public is now measured as the sales price plus the amortized discount (or less the amortized premium). At the time of sale, the value equals the sales price. Subsequently, the value equals the sales price plus the amount of the discount that has been amortized up to that time. In equivalent terms, the measured value of the debt equals par less the unamortized discount. (For a security sold at a premium, the definition is symmetrical.) Agency debt, except for zero-coupon certificates, is recorded at par. For further analysis of these concepts, see Special Analysis E, "Borrowing and Debt," in *Special Analyses, Budget of the United States Government, Fiscal Year 1990*, pp. E-5 to E-8, although some of the practices it describes have been changed. In 1997 Treasury began to sell inflation-protected notes and bonds. The recorded value of these securities includes a periodic adjustment for inflation.

Table 12–2. FEDERAL GOVERNMENT FINANCING AND DEBT [1]

(In billions of dollars)

	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Financing:							
Surplus or deficit (–)	69.2	79.3	117.3	134.1	186.7	182.0	207.6
(On-budget)	–29.9	–41.7	–12.2	0.2	44.4	31.4	49.8
(Off-budget)	99.2	121.0	129.5	133.9	142.3	150.7	157.8
Means of financing other than borrowing from the public:							
Changes in: [2]							
Treasury operating cash balance	4.7	–1.1	....	....	....	....	....
Checks outstanding, etc. [3]	–10.5	–3.7	–0.1	....	....	....	....
Deposit fund balances	–0.8	–1.7	....	....	....	....	....
Seigniorage on coins	0.6	0.9	1.0	1.0	1.0	1.0	1.0
Less: Net financing disbursements:							
Direct loan financing accounts	–11.5	–25.2	–21.2	–20.1	–19.6	–19.2	–17.7
Guaranteed loan financing accounts	–0.5	1.6	0.9	1.8	1.8	1.8	2.0
Total, means of financing other than borrowing from the public	–18.0	–29.1	–19.4	–17.3	–16.7	–16.4	–14.7
Total, repayment of debt held by the public	51.3	50.1	97.9	116.8	170.1	165.7	192.9
Change in debt held by the public	–51.3	–50.1	–97.9	–116.8	–170.1	–165.7	–192.9
Debt Outstanding, End of Year:							
Gross Federal debt:							
Debt issued by Treasury	5,449.3	5,586.6	5,683.9	5,754.9	5,789.9	5,831.5	5,851.6
Debt issued by other agencies	29.4	28.4	27.5	26.4	25.5	24.1	22.8
Total, gross Federal debt	5,478.7	5,614.9	5,711.4	5,781.4	5,815.3	5,855.6	5,874.4
Held by:							
Government accounts	1,758.8	1,945.2	2,139.5	2,326.3	2,530.4	2,736.3	2,947.9
The public	3,719.9	3,669.7	3,571.8	3,455.0	3,285.0	3,119.3	2,926.4
Federal Reserve Banks [4]	458.1						
Other	3,261.7						
Debt Subject to Statutory Limitation, End of Year:							
Debt issued by Treasury	5,449.3	5,586.6	5,683.9	5,754.9	5,789.9	5,831.5	5,851.6
Less: Treasury debt not subject to limitation [5]	–15.5	–15.5	–15.5	–15.5	–15.5	–15.5	–15.5
Agency debt subject to limitation	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Adjustment for discount and premium [6]	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Total, debt subject to statutory limitation [7]	5,439.4	5,576.6	5,673.9	5,744.9	5,779.9	5,821.5	5,841.6

[1] Treasury securities held by the public and zero-coupon bonds held by Government accounts are almost entirely measured at sales price plus amortized discount or less amortized premium. Agency debt is almost entirely measured at face value. Treasury securities in the Government account series are measured at face value less unrealized discount (if any).

[2] A decrease in the Treasury operating cash balance (which is an asset) would be a means of financing the deficit and therefore has a positive sign. An increase in checks outstanding or deposit fund balances (which are liabilities) would also be a means of financing the deficit and therefore has a positive sign.

[3] Besides checks outstanding, includes accrued interest payable on Treasury debt, miscellaneous liability accounts, allocations of special drawing rights, and, as an offset, cash and monetary assets other than the Treasury operating cash balance, miscellaneous asset accounts, and profit on sale of gold.

[4] Debt held by the Federal Reserve Banks is not estimated for future years.

[5] Consists primarily of Federal Financing Bank debt.

[6] Consists of unamortized discount (less premium) on public issues of Treasury notes and bonds (other than zero-coupon bonds) and unrealized discount on Government account series securities.

[7] The statutory debt limit is $5,950 billion.

to their spending. These balances can be used in later years for future payments to the public. The interest on the debt compensates these funds—and the members of the public who pay earmarked taxes or user fees into these funds—for spending some of their collections at a later time than when they receive the money. Public policy may deliberately run surpluses and accumulate debt in trust funds and other Government accounts in anticipation of future spending.

However, issuing debt to Government accounts does not have any of the economic effects of borrowing from the public. It is an internal transaction between two accounts, both within the Government itself. It is not a current transaction of the Government with the public; it does not compete with the private sector for available funds in the credit market; it does not provide the account with resources other than a claim on the U.S. Treasury; and it does not represent the estimated amount of the account's future transactions with the public. For example, if the account records the transactions of a social insurance program, the debt that it holds does not represent the actuarial present value of expected future benefits for either the current participants or a larger group. The future transactions of Federal social insurance and employee retirement programs, which own over four-fifths of the debt held by Government accounts, are important in their own right and need to be considered separately. This can be done through information published in actuarial and financial reports for these programs.[5] Debt held by the public is therefore a better concept than gross Federal debt for analyzing the effect of the budget on the economy.

Debt securities do not encompass all the liabilities of the Federal Government. For example, accounts payable occur in the normal course of buying goods and services; social security benefits are due as of the end of the month but, according to statute, are payable as of the beginning of the next month; loan guarantee liabilities are incurred when the Government guarantees the payment of interest and principal on private loans; and liabilities for future pension payments are incurred as part of the current compensation for the services performed by Federal civilian and military employees in producing Government outputs. Like debt securities sold in the credit market, these liabilities have their own distinctive effects on the economy. Federal liabilities are analyzed within the broader conceptual framework of Federal resources and responsibilities in chapter 2 of this volume, "Stewardship: Toward a Federal Balance Sheet."[6] The different types of liabilities are reported annually in the financial statements of the major Federal agencies and in the *Consolidated Financial Statements of the United States Government.*[7]

Borrowing and Government Deficits

Table 12–2 summarizes Federal borrowing and debt from 1998 through 2004. In 1998 the Government repaid $51.3 billion of debt held by the public, and the debt outstanding decreased to $3,719.9 billion. The Treasury issued $160.3 billion of debt to Government accounts, and gross Federal debt increased to $5,3478.7 billion. Table S-14 in the main budget volume summarizes Federal borrowing and debt in the same way as Table 12-2 but reflects the President's proposal to reform the social security system in the estimates for 2000-2004.

Borrowing from the public depends both on the Federal Government's expenditure programs and tax laws and on economic conditions. The sensitivity of the budget to economic conditions is analyzed in chapter 1 of this volume.

Debt held by the public.—Table 12–2 shows the relationship between borrowing from the public and the Federal surplus or deficit. The total surplus or deficit of the Federal Government includes both the on-budget surplus or deficit and also the surplus or deficit of the off-budget Federal entities, which have been excluded from the budget by law. Under present law the off-budget Federal entities are the social security trust funds (old-age and survivors insurance and disability insurance) and the Postal Service fund.[8] Social security, which comprises almost all of the off-budget totals, had a large surplus in 1998 and is estimated to have large and rising surpluses throughout the projection period. Its surplus more than offsets the on-budget deficit in 1998 and the estimated on-budget deficits in 1999 and 2000, as a result of which debt held by the public is repaid in these years. Beginning in 2001, when the on-budget accounts are estimated to also have a surplus, the social security surplus adds substantially to the amount of debt repaid.

The Government's ability to repay debt held by the public, or its need to borrow, depends on the size of the total surplus or deficit and on several other factors such as the net financing disbursements of credit programs and changes in the level of cash balances held by the Treasury. As shown in Table 12–2, these other factors—which are formally called "means of financing other than borrowing from the public"—can either increase or decrease the Government's repayment of debt. (An increase in its ability to repay debt is representated by a positive sign, like the surplus; a decrease is represented by a negative sign, like a deficit.) In 1998 the surplus was $69.2 billion and the "other means of financing" were –$18.0 billion, so the Government was able to repay $51.3 billion of debt held by the public. In 1999 the surplus is estimated to grow to $79.3 billion, but the "other means of financing" are estimated to grow even more, to $29.1 billion. As a result, despite the growing surplus, the estimated repayment of debt held by the public deceases slightly to $50.1 billion. In 2000 and later years, the estimated surplus increases substantially, as a result of which the Government repays large and generally increasing amounts of debt each year.

When the surplus or deficit is large, it is usually a good approximation to say that "the surplus is used to repay debt held by the public" or "the deficit is financed by borrowing from the public." Over the last 10 years, the cumulative deficit was $1,616 billion and the increase in debt held by the public was $1,669 billion—nearly equal amounts. The other factors added a total of $53 billion of borrowing over that period, an average of $5.3 billion per year. The variation was wide, ranging from additional borrowing of $22 billion to reduced borrowing of $18 billion. The other factors that affect borrowing do not depend on the size of the surplus or deficit. Thus, when the surplus or deficit is moderate in size, as in 1998, the other factors that

[5] Extensive actuarial analyses of the social security and medicare programs are published in the annual reports of the boards of trustees of these funds. A summary of actuarial estimates for these and other programs is prepared annually by the Financial Management Service, Department of the Treasury, in "Statement of Liabilities and Other Financial Commitments of the United States Government." The estimates in that report are not, however, all comparable with one another in concept or actuarial assumptions.

[6] The balance sheet in chapter 2 consolidates the Federal Reserve System with the rest of the Government, unlike the budget. As a result, the "debt held by the public" reported in that chapter, unlike the amounts reports in this chapter and elsewhere, is net of the Federal debt held by the Federal Reserve Banks.

[7] The *Consolidated Financial Statements* are published annually by the Financial Management Service, Department of the Treasury.

[8] For further explanation of the off-budget Federal entities, see chapter 19, "Off-Budget Federal Entities and Non-Budgetary Activities."

affect borrowing may account for a significant proportion of the change in Federal debt held by the public.

Many of these other factors are small in most years compared to borrowing from the public, even when the surplus or deficit is relatively small. This is because they are limited by their own nature. Decreases in cash balances, for example, are inherently limited by past accumulations, which themselves required financing when they were built up.

However, a new and larger factor that affects borrowing was created by the Federal Credit Reform Act of 1990. Budget outlays for direct loans and loan guarantees consist of the estimated subsidy cost of the loans or guarantees at the time when the direct loans or guaranteed loans are disbursed. The cash flows to and from the public resulting from these loans and guarantees are not costs to the Government above and beyond those costs already included in budget outlays. Therefore, they are non-budgetary in nature and are recorded as transactions of the non-budgetary financing account for each credit program.[9] The net cash flows of the financing accounts, including intragovernmental transactions as well as transactions with the public, are called "net financing disbursements." They are defined in the same way as the "outlays" of a budgetary account and therefore affect the ability to repay debt held by the public, or the requirements for borrowing from the public, in the same way as the surplus or deficit.

The net financing disbursements are partly due to intragovernmental transactions with budgetary accounts (the receipt of subsidy payment and the receipt or payment of interest) and partly due to transactions with the public (disbursement and repayment of loans, receipt of interest and fees, payment of default claims, and so forth). An intragovernmental transaction does not affect Federal borrowing from the public. (Although the surplus or deficit changes, the net financing disbursements change in an equal amount with the opposite sign, so the effects cancel out on a net basis.) On the other hand, financing account disbursements to the public increase the requirement for borrowing from the public in the same way as an increase in budget outlays for cash payments to the public. Financing account receipts from the public can be used to finance the payment of the Government's obligations and therefore reduce the requirement for Federal borrowing from the public in the same way as an increase in budget receipts.

In the early years of credit reform the financing accounts had little net effect on borrowing requirements, but their effect began to get large in 1995. The financing accounts added $4.1 billion to borrowing requirements in 1995, $11.7 billion in 1996, and $20.9 billion in 1997. Although they added only $12.0 billion in 1998, they are estimated to add $16–24 billion every year during 1999–2004. The expansion was mainly because of the growth of the direct student loan program. Since direct loans require cash disbursements equal to the full amount of the loans when the loans are made, Federal borrowing requirements are initially increased. Later, when the loans are repaid, Federal borrowing requirements will decrease.

Debt held by Government accounts.—The amount of Federal debt issued to Government accounts depends largely on the surpluses of the trust funds, both on-budget and off-budget, which owned 94 percent of the total Federal debt held by Government accounts at the end of 1998. In 2000, for example, the total trust fund surplus is estimated to be $184.8 billion, and Government accounts are estimated to invest $194.4 billion in Federal securities. The difference is because some revolving funds and special funds also hold Federal debt and because the trust funds may change the amount of their cash assets not currently invested. The amounts of debt held in major accounts and the annual investments are shown in Table 12–4.

Agency Debt

Several Federal agencies, shown in Table 12–3, sell debt securities to the public and to other Government accounts. During 1998, agencies repaid $0.6 billion of debt held by the public. Agency debt is only one percent of Federal debt held by the public.

The reason for issuing agency debt differs considerably from one agency to another. The predominant agency borrower is the Tennessee Valley Authority, which had sold $23.5 billion of securities held by the public at the end of 1998, or 92 percent of the total for all agencies. TVA sells debt primarily to finance capital expenditures and to refund other issues of its existing debt.

The Federal Housing Administration, on the other hand, has for many years issued both checks and debentures as means of paying claims to the public that arise from defaults on FHA-insured mortgages. Issuing debentures to pay the Government's bills is equivalent to borrowing from the public and then paying the bills by disbursing the cash borrowed, so the transaction is recorded as being simultaneously an outlay and a borrowing. The debentures are therefore classified as agency debt. The borrowing by FHA and a few other agencies that have engaged in similar transactions is thus inherent in the way that their programs operate.[10]

Some types of lease-purchase contracts are equivalent to direct Federal construction financed by Federal borrowing. A number of years ago the Federal Government guaranteed the debt used to finance the construction of buildings for the National Archives and the Architect of the Capitol and has exercised full control over the design, construction, and operation of the buildings. The construction expenditures and interest were therefore

[9] The Federal Credit Reform Act of 1990 (sec. 505(b)) requires that the financing accounts be non-budgetary. As explained in chapter 19, "Off-Budget Federal Entities and Non-Budgetary Activities," they are non-budgetary in concept because they do not measure cost. For additional discussion of credit reform, see chapter 23 of this volume, "Budget System and Concepts and Glossary," and the other references cited in chapter 19.

[10] The debt securities of the FSLIC Resolution fund and Department of the Interior were also issued as a means of paying specified bills. The budgetary treatment of these and similar securities is further explained in Special Analysis E of the 1989 *Budget*, pp. E-25 to E-26; and Special Analysis E of the 1988 *Budget*, pp. E-27 to E-28.

TABLE 12–3. AGENCY DEBT

(In millions of dollars)

	Borrowing or repayment (–) of debt			Debt end of 2000 estimate
	1998 actual	1999 estimate	2000 estimate	
Borrowing from the public:				
Housing and Urban Development:				
Federal Housing Administration	105	–110	....	64
Interior	....	....	....	13
Small Business Administration:				
Participation certificates: Section 505 development company	....	....	....	7
Architect of the Capitol	–2	–2	–2	173
Farm Credit System Financial Assistance Corporation	....	–397	–89	775
Federal Deposit Insurance Corporation:				
FSLIC Resolution Fund	–32	....	....	63
National Archives	–5	–5	–6	271
Tennessee Valley Authority	–701	2,776	–701	25,560
Total, borrowing from the public	**–634**	**2,262**	**–798**	**26,927**
Borrowing from other funds:				
Postal Service Fund [1]	–3,181	–83	–83	551
Tennessee Valley Authority [1]	....	–3,200	....	....
Total, borrowing from other funds	**–3,181**	**–3,283**	**–83**	**551**
Total, agency borrowing	**–3,814**	**–1,021**	**–881**	**27,478**

[1] The Postal Service and TVA debt held by other funds is the result of the FFB swapping Postal Service and TVA securities with the Civil Service Retirement and Disability trust fund during 1996 in exchange for Treasury securities having an equal present value. See the narrative for further explanation.

classified as Federal outlays, and the borrowing was classified as Federal agency borrowing from the public.

The proper budgetary treatment of lease-purchases was further examined in connection with the Budget Enforcement Act of 1990. Several changes were made. Among other decisions, it was determined that outlays for a lease-purchase in which the Government assumes substantial risk will be recorded in an amount equal to the asset cost over the period during which the contractor constructs, manufactures, or purchases the asset; if the asset already exists, the outlays will be recorded when the contract is signed. Agency borrowing will be recorded each year to the extent of these outlays. The agency debt will subsequently be redeemed over the lease payment period by a portion of the annual lease payments. This rule was effective starting in 1991. However, no lease-purchase agreements in which the Government assumes substantial risk have yet been authorized or are estimated for 1999 or 2000. The budgetary treatment was reviewed in connection with the Balanced Budget Act of 1997. Some clarifications were made but no substantive changes from existing practice.

The amount of agency securities sold to the public has been reduced by borrowing from the Federal Financing Bank (FFB). The FFB is an entity within the Treasury Department, one of whose purposes is to substitute Treasury borrowing for agency borrowing from the public. It has the authority to purchase agency debt and finance these purchases by borrowing from the Treasury. Agency borrowing from the FFB is not included in gross Federal debt. It would be double counting to add together (a) the agency borrowing from the FFB and (b) the Treasury borrowing from the public that was needed to provide the FFB with the funds to lend to the agencies.

The debt of the agencies that borrow from the FFB is not subject to the statutory debt limitation. This enabled Treasury to raise additional cash to avoid default during the dispute with Congress over the budget and the debt limit three years ago. On February 14, 1996, FFB swapped most of its holdings of TVA and Postal Service debt to the Civil Service Retirement and Disability trust fund (CSRDF) in exchange for Treasury securities. The Treasury securities, which were subject to the debt limit, were canceled in an exchange that took place between the FFB and the Treasury immediately afterwards. This reduced the amount of debt subject to limit, which allowed Treasury to sell to the public more securities that are subject to the debt limit.

The TVA and Postal Service securities acquired by CSRDF are included in gross Federal debt shown in Table 12–2, are included in Table 12–3 as amounts that agencies borrowed from other funds, and are included in Table 12–4 as agency debt held by Government accounts. Including agency debt held by Government accounts in gross Federal debt is not double counting, because Treasury did not have to borrow from the public in order for these accounts to buy the securities. Moreover, the TVA and Postal Service securities acquired by CSRDF replaced Treasury securities, which had been counted in gross Federal debt. It is assumed for purposes of the budget estimates that CSRDF will hold the agency debt until maturity (or call date), at which time the principal repayments will be invested in Treasury securities.[11]

TVA prepaid its entire $3.2 billion of debt securities held by CSRDF in October 1998. The Omnibus Consolidated and Emergency Appropriations Act of 1999 permitted TVA to prepay this debt at par and provided an appropriation to FFB to cover the prepayment charge otherwise owed. (The appropriation to FFB was used to make CSRDF whole.) The Act also prohibited TVA from borrowing from the FFB in the future. TVA financed the prepayment by borrowing from the public. As a result, its debt held by the public is estimated to increase $2.8 billion in 1999, while its total debt decreases by $0.4 billion.

Debt Held by Government Accounts

Trust funds, and some public enterprise revolving funds and special funds, accumulate cash in excess of current requirements in order to meet future obligations. These cash surpluses are invested mostly in Treasury debt and, to a very small extent, in agency debt.

Investment by trust funds and other Government accounts was around $10 billion per year in the early 1980s. Primarily due to the Social Security Amendments of 1983, the creation of the military retirement trust fund, and an expanding economy, annual investment has risen greatly since then. It was $160.3 billion in 1998, as shown in Table 12–4, and it is estimated to rise to $194.4 billion in 2000. The holdings of Federal securities by Government accounts are estimated to grow to $2,139.5 billion by the end of 2000, or 37 percent of the gross Federal debt. This percentage is estimated to rise further in the following years as the budget surpluses reduce the debt held by the public.

The large investment by Government accounts is concentrated among a few trust funds. The two social security trust funds—old-age and survivors insurance and disability insurance—have a large combined surplus and invest an increasing amount each year: a total of $352.5 billion during 1998–2000, which constitutes 65 percent of the total estimated investment by Government accounts.

[11] For further discussion of the debt limit dispute and the swap of securities between the FFB and CSRDF, see *Analytical Perspectives, Budget of the United States Government, Fiscal Year 1998*, pp. 222 and 225.

In addition to these two funds, the largest investment is by the Federal employee retirement and disability trust funds. The principal trust fund for Federal civilian employees is the civil service retirement and disability trust fund, which accounts for 18 percent of the total investment by Government accounts during 1998–2000. The military retirement trust fund accounts for 4 percent. Altogether, social security and these two retirement funds account for 87 percent of the investment by all Government accounts during this period. At the end of 2000, they are estimated to own 77 percent of the total debt held by Government accounts. The largest other holdings are by the hospital insurance trust fund, which invested heavily in the past, and the unemployment trust fund.

The Transportation Equity Act for the 21st Century (TEA–21), which the President signed in June 1998, increased Federal spending for highway programs and established a linkage between future trust fund tax receipts and highway spending The Act also changed the investments and investment policy of the trust fund. It provided that highway account balances in excess of $8 billion would be transferred to the general fund as of September 30, 1998. (This did not affect the mass transit account within the highway trust fund.) The amount of this transfer was $8.1 billion. It also provided that as of October 1998 the interest on any obligation held by the highway trust fund would not be credited to the fund. The Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999 subsequently amended this provision to say that the obligations held by the trust fund would not bear interest.

Technical note on measurement.—The Treasury securities held by Government accounts consist almost entirely of the Government account series. Most were issued at par value (face value), and the securities issued at a discount or premium have traditionally been recorded at par in the OMB and Treasury reports on Federal debt. However, there have recently been two exceptions. First, in 1991 Treasury began to issue zero-coupon bonds to the Pension Benefit Guaranty Corporation (PBGC). Because the purchase price was a small fraction of par value and the amounts were large, the PBGC holdings were recorded at purchase price plus amortized discount. These securities were redeemed during 1994.

TABLE 12–4. DEBT HELD BY GOVERNMENT ACCOUNTS [1]

(In millions of dollars)

Description	Investment or disinvestment (–)			Holdings end of 2000 estimate
	1998 actual	1999 estimate	2000 estimate	
Investment in Treasury debt:				
Energy: Nuclear waste disposal fund	4,921	–2,855	983	9,297
Health and Human Services:				
Federal hospital insurance trust fund	1,629	–617	6,340	123,973
Federal supplementary medical insurance trust fund	5,037	6,697	–808	45,391
Vaccine injury compensation trust fund	29	111	118	1,514
Housing and Urban Development:				
Federal Housing Administration mutual mortgage fund	877	1,800	2,500	18,644
Other HUD	65	708	677	7,008
Interior:				
Outer Continental Shelf deposit funds	59	–1,680	....	76
Abandoned Mine Reclamation fund	114	136	108	1,912
Labor:				
Unemployment trust fund	8,718	7,200	6,259	84,100
Pension Benefit Guaranty Corporation	937	837	1,040	10,574
State: Foreign Service retirement and disability trust fund	572	589	603	10,742
Transportation:				
Highway trust fund	–4,415	9,832	938	28,696
Airport and airway trust fund	2,189	3,746	1,554	13,850
Oil spill liability trust fund	–49	–43	268	1,344
Treasury: Exchange stabilization fund	521	877	270	17,128
Veterans Affairs:				
National service life insurance trust fund	–14	–134	–223	11,651
Other trust funds	21	5	10	1,774
Federal funds	–5	–12	–15	531
Defense-Civil:				
Military retirement trust fund	7,821	6,146	7,126	147,115
Harbor maintenance trust fund	108	614	....	1,889
Environmental Protection Agency:				
Hazardous substance trust fund	–582	–851	1,004	5,449
Leaking underground storage tank trust fund	134	207	189	1,630
International Assistance Programs:				
Overseas Private Investment Corporation	306	359	57	3,258
Office of Personnel Management:				
Civil Service retirement and disability trust fund [2]	32,353	33,532	29,711	510,000
Employees life insurance fund	1,338	1,323	1,467	22,167
Employees health benefits fund	–522	–245	–127	5,893
Social Security Administration:				
Federal old-age and survivors insurance trust fund [3]	85,837	106,941	113,262	873,485
Federal disability insurance trust fund [3]	13,434	15,014	18,028	110,038
Farm Credit System Insurance Corporation:				
Farm Credit Insurance Fund	146	99	104	1,519
Federal Deposit Insurance Corporation:				
Bank Insurance fund	1,116	788	791	29,024
FSLIC Resolution fund	281	142	53	2,282
Savings Association Insurance fund	337	434	313	10,349
National Credit Union Administration: Share insurance fund	206	192	199	4,269
Postal Service fund [3]	140	–*	....	1,000
Railroad Retirement Board trust funds	2,572	–3,854	905	18,862
Other Federal funds	491	1,318	923	8,120
Other trust funds	434	275	–191	5,133
Unrealized discount [1]	–3,688	....	....	–10,688
Total, investment in Treasury debt [1]	**163,468**	**189,634**	**194,436**	**2,138,999**
Investment in agency debt:				
Office of Personnel Management:				
Civil Service retirement and disability trust fund [2]	–3,181	–3,283	–83	551
Total, investment in agency debt	**–3,181**	**–3,283**	**–83**	**551**
Total, investment in Federal debt [1]	**160,287**	**186,351**	**194,353**	**2,139,550**
MEMORANDUM				
Investment by Federal funds (on-budget)	10,312	4,823	8,003	123,915
Investment by Federal funds (off-budget)	140	–*	....	1,000
Investment by trust funds (on-budget)	54,192	61,253	55,060	1,041,724

TABLE 12–4. DEBT HELD BY GOVERNMENT ACCOUNTS [1]—Continued

(In millions of dollars)

Description	Investment or disinvestment (–)			Holdings end of 2000 estimate
	1998 actual	1999 estimate	2000 estimate	
Investment by trust funds (off-budget)	99,271	121,956	131,290	983,523
Investment by deposit funds [4]	59	–1,680	....	76
Unrealized discount [1]	–3,688	....	....	–10,688

* $500 thousand or less.
[1] Debt held by Government accounts is measured at face value except for the unrealized discount on Government account series securities, which is not distributed by account. Changes in the unrealized discount are not estimated.
[2] The investment in agency debt is the result of the FFB swapping Postal Service and TVA securities with the Civil Service Retirement and Disability trust fund during 1996 in exchange for Treasury securities having an equal present value. See the narrative in the section on agency debt for further explanation.
[3] Off-budget Federal entity.
[4] Only those deposit funds classified as Government accounts.

Second, in September 1993 Treasury also began to subtract the unrealized discount on other Government account series securities in calculating "net federal securities held as investments of government accounts." Unlike the discount recorded for PBGC or for debt held by the public, this discount is the amount at the time of issue and is not amortized over the term of the security. In Table 12–4 it is shown as a separate item at the end of the table and not distributed by account.

Limitations on Federal Debt

Definition of debt subject to limit.—Statutory limitations have normally been placed on Federal debt. Until World War I, the Congress ordinarily authorized a specific amount of debt for each separate issue. Beginning with the Second Liberty Bond Act of 1917, however, the nature of the limitation was modified in several steps until it developed into a ceiling on the total amount of most Federal debt outstanding. The latter type of limitation has been in effect since 1941. The limit currently applies to most debt issued by the Treasury since September 1917, whether held by the public or by Government accounts; and other debt issued by Federal agencies that, according to explicit statute, is guaranteed as to principal and interest by the United States Government.

The lower part of Table 12–2 compares total Treasury debt with the amount of Federal debt that is subject to the limit. Most of the Treasury debt not subject to limit was issued by the FFB (Federal Financing Bank). It is authorized to have outstanding up to $15 billion of publicly issued debt, and this amount was issued several years ago to the Civil Service Retirement and Disability trust fund. The remaining Treasury debt not subject to limit consists almost entirely of silver certificates and other currencies no longer being issued.

The sole type of agency debt currently subject to the general limit is the debentures issued by the Federal Housing Administration, which were only $174 million at the end of 1998. Some of the other agency debt, however, is subject to its own statutory limit. For example, the Tennessee Valley Authority is limited to $30 billion of securities outstanding.

The comparison between Treasury debt and debt subject to limit also includes an adjustment for measurement differences in the treatment of discounts and premiums. As explained elsewhere in this chapter, debt securities may be sold at a discount or premium, and the measurement of debt may take this into account rather than recording the face value of the securities. However, the measurement differs between gross Federal debt (and its components) and the statutory definition of debt subject to limit. An adjustment is needed to derive debt subject to limit (as defined by law) from Treasury debt, and this adjustment is defined in footnote 5 to Table 12–2. The amount is relatively small: $5.5 billion at the end of 1998 compared to the total discount (less premium) of $76.8 billion on all Treasury securities.

Methods of changing the debt limit.—The statutory debt limit has frequently been changed. Since 1960, Congress has passed 68 separate acts to raise the limit, extend the duration of a temporary increase, or revise the definition.[12]

The statutory limit can be changed by normal legislative procedures. It can also be changed as a consequence of the annual congressional budget resolution, which is not itself a law. The budget resolution includes a provision specifying the appropriate level of the debt subject to limit at the end of each fiscal year. The rules of the House of Representatives provide that, when the budget resolution is adopted by both Houses of the Congress, the vote in the House of Representatives is deemed to have been a vote in favor of a joint resolution setting the statutory limit at the level specified in the budget resolution. The joint resolution is transmitted to the Senate for further action. It may be amended in the Senate to change the debt limit provision or in any other way. If it passes both Houses of the Congress, it is sent to the President for his signature. This method directly relates the decision on the debt limit to the decisions on the Federal deficit and other factors that determine the change in the debt subject to limit. Both methods have been used numerous times.

Recent changes in the debt limit.—Major increases in the debt limit were enacted as part of the deficit reduction packages in the Omnibus Budget Reconcili-

[12] The Acts and the statutory limits since 1940 are enumerated in *Historical Tables, Budget of the United States Government*, table 7.3.

ation Acts of 1990 and 1993. Both changes in law were preceded by one or more temporary increases in the limit before agreement was reached on the debt and the deficit reduction measures together. Both increases in the debt limit were large enough to last over two years without a further change in law, the longest times without an increase since the period from 1946 to 1954.

The debt again approached the limit in 1995, and the limit again became part of the larger issue of deficit reduction. During an extended period of dispute between the President and the Congress, the Treasury Department took a number of administrative actions to keep within the limit and the Congress passed two acts providing temporary exemptions from the limit. In March 1996, although agreement had not been reached on deficit reduction, Congress passed the Contract with America Advancement Act of 1996, one provision of which increased the debt limit from $4,900 billion to $5,500 billion. The President signed the bill into law on March 29.

During 1997, unlike 1996, the President and the Congress reached agreement on a plan to balance the budget. This included a sufficient increase in the debt limit to accommodate Government finances for longer than possible under the limit enacted in the previous year, even though the amount of debt at that time was considerably under the limit. As a result, the Balanced Budget Act of 1997, which the President signed into law on August 5, 1997, increased the debt limit to $5,950 billion.

Federal funds financing and the change in debt subject to limit.—The change in debt held by the public, as shown in Table 12–2, is determined primarily by the total Government deficit or surplus. The debt subject to limit, however, includes not only debt held by the public but also debt held by Government accounts. The change in debt subject to limit is therefore determined both by the factors that determine the total Government deficit or surplus and by the factors that determine the change in debt held by Government accounts.

The budget is composed of two groups of funds, Federal funds and trust funds. The Federal funds, in the main, are derived from tax receipts and borrowing and are used for the general purposes of the Government. The trust funds, on the other hand, are financed by taxes or other collections earmarked by law for specified purposes, such as paying social security benefits or grants to State governments for highway construction.[13]

A Federal funds deficit must generally be financed by borrowing, either by selling securities to the public or by issuing securities to Government accounts that

[13] For further discussion of the trust funds and Federal funds groups, see chapter 15, "Trust Funds and Federal Funds."

TABLE 12–5. FEDERAL FUNDS FINANCING AND CHANGE IN DEBT SUBJECT TO STATUTORY LIMIT

(In billions of dollars)

Description	1998 actual	Estimate					
		1999	2000	2001	2002	2003	2004
Federal funds surplus or deficit (–)	**–92.0**	**–110.5**	**–67.5**	**–52.7**	**–17.3**	**–23.9**	**–4.0**
(On-budget)	–91.8	–109.5	–65.7	–50.9	–16.4	–23.7	–3.7
(Off-budget)	–0.2	–1.0	–1.8	–1.8	–0.9	–0.2	–0.3
Means of financing other than borrowing:							
Change in:[1]							
Treasury operating cash balance	4.7	–1.1	....	....	....	....	....
Checks outstanding, etc.[2]	–2.8	2.9	–1.6	....	....	....	....
Deposit fund balances[3]	–0.8	–1.7	....	....	....	....	....
Seigniorage on coins	0.6	0.9	1.0	1.0	1.0	1.0	1.0
Less: Net financing disbursements:							
Direct loan financing accounts	–11.5	–25.2	–21.2	–20.1	–19.6	–19.2	–17.7
Guaranteed loan financing accounts	–0.5	1.6	0.9	1.8	1.8	1.8	2.0
Total, means of financing other than borrowing	**–10.2**	**–22.6**	**–20.9**	**–17.3**	**–16.7**	**–16.4**	**–14.7**
Decrease or increase (–) in Federal debt held by Federal funds and deposit funds[4]	–10.5	–3.1	–8.0	....	....	....	....
Increase or decrease (–) in Federal debt not subject to limit	–0.3	–0.9	–0.9	–1.0	–1.0	–1.3	–1.3
Total, requirement for Federal funds borrowing subject to debt limit	**112.9**	**137.1**	**97.3**	**71.0**	**35.0**	**41.6**	**20.1**
Adjustment for change in discount or premium[5]	–1.1	....	....	....	....	....	....
Increase in debt subject to limit	**111.8**	**137.1**	**97.3**	**71.0**	**35.0**	**41.6**	**20.1**
ADDENDUM							
Debt subject to statutory limit[6]	5,439.4	5,576.6	5,673.9	5,744.9	5,779.9	5,821.5	5,841.6

[1] A decrease in the Treasury operating cash balance (which is an asset) would be a means of financing the deficit and therefore has a positive sign. An increase in checks outstanding or deposit fund balances (which are liabilities) would also be a means of financing the deficit and would therefore also have a positive sign.
[2] Besides checks outstanding, includes accrued interest payable on Treasury debt, miscellaneous liability accounts, allocations of special drawing rights, and, as an offset, cash and monetary assets other than the Treasury operating cash balance, miscellaneous asset accounts, and profit on sale of gold.
[3] Does not include investment in Federal debt securities by deposit funds classified as part of the public.
[4] Only those deposit funds classified as Government accounts.
[5] Consists of unamortized discount (less premium) on public issues of Treasury notes and bonds (other than zero-coupon bonds) and unrealized discount on Government account series securities.
[6] The statutory debt limit is $5,950 billion.

are not within the Federal funds group. Federal funds borrowing consists almost entirely of the Treasury issuing securities that are subject to the statutory debt limit. Trust fund surpluses are almost entirely invested in these securities, and trust funds hold most of the debt held by Government accounts. Very little debt subject to statutory limit is issued for other reasons. The change in debt subject to limit is therefore determined primarily by the Federal funds deficit, which is equal to the arithmetic sum of the total Government deficit and the trust fund surplus.

Table 12–5 derives the change in debt subject to limit (pending social security reform). In 2000 the Federal funds deficit is estimated to be $67.5 billion, and other factors increase the requirement to borrow subject to limit by $29.8 billion. The largest other factor ($21.2 billion) is the direct loan financing accounts. As explained in an earlier section, their net financing disbursements are excluded from the budget by law because they do not represent a cost to the Government, but they have to be financed and they are currently sizable. The next largest factor ($8.0 billion) is investment in Treasury securities by revolving funds and special funds in the Federal funds group. As a result of all these factors, the debt subject to limit is estimated to increase by $97.3 billion, in contrast to a $97.9 billion decrease in debt held by the public.

The budget surplus or deficit equals the sum of the Federal funds surplus or deficit and the trust fund surplus or deficit. The trust funds currently have a large surplus, as they have for a number of years, and it is estimated to grow through 2004. The Federal funds, in contrast, as shown in Table 12–5, continue to have a deficit every year over this period though a sharply declining one. Mainly because of the Federal funds deficit, the debt subject to limit continues to increase every year while the debt held by the public decreases. This can be seen by comparing the annual increase in debt subject to limit in Table 12–5 with the annual decrease in debt held by the public in Table 12–2. In 2004, for example, when the Government has a $207.6 billion total surplus and the debt held by the public decreases by $192.9 billion, the debt subject to limit increases by $20.1 billion. From the end of 1998 to 2004, debt held by the public decreases $793.5 billion in total while debt subject to limit increases $402.1 billion. The debt subject to limit remains under the present statutory limit of $5,950 billion.

Debt Held by Foreign Residents

During most of American history the Federal debt was held almost entirely by individuals and institutions within the United States. In the late 1960s, as shown in Table 12–6, foreign holdings were just over $10.0 billion, less than 5 percent of the total Federal debt held by the public.

Foreign holdings began to grow significantly starting in 1970. This increase has been almost entirely due to foreign decisions, both official and private, rather than the direct marketing of these securities to foreign residents. At the end of fiscal year 1998 foreign holdings of Treasury debt were $1,216.9 billion, which was 33 percent of the total debt held by the public.[14] Foreign central banks owned 44 percent of the Federal debt held by foreign residents; private investors owned nearly all the rest. All the Federal debt held by foreign residents is denominated in dollars.

Although the amount of debt Federal held by foreign residents grew greatly over this period, the proportion they own, after growing abruptly in the very early 1970s, did not change much again until 1995. During 1995–97, however, foreign holdings increased on average by about $200 billion each year, considerably more than total Federal borrowing from the public.[15] As a result, the Federal debt held by individuals and institutions within the United States decreased in absolute amount during those years, and the percentage of Federal debt held by foreign residents grew from 19 percent at the end of 1994 to 32 percent at the end of 1997. The rapid growth of foreign debt holdings ceased in 1998 and turned into a slight decline, almost the only year with a decrease since 1970. Because total debt held by the public decreased in 1998, the percentage held by foreigners rose again but by a very small amount.

Foreign holdings of Federal debt are about one-fifth of the foreign-owned assets in the U.S. The foreign purchases of Federal debt securities do not measure the full impact of the capital inflow from abroad on the market for Federal debt securities. The capital inflow supplies additional funds to the credit market generally, which affect the market for Federal debt. For example, the capital inflow includes deposits in U.S. financial intermediaries that themselves buy Federal debt.

Federally Assisted Borrowing

The effect of the Government on borrowing in the credit market arises not only from its own borrowing to finance Federal operations but also from its assistance to certain borrowing by the public. Federally assisted borrowing is of two principal types: Government-guaranteed borrowing, which is another term for guaranteed lending, and borrowing by Government-sponsored enterprises (GSEs). The Federal Government also exempts the interest on most State and local government debt from income tax; and it insures the deposits of banks and thrift institutions, which themselves make loans.

Federal credit assistance is discussed in Chapter 8, "Underwriting Federal Credit and Insurance." Detailed data are presented in tables at the end of that chapter. Table 12–7 brings together the totals of Federal and federally assisted borrowing and lending and shows the

[14] The amounts of debt reported by the Bureau of Economic Analysis, Department of Commerce, are different, but similar in size, due to a different method of valuing the securities.

[15] Table 12–6 shows foreign holdings increasing by only $144.6 billion in 1995. However, as explained in footnote 5 to that table, a benchmark revision reduced the estimated holdings as of December 1994 (by $47.9 billion). Since debt estimates were not revised retroactively, the increase in 1995 was more than the table shows. Before the benchmark revision, the increase was estimated to be $192.6 billion.

TABLE 12–6. FOREIGN HOLDINGS OF FEDERAL DEBT

(Dollar amounts in billions)

Fiscal year	Debt held by the public			Borrowing from the public		Interest on debt held by the public		
	Total	Foreign [1]	Percentage foreign	Total [2]	Foreign [1]	Total [3]	Foreign [4]	Percentage foreign
1965	260.8	12.3	4.7	3.9	0.3	9.6	0.5	4.9
1966	263.7	11.6	4.4	2.9	–0.7	10.1	0.5	5.1
1967	266.6	11.4	4.3	2.9	–0.2	11.1	0.6	5.1
1968	289.5	10.7	3.7	22.9	–0.7	11.9	0.7	5.6
1969	278.1	10.3	3.7	–1.3	–0.4	13.5	0.7	5.3
1970	283.2	14.0	5.0	3.5	3.8	15.4	0.8	5.5
1971	303.0	31.8	10.5	19.8	17.8	16.2	1.3	7.9
1972	322.4	49.2	15.2	19.3	17.3	16.8	2.4	14.2
1973	340.9	59.4	17.4	18.5	10.3	18.7	3.2	17.2
1974	343.7	56.8	16.5	2.8	–2.6	22.7	4.1	17.9
1975	394.7	66.0	16.7	51.0	9.2	25.0	4.5	18.2
1976	477.4	69.8	14.6	82.2	3.8	29.3	4.4	15.1
TQ	495.5	74.6	15.1	18.1	4.9	7.8	1.2	14.9
1977	549.1	95.5	17.4	53.6	20.9	33.8	5.1	15.0
1978	607.1	121.0	19.9	58.0	25.4	40.2	7.9	19.5
1979 [5]	640.3	120.3	18.8	33.2	–0.7	49.9	10.7	21.5
1980	709.8	121.7	17.1	69.5	1.4	62.8	11.0	17.5
1981	785.3	130.7	16.6	75.5	9.0	81.7	16.4	20.1
1982	919.8	140.6	15.3	134.4	9.9	101.2	18.7	18.5
1983	1,131.6	160.1	14.1	211.8	19.5	111.6	19.2	17.2
1984	1,300.5	175.5	13.5	168.9	15.4	133.5	20.3	15.2
1985 [5]	1,499.9	222.9	14.9	199.4	47.4	152.9	23.0	15.1
1986	1,736.7	265.5	15.3	236.8	42.7	159.3	24.2	15.2
1987	1,888.7	279.5	14.8	152.0	14.0	160.4	25.7	16.0
1988	2,050.8	345.9	16.9	162.1	66.4	172.3	29.9	17.4
1989	2,189.9	394.9	18.0	139.1	49.0	189.0	37.1	19.6
1990 [5]	2,410.7	440.3	18.3	220.8	45.4	202.4	40.2	19.9
1991	2,688.1	477.3	17.8	277.4	37.0	214.8	41.3	19.2
1992	2,998.8	535.2	17.8	310.7	57.9	214.5	39.3	18.3
1993	3,247.5	591.3	18.2	247.4	56.1	210.2	39.0	18.6
1994	3,432.1	655.8	19.1	184.6	64.5	210.6	41.9	19.9
1995 [5]	3,603.4	800.4	22.2	171.3	144.6	239.2	54.5	22.8
1996	3,733.0	978.1	26.2	129.6	177.7	246.6	63.6	25.8
1997	3,771.0	1,218.2	32.3	38.2	240.0	250.8	83.7	33.4
1998	3,719.9	1,216.9	32.7	–51.3	–1.2	250.0	91.1	36.4

[1] Estimated by Treasury Department. These estimates exclude agency debt, the holdings of which are believed to be small. The data on foreign holdings are not recorded by methods that are strictly comparable with the data on debt held by the public. Projections are not available.

[2] Borrowing from the public is defined as equal to the change in debt held by the public from the beginning of the year to the end, except to the extent that the amount of debt is changed by reclassification.

[3] Estimated as interest on the public debt less ''interest received by trust funds'' (subfunction 901 less subfunctions 902 and 903). Does not include the comparatively small amount of interest on agency debt or the offsets for interest on public debt received by other Government accounts (revolving funds and special funds).

[4] Estimated by Bureau of Economic Analysis, Department of Commerce. These estimates include small amounts of interest from other sources, including the debt of Government-sponsored enterprises, which are not part of the Federal Government.

[5] Benchmark revisions reduced the estimated foreign holdings of Federal debt as of December 1978; increased the estimated foreign holdings as of December 1984 and December 1989; and reduced the estimated holdings as of December 1994. As a result, the data on foreign holdings in different time periods are not strictly comparable, and the ''borrowing'' from foreign residents in 1979, 1985, 1989, and 1995 reflects the benchmark revision as well as the net purchases of Federal debt securities.

trends since 1965 in terms of both dollar amounts and, more significantly, as percentages of total credit market borrowing or lending by domestic nonfinancial sectors. The Federal and federally assisted lending is recorded at the principal amount. It does not measure the degree of subsidy provided by the credit assistance, nor does it indicate the extent to which the credit assistance changed the allocation of financial and real resources. The estimates for GSE borrowing in 1999 and 2000 were developed by the GSEs based on certain assumptions that they made. They are subject to periodic review and revision and do not represent official GSE forecasts of future activity.

The Federal borrowing participation rate trended strongly upward from the 1960s to the early 1990s, though with cyclical variation. Much of the increase in the 1980s was due to higher GSE borrowing as well as Federal deficits. More recently, the Federal borrowing participation rate has declined, falling to nearly 30.0 percent in 1997 and 1998, despite large guaranteed and GSE borrowing. The Federal lending participation rate has been smaller in most years than the borrowing participation rate, primarily because Federal direct loans are ordinarily much smaller than Federal borrowing. In 1998, however, because of the Federal surplus, the lending participation rate was higher.

TABLE 12–7. FEDERAL PARTICIPATION IN THE CREDIT MARKET

(Dollar amounts in billions)

	Actual										Estimates	
	1965	1970	1975	1980	1985	1990	1995	1996	1997	1998	1999	2000
Total net borrowing in credit market [1]	66.8	88.2	169.6	336.9	829.3	704.1	705.6	713.7	687.1	933.7	....	....
Federal borrowing from the public	3.9	3.5	51.0	69.5	199.4	220.8	171.3	129.6	38.2	–51.3	–50.1	–97.9
Guaranteed borrowing	5.0	7.8	8.6	31.6	21.6	40.7	26.2	89.9	57.8	58.5	102.1	97.9
Government-sponsored enterprise borrowing [2]	1.2	4.9	5.3	21.4	57.9	115.4	125.7	141.5	112.8	293.1	265.3	221.7
Total, Federal and federally assisted borrowing	10.1	16.2	65.0	122.5	278.9	376.9	323.2	361.1	208.7	300.3	317.4	221.7
Federal borrowing participation rate (percent)	**15.1**	**18.4**	**38.3**	**36.4**	**33.6**	**53.5**	**45.8**	**50.6**	**30.4**	**32.2**	....	....
Total net lending in credit market [1]	66.8	88.2	169.6	336.9	829.3	704.1	705.6	713.7	687.1	933.7	....	....
Direct loans	2.0	3.0	12.7	24.2	28.0	2.8	1.6	4.0	12.8	6.8	14.7	11.1
Guaranteed loans	5.0	7.8	8.6	31.6	21.6	40.7	26.2	89.9	57.8	58.5	102.1	97.9
Government-sponsored enterprise loans [2]	1.4	5.2	5.5	24.1	60.7	90.0	68.2	161.2	107.9	276.2	306.9	223.1
Total, Federal and federally assisted lending	8.3	15.9	26.9	79.9	110.3	133.5	90.4	255.1	178.4	341.5	423.7	332.1
Federal lending participation rate (percent)	**12.4**	**18.0**	**15.9**	**23.7**	**13.3**	**19.0**	**12.8**	**35.7**	**26.0**	**36.6**	....	....

[1] Total net borrowing (or lending) in credit market by domestic nonfinancial sectors, excluding equities. Credit market borrowing (lending) is the acquisition (loan) of funds other than equities through formal credit channels. Financial sectors are omitted from the series used in this table to avoid double counting, since financial intermediaries borrow in the credit market primarily in order to finance lending in the credit market. Equities, trade credit, security credit, and other sources of funds are also excluded from this series. Source: Federal Reserve Board flow of funds accounts. Projections are not available.

[2] Most Government-sponsored enterprises (GSEs) are financial intermediaries. GSE borrowing (lending) is nevertheless compared with total credit market borrowing (lending) by nonfinancial sectors, because GSE borrowing (lending) is a proxy for the borrowing (lending) by nonfinancial sectors that the GSEs assist through intermediation. The GSEs assist the ultimate nonfinancial borrower by purchasing its loans from the initial, direct lender or by other methods, which they finance by issuing securities themselves in the credit market. Borrowing and lending include mortgage-backed securities, because the GSEs assist nonfinancial borrowers through this type of intermediation as well as by types of intermediation that involve financial instruments recognized on the GSEs' balance sheets. The data for this table are adjusted, with some degree of approximation, to remove double counting in calculating a consolidated total for Federal and federally assisted borrowing (lending): GSE borrowing and lending are calculated net of transactions between components of GSEs and transactions in guaranteed loans; GSE borrowing is also calculated net of borrowing from other GSEs and purchases of Federal debt securities.

BUDGET ENFORCEMENT ACT PREVIEW REPORT

13. PREVIEW REPORT

The Budget Enforcement Act of 1990 (BEA of 1990) was enacted as part of the Omnibus Budget Reconciliation Act of 1990. The BEA of 1990 established, through fiscal year 1995, annual limits, or "caps," on discretionary spending, and a pay-as-you-go requirement that legislation affecting direct spending or receipts not increase the deficit. An across-the-board reduction of non-exempt spending, known as "sequestration," enforces compliance with these constraints. The Budget Enforcement Act of 1997 (BEA of 1997), which was enacted as part of the Balanced Budget Act of 1997 (BBA of 1997), extended, through 2002, BEA limits on discretionary spending and requirements for pay-as-you-go legislation. The Transportation Equity Act for the 21st Century (TEA–21) further modified the discretionary caps by creating new caps for highway and mass transit outlays.

The BEA requires that OMB issue a report on the impact of each piece of legislation seven days after enactment. Three additional reports throughout the year are required on the overall status of discretionary and pay-as-you-go legislation. This Preview Report, the first of the three required overall status reports, provides the status of discretionary appropriations and pay-as-you-go legislation based on laws enacted as of the end of the 105th Congress. In addition, it explains the differences between the OMB and CBO estimates of the discretionary caps.

The OMB estimates use the economic and technical assumptions underlying the President's budget submission, as required by the BEA. The OMB Update Report that will be issued in August, and the Final Report that will be issued after the end of the Congressional session, must also use these economic and technical assumptions. Estimates in the Update Report and the Final Report will only be revised to reflect laws enacted after the Preview Report.

Discretionary Sequestration Report

Discretionary programs are funded annually through the appropriations process. The scorekeeping guidelines accompanying the Budget Enforcement Act of 1990, as amended by the Omnibus Budget and Reconciliation Act of 1993 (OBRA) and the Budget Enforcement Act of 1997, identify accounts with discretionary resources. The BEA of 1997, as modified by the Transportation Equity Act for the 21st Century (TEA–21) limits budget authority and outlays available for discretionary programs each year through 2002. For 1999, there are five separate categories of discretionary spending: defense, non-defense (excluding violent crime reduction spending), violent crime reduction spending, and highway and mass transit outlays.

For 2000, the law divides discretionary spending into four categories: violent crime reduction spending, highway outlays, mass transit outlays, and all other discretionary spending. For 2001 and 2002, the violent crime reduction category is eliminated. TEA–21 established highway and transit outlay caps through 2003. OMB monitors compliance with the discretionary spending limits throughout the fiscal year. Appropriations that cause a breach in the budget authority or outlay caps trigger a sequester to eliminate that breach.

Adjustments to discretionary limits.—The BEA permits certain adjustments to the discretionary limits—also known as caps. On December 10, 1998, the Office of Management and Budget submitted the Final Sequestration Report for 1999 required by the BEA. That report described adjustments permitted by the BEA as of the time the report was issued. The caps resulting from these adjustments are the starting points for this Preview Report. Included in this report are cap adjustments for changes in concepts and definitions, and estimates of emergency spending, which the BEA permits to be made at this time. Table 1 summarizes changes to the caps since 1990.

Several cap adjustments represent changes in concepts and definitions resulting from legislative action that reclassified certain programs. These actions shifted programs between the mandatory (i.e., direct spending) category and the discretionary category. For instance, several 1999 appropriations bills included provisions that modified mandatory programs. Since funding controlled by appropriations action is considered discretionary, the effects of these provisions are recorded as adjustments to the caps. Several 1999 authorizing bills included provisions that modified appropriated spending levels. The caps have been adjusted for these provisions as well.

After consultation with the Congress and the Congressional Budget Office, OMB has reclassified several programs beginning in 2000. The net effect of these reclassifications increase the budget authority and outlay caps by approximately $700 million in 2000, 2001 and 2002. The following programs were reclassified from mandatory to discretionary: the non-basic State grant portion of Education's rehabilitation services and disability research account, the Health and Human Services's injury compensation program and Treasury's small airports customs fees. The following programs were reclassified from discretionary to mandatory: the National Oceanic and Atmospheric Administration's (NOAA) damage assessment revolving fund for Prince William Sound restoration, NOAA's corp officers' retirement benefits, Defense's contributions for burden-sharing account, and the receipts for the Federal Hous-

Table 13–1. HISTORICAL SUMMARY OF CHANGES TO DISCRETIONARY SPENDING LIMITS

(In billions of dollars)

		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
TOTAL DISCRETIONARY													
Statutory Caps as set in OBRA 1990, OBRA 1993, 1997 BBA	**BA**	**491.7**	**503.4**	**511.5**	**510.8**	**517.7**	**519.1**	**528.1**	**530.6**	**533.0**	**537.2**	**542.0**	**551.1**
	OL	**514.4**	**524.9**	**534.0**	**534.8**	**540.8**	**547.3**	**547.3**	**547.9**	**559.3**	**564.3**	**564.4**	**560.8**
Adjustments:													
Changes in Concepts and Definitions	BA	....	7.7	8.2	8.2	8.8	–0.6	–0.4	3.1	–0.2	–0.1	0.2	0.2
	OL	....	1.0	2.4	2.3	3.0	–0.5	–2.6	–2.8	–0.3	0.1	–0.1	–0.2
Emergency Requirements	BA	0.9	8.3	4.6	12.2	7.7	5.1	9.3	5.7	15.0	0.1	....	....
	OL	1.1	1.8	5.4	9.0	10.1	6.4	8.1	7.0	14.8	3.8	1.8	0.9
Changes in Inflation	BA	....	–0.5	–5.1	–9.5	–11.8	3.0	2.6	0.0	N/A	N/A	N/A	N/A
	OL	....	–0.3	–2.5	–5.8	–8.8	1.8	2.3	0.9	N/A	N/A	N/A	N/A
Credit Reestimates, IRS Funding, Debt Forgiveness, IMF, CDRs, International Organization Arrearages	BA	0.2	0.2	13.0	0.6	0.7	0.1	0.2	0.9	19.4	....	....	....
	OL	0.3	0.3	0.8	0.8	0.9	0.1	0.3	0.6	1.1	0.2	0.1	0.2
Adjustment pursuant to Sec. 2003 of P.L. 104–19 [1]	BA	....	....	....	....	–15.0	–0.1	–0.1	N/A	N/A	N/A	N/A	
	OL	....	....	....	....	–1.1	–3.5	–2.4	–1.5	N/A	N/A	N/A	N/A
Special Allowances:													
Discretionary new budget authority	BA	....	3.5	2.9	2.9	2.9	....	....	....	N/A	N/A	N/A	N/A
	OL	....	1.4	2.2	2.6	2.7	1.1	0.5	0.1	N/A	N/A	N/A	N/A
Outlay allowance	BA	....	....	....	....	....	....	....	....	....	....	....	....
	OL	2.6	1.7	0.5	1.0	....	....	....	1.2	....	....	....	....
Operation Desert Shield/Desert Storm	BA	44.2	14.0	0.6	*	*	....	....	....	N/A	N/A	N/A	N/A
	OL	33.3	14.9	7.6	2.8	1.1	....	....	....	N/A	N/A	N/A	N/A
Adjustment to reach discretionary spending limits included in the 1997 Bipartisan Budget Agreement	BA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	–6.9	N/A	N/A	N/A	N/A
	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6.9	N/A	N/A	N/A	N/A
TEA–21 Adjustment (Net) [2]	BA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	–0.9	–0.9	–0.9	–0.9
	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.1	3.2	5.1	6.0
Adjustments Pursuant to TEA-21: [3]													
Mass Transit Category Outlays	BA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	....	....	....
	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	–0.6	–0.3	–0.3
Highway Category Outlays	BA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	....	....	....
	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.1	–0.0	–0.3
Total, Adjustments	**BA**	**45.4**	**33.2**	**24.2**	**14.3**	**–6.7**	**7.5**	**11.7**	**2.8**	**33.4**	**–0.9**	**–0.7**	**–0.7**
	OL	**37.2**	**20.8**	**16.4**	**12.8**	**7.8**	**5.5**	**6.3**	**12.4**	**16.8**	**6.7**	**6.7**	**6.2**
Preview Report Spending Limits [4]	**BA**	**537.1**	**536.6**	**535.7**	**525.1**	**511.0**	**526.7**	**539.7**	**533.5**	**566.4**	**536.3**	**541.3**	**550.4**
	OL	**551.6**	**545.7**	**550.4**	**547.6**	**548.6**	**552.7**	**553.7**	**560.2**	**576.1**	**570.9**	**571.0**	**567.0**

* Less than $50 million.

[1] P.L. 104–19, Emergency Supplemental Appropriations for Additional Disaster Assistance, for Anti-Terrorism Initiatives, for Assistance in the Recovery from the Tragedy that occurred at Oklahoma City, and Rescissions Act 1995, was signed into law on July 27, 1995. Section 2003 of that bill directed the Director of OMB to make a downward adjustment in the discretionary spending limits for 1995–1998 by the aggregate estimate by the amount of reductions in new budget authority and outlays for discretionary programs resulting from the provisions of the bill, other than emergencies appropriations.

[2] Sec. 8101(a) of P.L. 105–178, the Transportation Equity Act for the 21st Century (TEA–21), which was signed by the President on June 6, 1998, established two new discretionary spending categories: Highway and Mass Transit. Sec. 810(b) of TEA–21 provided for an offsetting adjustment in the existing discretionary spending limits.

[3] Sec. 8101(d) of P.L. 105–178 requires OMB to make an adjustment to the Highway and Mass Transit Category caps based on actual receipts data (Highway category only) and revised technical assumptions.

[4] Reflects combined Defense Discretionary, Non-Defense Discretionary (Excluding Crime), Violent Crime Reduction, Highway Category, and Mass Transit Category, and Mass Transit Category spending limits.

ing Administration's mutual mortgage insurance program.

The caps have also been adjusted upward for contingent emergency appropriations (i.e., funding for amounts that the President designates as "emergency requirements" and that Congress so designates in law) that have been released since the transmittal of the End of Session Sequestration Report. These included funds for the Corps of Engineers that will help repair damage caused by Hurricane Georges, which resulted in navigational problems in Alabama, Louisiana, Florida, Mississippi, Puerto Rico and the Virgin Islands. Contingent emergency funds were also released to a number of Federal agencies to support efforts to make Federal information technology systems Year 2000 compliant and for outreach to non-Federal entities in support of the Year 2000 Conversion Council.

The Transportation Equity Act for the 21st Century (TEA–21) requires two adjustments to the Highway and Transit category discretionary outlay caps based upon changes in receipts to the Highway Trust Fund and changing technical assumptions for outlays. The outlay cap for the Highway category increases because of additional budgetary resources resulting from revised Highway Trust Fund receipts. The spending limits for both categories decrease in outlays due to revised technical assumptions. Table 2 shows the impact upon the discretionary spending limits of the adjustments being made in this Preview Report.

Table 13–2. DISCRETIONARY SPENDING LIMITS

(In millions of dollars)

		1998	1999	2000	2001	2002
NON-DEFENSE DISCRETIONARY SPENDING, EXCLUDING SPECIAL CATEGORIES						
End-of-Session Report Spending Limits	**BA**	**256,148**	**284,090**	**N/A**	**N/A**	**N/A**
	OL	**286,325**	**273,999**	**N/A**	**N/A**	**N/A**
Adjustments:						
Contingent Emergency Appropriations Released	BA	....	443	N/A	N/A	N/A
	OL	....	325	N/A	N/A	N/A
				Note: Outyear outlay effect included under “Other Discretionary” below.		
Subtotal, Adjustments for the Preview Report	BA	....	443	N/A	N/A	N/A
	OL	....	325	N/A	N/A	N/A
Preview Report Spending Limits	**BA**	**256,148**	**284,533**	**N/A**	**N/A**	**N/A**
	OL	**286,325**	**274,324**	**N/A**	**N/A**	**N/A**
Anticipated Other Adjustments:						
Contingent Emergency Releases and Other Emergencies:						
Natural disasters and other emergencies	BA	....	3,250	N/A	N/A	N/A
	OL	....	861	N/A	N/A	N/A
Expected release of contingent disaster emergency funding provided in P.L. 105–277	BA	....	1,007	N/A	N/A	N/A
	OL	....	395	N/A	N/A	N/A
Emergency funding for Wye River Memorandum	BA	....	900	N/A	N/A	N/A
	OL	....	621	N/A	N/A	N/A
				Note: Outyear outlay effect included under “Other Discretionary” below.		
Subtotal, Anticipated Other Adjustments	BA	....	5,157	N/A	N/A	N/A
	OL	....	1,877	N/A	N/A	N/A
Preview Report Spending Limits, Including Anticipated Other Adjustments	**BA**	**256,148**	**289,690**	**N/A**	**N/A**	**N/A**
	OL	**286,325**	**276,201**	**N/A**	**N/A**	**N/A**
DEFENSE DISCRETIONARY SPENDING						
End-of-Session Report Spending Limits	**BA**	**271,832**	**275,651**	**N/A**	**N/A**	**N/A**
	OL	**269,079**	**270,206**	**N/A**	**N/A**	**N/A**
Adjustments:						
Contingent Emergency Appropriations Released	BA	....	396	N/A	N/A	N/A
	OL	....	214	N/A	N/A	N/A
				Note: Outyear outlay effect included under “Other Discretionary” below.		
Subtotal, Adjustments for the Preview Report	BA	....	396	N/A	N/A	N/A
	OL	....	214	N/A	N/A	N/A
Preview Report Spending Limits	**BA**	**271,832**	**276,047**	**N/A**	**N/A**	**N/A**
	OL	**269,079**	**270,420**	**N/A**	**N/A**	**N/A**
Anticipated Other Adjustments:						
Contingent Emergency Releases and Other Emergencies:						
Expected release of contingent emergency funding	BA	....	3,320	N/A	N/A	N/A
	OL	....	1,862	N/A	N/A	N/A
Expected release of contingent funding provided in P.L. 105–277 for uranium purchase and plutonium disposition	BA	....	525	N/A	N/A	N/A
	OL	....	345	N/A	N/A	N/A
				Note: Outyear outlay effect included under “Other Discretionary” below.		
Preview Report Spending Limits, Including Further Adjustments	**BA**	**271,832**	**279,892**	**N/A**	**N/A**	**N/A**
	OL	**269,079**	**272,627**	**N/A**	**N/A**	**N/A**
VIOLENT CRIME REDUCTION SPENDING						
End-of-Session Spending Limits	**BA**	**5,500**	**5,800**	**4,500**	**N/A**	**N/A**
	OL	**4,833**	**4,953**	**5,554**	**N/A**	**N/A**
Adjustments:						
No Adjustments	BA	....	....	....	N/A	N/A
	OL	....	....	....	N/A	N/A

Table 13–2. DISCRETIONARY SPENDING LIMITS—Continued

(In millions of dollars)

		1998	1999	2000	2001	2002
Preview Report Spending Limits	**BA**	**5,500**	**5,800**	**4,500**	**N/A**	**N/A**
	OL	**4,833**	**4,953**	**5,554**	**N/A**	**N/A**
HIGHWAY CATEGORY						
End-of-Session Report Spending Limits	**BA**	**N/A**	....	....	....	....
	OL	**N/A**	**21,991**	**24,478**	**26,230**	**26,992**
Adjustments:						
Revised Technical Assumptions	BA	N/A	....	....	....	....
	OL	N/A	....	–297	–608	–562
Revised Trust Fund Revenue Assumptions	BA	N/A	....	....	....	....
	OL	N/A	....	393	597	233
Preview Report Spending Limits	**BA**	**N/A**	....	....	....	....
	OL	**N/A**	**21,991**	**24,574**	**26,219**	**26,663**
MASS TRANSIT CATEGORY						
End-of-Session Report Spending Limits	**BA**	**N/A**	....	....	....	....
	OL	**N/A**	**4,401**	**4,761**	**5,190**	**5,709**
Adjustments:						
Revised Technical Assumptions	BA	N/A	....	....	....	....
	OL	N/A	....	–644	–302	–325
Preview Report Spending Limits	**BA**	**N/A**	....	....	....	....
	OL	**N/A**	**4,401**	**4,117**	**4,888**	**5,384**
OTHER DISCRETIONARY SPENDING						
End-of-Session Report Other Discretionary Spending Limits	**BA**	**N/A**	**N/A**	**531,694**	**540,951**	**549,981**
	OL	**N/A**	**N/A**	**536,073**	**538,970**	**534,081**
Adjustments:						
Changes in Concepts and Definitions:						
Reclassification of accounts agreed to by ‘‘scorekeepers’’	BA	N/A	N/A	677	691	706
	OL	N/A	N/A	675	688	703
Statutory and Other Shifts Between Categories	BA	N/A	N/A	–657	–398	–390
	OL	N/A	N/A	–281	–374	–498
Changes in appropriated spending contained in PAYGO bills	BA	N/A	N/A	57	80	85
	OL	N/A	N/A	75	87	85
Contingent Emergency Appropriations Released	BA	N/A	N/A	....	....	....
	OL	N/A	N/A	180	50	35
Reestimate of Emergency Spending	BA	N/A	N/A	....	....	....
	OL	N/A	N/A	–22	519	566
Subtotal, Adjustments for the Preview Report	BA	N/A	N/A	77	373	401
	OL	N/A	N/A	627	970	891
Preview Report Spending Limits	**BA**	**N/A**	**N/A**	**531,771**	**541,324**	**550,382**
	OL	**N/A**	**N/A**	**536,700**	**539,940**	**534,972**
Anticipated Other Adjustments:						
EITC Tax Compliance Initiative	BA	N/A	N/A	144	145	146
	OL	N/A	N/A	144	145	146
Continuing Disability Reviews (CDRs)	BA	N/A	N/A	405	405	405
	OL	N/A	N/A	373	405	405
International Organizations Arrearage Payments	BA	N/A	N/A	409	....	....
	OL	N/A	N/A	....	409	....
Adoption Incentive Payments	BA	N/A	N/A	20	20	20
	OL	N/A	N/A	2	13	20
Contingent Emergency Releases and Other Emergencies:						
Natural disasters and other emergencies	BA	N/A	N/A	....	....	....
	OL	N/A	N/A	1,365	699	325
Expected release of contingent disaster emergency funding	BA	N/A	N/A	....	....	....
	OL	N/A	N/A	1,408	385	167
Emergency funding for Wye River Memorandum	BA	N/A	N/A	....	....	....
	OL	N/A	N/A	92	95	42
Expected release of contingent funding provided in P.L. 105–277 for uranium purchase and plutonium disposition	BA	N/A	N/A	....	....	....
	OL	N/A	N/A	30	100	50
Subtotal, Anticipated Other Adjustments	BA	N/A	N/A	978	570	571
	OL	N/A	N/A	3,414	2,251	1,155

Table 13–2. DISCRETIONARY SPENDING LIMITS—Continued

(In millions of dollars)

		1998	1999	2000	2001	2002
Preview Report Spending Limits, Including Anticipated Other Adjustments	**BA**	**N/A**	**N/A**	**532,749**	**541,894**	**550,953**
	OL	**N/A**	**N/A**	**540,114**	**542,191**	**536,127**
TOTAL DISCRETIONARY SPENDING						
End-of-Session Total Discretionary Spending Limits	BA	533,480	565,541	536,194	540,951	549,981
	OL	560,237	575,550	570,866	570,390	566,782
Preview Report Total Discretionary Spending Limits	BA	533,480	566,380	536,271	541,324	550,382
	OL	560,237	576,089	570,945	571,047	567,019
Preview Report Total Discretionary Spending Limits, Including Anticipated Other Adjustments	BA	533,480	575,382	537,249	541,894	550,953
	OL	560,237	580,173	574,359	573,298	568,174

Note: The Bipartisan Budget Agreement of 1997 included: separate spending limits for Non-Defense Discretionary (Excluding Violent Crime Reduction) Spending, Violent Crime Reduction Spending, and Defense Discretionary Spending for 1998 and 1999; separate spending limits for Discretionary (Excluding Violent Crime Reduction) Spending, Violent Crime Reduction Spending, and Defense Discretionary Spending for 1998 and 1999; separate spending limits for Discretionary (Excluding Violent Crime Reduction) Spending and Violent Crime Reduction Spending for 2000; and, a single spending limit for Total Discretionary Spending for 2001 and 2002.

The Administration has included several proposals in the budget that would result in cap adjustments upon their enactment. They are described below.

Adjustments to the Limits That Would be Made Under Existing Adjustment Authority:

- *Earned Income Tax Credit (EITC) Compliance Initiative.*—The budget contains funding for EITC compliance initiatives, including the detection and enforcement of EITC eligibility in order to reduce the number of erroneous EITC claims. Adjustments are limited to the budget authority and outlay estimates authorized in P.L. 105–33. The 1999 Treasury and General Government Appropriations Act provided $143 million for EITC compliance. The budget proposes $144 million in funding for 2000.
- *Continuing Disability Reviews.*—The budget includes funding for additional continuing disability reviews (CDRs) under the heading, "Limitation on Administrative Expenses" for the Social Security Administration. The law limits adjustments to the budget authority and outlay estimates authorized in P.L. 105–33, the Balanced Budget Act of 1997. CDRs are conducted to verify that recipients of Social Security disability insurance benefits and Supplemental Security Income benefits for persons with disabilities continue to meet the definition of disability. The 1999 Labor, Health and Human Services, Education, and Related Agencies Appropriations Act provided $355 million for CDRs in 1999. The budget proposes $405 million in funding for 2000 through 2002.
- *Allowance for International Organizations Arrearages funding.*—The BBA limited the amount of the cap adjustment for funding for arrearages for international organizations, international peacekeeping and multilateral development banks to $1.884 billion for 1998 through 2000. A total of $1,014 million was provided for international arrearage payments in the 1999 appropriations acts, and $461 million was provided prior to that. The budget proposes $446 million for U.N. and other international organizations arrearage payments, of which $409 million would be covered by the cap adjustment.
- *Adoption Incentive Payments.*—The Adoption and Safe Families Act of 1997 authorizes bonus payments to States that increase the number of adoptions from the foster care system. It provides for a discretionary cap adjustment for appropriations up to $20 million annually in each of the years 1999 through 2003. It is assumed that the cost of adoption bonuses will be offset by reductions in mandatory foster care costs. $20 million is requested for this program in 2000, 2001 and 2002.
- *Anticipated Release of Previously Enacted Contingent Emergency Appropriations.*—The budget includes allowances for previously enacted contingent emergency appropriations that the Administration expects will be released in 1999. This includes funding that was previously appropriated for the Federal Emergency Management Agency's and the Small Business Administration's disaster relief accounts and funding appropriated to the Department of Energy to reduce the amount of excess weapons-grade uranium and plutonium in Russia.
- *Contingent Emergency Supplemental Appropriations.*—The budget contains emergency supplemental requests for appropriations in support of the Wye River Memorandum to help restore positive momentum to the Middle East peace process. The $900 million requested, which is offset in budget authority, will help meet the Palestinians' economic development needs in the West Bank and Gaza, and strengthen democratic institutions. The funds will also help Israel offset some of the costs of redeploying its forces and enable it to meet strategic defense requirements, as well as allow Jordan to maintain the operational capabilities of its forces and support further economic development there.

The actual adjustments to the discretionary spending caps to be included in subsequent sequester reports cannot be determined until all appropriations have been enacted. Table 3 compares the President's discretionary proposals to the proposed caps for 1999 through 2002. The estimates for 1999 are based on BEA scoring of enacted appropriations bills and have been adjusted for subsequent emergency releases.

Table 13–3. BUDGET PROPOSALS

(in millions of dollars)

		1999	2000	2001	2002
Non-Defense Discretionary Spending, Excluding Special Categories					
Estimated Limits	BA	284,533	NA	NA	NA
	OL	274,324	NA	NA	NA
President's Proposals	BA	284,371	NA	NA	NA
	OL	272,553	NA	NA	NA
President's Proposals Compared to the Limits	BA	–162	NA	NA	NA
	OL	–1,771	NA	NA	NA
Defense Discretionary					
Estimated Limits	BA	276,047	NA	NA	NA
	OL	270,420	NA	NA	NA
President's Proposals	BA	276,041	NA	NA	NA
	OL	269,124	NA	NA	NA
President's Proposals Compared to the Limits	BA	–6	NA	NA	NA
	OL	–1,296	NA	NA	NA
Violent Crime Reduction Spending					
Estimated Limits	BA	5,800	4,500	NA	NA
	OL	4,953	5,554	NA	NA
President's Proposals	BA	5,797	4,500	NA	NA
	OL	4,946	5,554	NA	NA
President's Proposals Compared to the Limits	BA	–3	....	....	....
	OL	–7	....	....	....
Highway Category Spending					
Estimated Limits	BA	....	....	....	....
	OL	21,991	24,574	26,219	26,663
President's Proposals	BA	....	....	....	....
	OL	21,568	24,574	26,219	26,663
President's Proposals Compared to the Limits	BA	....	....	....	....
	OL	–423	....	....	....
Mass Transit Category Spending					
Estimated Limits	BA	....	....	....	....
	OL	4,401	4,117	4,888	5,384
President's Proposals	BA	....	....	....	....
	OL	3,942	4,117	4,888	5,384
President's Proposals Compared to the Limits	BA	....	....	....	....
	OL	–459	....	....	....
Other Discretionary					
Estimated Limits	BA	NA	532,749	541,894	550,953
	OL	NA	540,114	542,191	536,127
President's Proposals, Including Offsets to Discretionary Spending and Contingent Adjustments if No Social Social Security Reform is Enacted	BA	NA	532,743	527,306	532,069
	OL	NA	539,547	542,191	536,127
President's Proposals Compared to the Limits	BA	NA	–6	–14,588	–18,884
	OL	NA	–567	....	....
Total Discretionary Spending					
Estimated Limits	BA	566,380	537,249	541,894	550,953
	OL	576,089	574,359	573,298	568,174
President's Proposals	BA	566,209	537,243	527,306	532,069
	OL	572,133	573,792	573,298	568,174
President's Proposals Compared to the Limits	BA	–171	–6	–14,588	–18,884
	OL	–3,956	–567	....	....

Sequester determinations.—Seven days after enactment of an appropriations act, OMB must submit a report to Congress estimating the budget authority and outlays provided by the legislation for the current year and the budget year. These estimates must be based on the economic and technical assumptions used in the most recent President's budget. In addition, the report must include CBO estimates and explain the differences between the OMB and CBO estimates. The OMB estimates are used in all subsequent calculations to determine whether a breach of any of the budget authority or outlay caps has occurred and whether a sequester is required.

Compliance with the discretionary caps is monitored throughout the year. The first determination of whether a sequester is necessary for a given fiscal year occurs when OMB issues its Final Sequestration Report after Congress adjourns to end a session—near the beginning of the fiscal year. The monitoring process continues when Congress reconvenes for a new session. Appropriations for the fiscal year in progress that cause a breach in the caps would, if enacted before July 1st, trigger a sequester. If such a breach is estimated, a "within-session" sequestration report and Presidential sequestration order would be issued. For a breach that results from appropriations enacted on or after July 1st, reductions necessary to eliminate the breach are not applied to the budgetary resources available in the current year. Instead, the corresponding caps for the following fiscal year are reduced by the amount of the breach. A within-session sequester can only be caused by newly enacted appropriations. Reestimates of budget authority and outlays for already enacted funds cannot trigger a sequester.

OMB reported in its Final Sequestration Report to the President and the Congress that discretionary appropriations enacted for 1999 were within the prescribed spending limits.

Sequester calculations.—If either the discretionary budget authority or outlay caps are exceeded, an across-the-board reduction of sequestrable budgetary resources is required to eliminate the breach. The percentage reduction for certain special-rule programs is limited to two percent. Once this limit is reached, the uniform percentage reduction for all other discretionary sequestrable resources is increased to a level sufficient to achieve the required reduction. If both the budget authority and outlay caps are exceeded, a sequester would first be calculated to eliminate the budget authority breach. If estimated outlays remain above the cap, after applying the available outlay allowance, further reductions in budgetary resources to eliminate the outlay breach would be required.

Comparison of OMB and CBO discretionary limits.—Section 254(d)(5) of the BEA requires that this report explain the differences between OMB and CBO estimates for discretionary spending limits. Table 4 compares OMB and CBO limits for 1999 through 2002. CBO uses the discretionary limits from OMB's Final Sequestration Report as a starting point for adjustments in its Preview Report. This table excludes Presidential proposals.

CBO included $570 million of contingent emergency funding that was released on January 12, 1999 in the Defense Discretionary caps for FY 1999. Due to timing constraints, OMB included this amount under "Anticipated Other Adjustments—Expected release of contingent emergency funding." Differences in revised technical assumptions account for the majority of the outlay difference in both the Highway Category and the Mass Transit category. Differences in estimates of the effects of discretionary changes to mandatory accounts and changes in appropriated spending contained in PAYGO bills, as well as differences in the estimates of reclassifications agreed to by the scorekeepers account for the differences in the Overall Discretionary, Excluding Special Categories limits.

Table 13–4. COMPARISON OF OMB AND CBO DISCRETIONARY SPENDING LIMITS

(In millions of dollars)

	1999	2000	2001	2002
Non-defense Discretionary, Excluding Special Categories				
CBO Preview Report limits:				
BA	284,531	N/A	N/A	N/A
OL	274,320	N/A	N/A	N/A
OMB Preview Report limits:				
BA	284,533	N/A	N/A	N/A
OL	274,324	N/A	N/A	N/A
Difference:				
BA	2	N/A	N/A	N/A
OL	4	N/A	N/A	N/A
Defense Discretionary				
CBO Preview Report limits:				
BA	276,617	N/A	N/A	N/A
OL	270,657	N/A	N/A	N/A
OMB Preview Report limits:				
BA	276,047	N/A	N/A	N/A
OL	270,420	N/A	N/A	N/A
Difference:				
BA	–570	N/A	N/A	N/A
OL	–237	N/A	N/A	N/A

Table 13–4. COMPARISON OF OMB AND CBO DISCRETIONARY SPENDING LIMITS—Continued

(In millions of dollars)

	1999	2000	2001	2002
Violent Crime Reduction				
CBO Preview Report limits:				
BA	5,800	4,500	N/A	N/A
OL	4,953	5,554	N/A	N/A
OMB Preview Report limits:				
BA	5,800	4,500	N/A	N/A
OL	4,953	5,554	N/A	N/A
Difference:				
BA	....	....	N/A	N/A
OL	....	....	N/A	N/A
Highways				
CBO Preview Report limits:				
BA	....	....	....	....
OL	21,991	25,325	27,176	27,448
OMB Preview Report limits:				
BA	....	....	....	....
OL	21,991	24,574	26,219	26,663
Difference:				
BA	....	....	....	....
OL	....	–751	–957	–785
Mass Transit				
CBO Preview Report limits:				
BA	....	....	....	....
OL	4,401	4,633	4,965	5,542
OMB Preview Report limits:				
BA	....	....	....	....
OL	4,401	4,117	4,888	5,384
Difference:				
BA	....	....	....	....
OL	....	–516	–77	–158
Overall Discretionary, Excluding Special Categories Limits				
CBO Preview Report limits:				
BA	N/A	531,778	541,183	550,255
OL	N/A	536,858	539,380	534,360
OMB Preview Report limits:				
BA	N/A	531,771	541,324	550,382
OL	N/A	536,700	539,940	534,972
Difference:				
BA	N/A	–7	141	127
OL	N/A	–158	560	612
Total Discretionary Spending				
CBO Preview Report limits:				
BA	566,948	536,278	541,183	550,255
OL	576,322	572,370	571,521	567,350
OMB Preview Report limits:				
BA	566,380	536,271	541,324	550,382
OL	576,089	570,945	571,047	567,019
Difference:				
BA	–568	–7	141	127
OL	–233	–1,425	–474	–331

Pay-as-you-go Sequestration Report

This section of the Preview Report discusses the enforcement procedures that apply to direct spending and receipts. The BEA defines direct spending as entitlement authority, the food stamp program, and budget authority provided by law other than in appropriations acts. The following are exempt from pay-as-you-go enforcement: Social Security, the Postal Service, legislation specifically designated as an emergency requirement, and legislation fully funding the Federal Government's commitment to protect insured deposits.

The BEA requires that any legislation enacted before October 1, 2002, affecting direct spending or receipts that increases the deficit will trigger an offsetting sequestration.

Sequester determinations.—Within seven days after the enactment of direct spending or receipts legislation, OMB is to submit a report to Congress estimating the resulting change in outlays or receipts for the current year, the budget year, and the following four fiscal years. The estimates, which must rely on the economic and technical assumptions underlying the most recent President's budget, determine whether the pay-as-you-go requirement is met. The pay-as-you-go process requires that OMB maintain a "scorecard" that shows the cumulative deficit impact of such legislation. This Report shows how these past actions affect the upcoming fiscal year.

OMB no longer issues pay-as-you-go reports on legislation where OMB and CBO estimate zero or negligible budget impact. Prior to this change, roughly 65% of OMB's pay-as-you-go reports were on bills of this type.

Table 5 shows OMB estimates for legislation enacted through December 31, 1998. Pursuant to the BEA, the $872 million of FY 1999 savings as shown in the Final Sequester Report for FY 1999 has, in effect, been removed from the pay-as-you-go scorecard. The FY 1999 impact of legislation enacted this year will be added to the balances of FY 2000 in the end-of-session report that OMB is to issue 15 days after the 1st session of the 106th Congress adjourns sine die. The current pay-as-you-go scorecard shows savings of $2.9 billion for FY 2000 and a total of $5.0 billion for FY 2000–2003. Under current law, these savings could be used to finance increases in mandatory programs or tax cuts without triggering a sequester. The Administration is proposing to remove the FY 2000 balances from the scorecard and to use the savings to offset defense spending.

The President's Budget Proposals And The Budget Enforcement Act

This budget proposes that Social Security be reformed this year, and reserves the surplus until Social Security is reformed. Once Social Security is reformed, additional resources would be made available for Medicare, Universal Savings Accounts, defense and non-defense discretionary spending. The budget request for the Department of Defense (DOD) provides for substantial program expansion to ensure adequate funding levels for national security. Increases in non-DOD programs ensure continuity for critical functions of core government and provide for the Reserve for Priority Initiatives. The Reserve would provide resources for high priority initiatives such as increased funding for the National Institutes of Health, investments that raise student achievement, and protecting Americans at home and abroad. If Social Security reform is not enacted, these additional resources would not be available, and defense and non-defense spending levels would have to be reduced to be consistent with the discretionary caps.

No contingent allocation of the surplus begins until 2001. This will allow the 2000 appropriations process to proceed while Social Security reform is being considered. In 2000, proposed spending for DOD and non-DOD programs is offset by various specific proposals, such as new or increased user fees. Consistent with recently enacted legislation, the budget also includes mandatory savings as offsets for discretionary spending. Mandatory spending initiatives and revenue initiatives are also offset in accordance with the pay-as-you-go provisions of the Budget Enforcement Act.

The 2001–2004 budget projections for discretionary spending, with the exceptions of the Department of Defense and some capital intensive long-term projects and advance appropriations, do not represent a policy projection, but an aggregate freeze at the 2000 policy levels. The estimates in the aggregate, including a reserve for priority initiatives, show the discretionary program levels the Administration will support if Social Security is reformed. However, the budget also provides levels that would be affordable if Social Security is not reformed, in order to reserve the surplus for Social Security

DOD discretionary spending

Fiscal year 2000. The request for the DOD assumes substantial program expansion in 2000. Expansion is possible in part because of lower inflation assumptions, providing full funding through advance appropriations for some military construction programs, and proposed rescissions of lower priority funding. In addition, the Administration proposes two BEA related changes to make increased DOD spending possible:

- *Transfer of existing PAYGO savings.* The Administration proposes to transfer previously enacted savings under the "pay-as-you-go" rules of the BEA to the discretionary side of the budget. This would support an increase of $2.9 billion in defense programs.

Table 13–5. PAY-AS-YOU-GO LEGISLATION ENACTED AS OF DECEMBER 31, 1998

(In millions of dollars)

	1999 [1]	2000	2001	2002	2003	Total 2000–2004
Total, Pay-as-you-go legislation enacted:						
Revenue impact of enacted legislation	(–98)	3,696	1,778	754	1,958	8,186
Outlay impact of enacted legislation	(–774)	769	945	590	866	3,170
Total deficit impact of enacted legislaiton	(–872)	–2,927	–833	–164	–1,092	–5,016

[1] Per section 252 (b)(2)(c) of the BEA, the 1999 balances as shown in the Final Sequester Report for FY 1999 are no longer available to offset future legislation.

- *Scoring rule change to avoid a double count.* The Administration proposes to increase military retirement benefits, which would be scored as PAYGO. This would also require increases in accrued retirement benefits from DOD's military personnel accounts to the Military Retirement Trust fund of $5.6 billion through 2004. The additional funding for these increases would be scored as discretionary spending under present rules. However, the discretionary payments do not affect the surplus, because they are offset dollar for dollar by receipts in the trust fund. Therefore, the Administration is proposing a new scoring rule, which would preclude scoring increases in intrabudgetary payments as discretionary, if they result from legislative increases in mandatory spending that have been scored as PAYGO.

Fiscal years 2001–2004. Defense spending levels in these years reflect the proposed policy and assume the enactment of Social Security reform.

- *If Social Security Reform is enacted,* the Administration proposes to allocate additional resources to accommodate an increase in the DOD program level of $63.8 billion over five years, compared to the levels assumed in the 1999 budget.
- *If Social Security Reform is not enacted,* discretionary spending levels would be reduced to those assumed in the Balanced Budget Act of 1997 for 2001 through 2004.

Non-DOD discretionary spending

Fiscal year 2000. The budget includes $17.8 billion of additional spending for non-DOD discretionary programs that is offset within the caps on discretionary spending. The offsets come from specified mandatory spending reductions or revenue increases, reproposals of advance appropriations, additional advanced appropriations, and Federal tobacco revenues.

Fiscal years 2001–2004. Non-DOD spending levels in these years, like DOD spending levels, depend on the enactment of Social Security reform.

- *If Social Security Reform is enacted,* the Administration proposes to allocate additional resources to maintain an aggregate funding level that freezes spending at the 2000 policy levels and accommodates the outyear funding requirements for the Federal Aviation Administration, the National Aeronautics and Space Administration, and other capital intensive long-term projects. The offsets applied to the 2000 levels would be extended.
- *If Social Security Reform is not enacted,* discretionary spending levels would be reduced to those assumed in the Balanced Budget Act of 1997 for 2001 through 2004.

Reserve for Priority Initiatives.

Fiscal years 2001–2004. The budget proposes a discretionary "Reserve for Priority Initiatives" that will provide $30 billion in funding over five years to meet goals such as increasing funding for the National Institutes of Health by nearly 50 percent by 2003, continuing to increase essential investments that raise student achievement, and protecting Americans at home and abroad. This fund can be accommodated only if Social Security is reformed.

Mandatory Initiatives. The budget proposes mandatory initiatives for decreasing class size and providing for child care, improving health care, reforming unemployment insurance, extending welfare to work, and many others. These initiatives total $21.8 billion over five years. The budget proposes to offset these increases with savings in health care and student loan programs, and increases in revenue.

Revenue Initiatives. The budget includes several revenue initiatives, all of which are fully offset with other revenue changes. The President's plan targets tax relief to provide child-care assistance to working families and to provide support to Americans with long-term care needs. It provides several initiatives to promote education, including a school construction and modernization proposal. In addition, the President's plan includes initiatives to promote energy efficiency and environmental objectives, incentives to promote retirement savings, and extensions of certain expiring tax provisions, such as the welfare-to-work and work-opportunity tax credits.

Budget process tools. The Administration anticipates that Congress will continue its efforts to reform the budget process during the coming months and urges Congress to consider two budget process tools in particular—biennial budgeting and expedited rescission authority for the reasons given below. The President supports these improvements and looks forward to working with the sponsors of such legislation.

Biennial budgeting. Reaching agreement on budget priorities for two years would provide greater predictability and planning certainty to program administrators and beneficiaries. An arrangement that required the President's budget and the Congressional budget resolution to lock in (perhaps through a joint resolution) aggregate levels for each of two fiscal years—or more—would essentially codify the current practice of making a budget "deal" on the aggregates for several years and appropriating within those amounts. This arrangement has merit even if Congress continued to provide annual appropriations. However, making appropriations that cover two fiscal years would increase the predictability of funding and would also permit congressional committees to perform their oversight functions in the off year with less distraction.

Expedited rescission authority. The Supreme Court last year ruled the Line Item Veto Act unconstitutional, thereby eliminating the President's authority to cancel wasteful items in spending bills. However, under the Impoundment Control Act, the President continues to have authority to propose specific rescissions of spending to the Congress and to withhold the relevant funds for 45 days while such proposed rescissions are under consideration. If the Congress does not act on the proposed rescissions during the 45 day period, the funds are released. Some Members of Congress have proposed to strengthen this rescission process by requiring the Congress to vote on all rescission items proposed by the President. Such "expedited rescission" authority would be a useful tool for the President and Congress in their efforts to ensure the effective use of taxpayer dollars.

CURRENT SERVICES ESTIMATES

14. CURRENT SERVICES ESTIMATES

The current services baseline is designed to show what receipts, outlays, surpluses or deficits, and budget authority would be if no changes are made to laws already enacted. The baseline is not a prediction of the final outcome of the annual budget process, nor is it a proposed budget. Instead it is largely a mechanical application of estimating models to existing laws. By itself, the current services baseline commits no one to any particular policy, and it does not constrain the choices available. The commitments or constraints reflected in the current services estimates are inherent in the tax and spending policies contained in current law.

The current services baseline can be useful for several reasons: It warns of future problems, either for Government fiscal policy as a whole or for individual tax and spending programs. It provides a starting point for formulating the annual budget. It is a "policy-neutral" benchmark against which the President's budget and other budget proposals can be compared to see the magnitude of the proposed changes. Under the Budget Enforcement Act (BEA), it is the basis for determining the amount that would be sequestered from each mandatory account and the level of funding that would be available after sequestration. The following table shows current services estimates of receipts, outlays, and surpluses/deficits for 1998 through 2004. They are based on the economic assumptions described later in this chapter. The estimates are shown on a unified budget basis. The off-budget receipts and outlays of the Social Security trust funds and the Postal Service Fund are added to the on-budget receipts and outlays to calculate the unified budget totals. The table also shows the current services estimates by major component. These estimates assume that discretionary funding is held constant in real terms at the 1999 enacted level.

Conceptual Basis for Estimates

Receipts and outlays are divided into two categories that are important for calculating the current services estimates: those controlled by authorizing legislation (direct spending and receipts) and those controlled through the annual appropriations process (discretionary spending). Different estimating rules apply to each category.

Direct spending and receipts.—Direct spending includes the major entitlement programs, such as social security, medicare, medicaid, Federal employee retirement, unemployment compensation, food stamps and other means-tested entitlements. It also includes such programs as deposit insurance and farm price and in-

Table 14–1. CURRENT SERVICES ESTIMATES, 1998–2004

(In billions of dollars)

	1998	1999	2000	2001	2002	2003	2004
Receipts	1,721.8	1,806.6	1,871.8	1,924.7	1,998.0	2,066.3	2,157.3
Outlays:							
Discretionary:							
Defense	270.2	277.5	279.0	289.4	297.2	305.4	313.9
Nondefense	284.4	299.9	317.1	330.5	338.2	348.1	357.4
Subtotal, discretionary	554.7	577.4	596.1	619.8	635.4	653.5	671.3
Mandatory:							
Social security	376.1	389.2	405.2	423.5	443.9	464.9	487.2
Medicare	190.2	202.0	214.9	229.2	233.2	251.2	265.2
Medicaid	101.2	108.5	114.8	122.4	131.1	141.2	152.3
All other	186.9	218.9	227.6	235.5	239.9	258.5	272.2
Subtotal, mandatory	854.5	918.6	962.6	1,010.5	1,048.1	1,115.9	1,176.9
Net interest	243.4	227.1	215.5	207.8	199.5	191.5	185.1
Total, outlays	1,652.6	1,723.2	1,774.1	1,838.1	1,883.0	1,960.9	2,033.3
Surplus/deficit (–)	69.2	83.4	97.7	86.5	114.9	105.4	124.0
On-budget	–29.9	–37.5	–32.0	–47.6	–27.5	–45.3	–33.7
Off-budget	99.2	121.0	129.7	134.1	142.4	150.7	157.7
MEMORANDUM							
With discretionary spending at BEA caps and full spending of pay-as-you-go balances:							
Discretionary	554.7	581.2	574.4	573.3	568.2	584.1	599.9
Mandatory	854.5	918.6	965.5	1,011.3	1,048.3	1,117.0	1,176.9
Surplus/deficit (–)	69.2	79.6	116.7	134.1	186.7	182.0	207.6

come supports, where the Government is legally obligated to make payments under certain conditions. Receipts and direct spending are alike in that they involve ongoing activities that generally operate under permanent authority (they do not require annual authorization), and the underlying statutes generally specify the tax rates or benefit levels that must be collected or paid, and who must pay or who is eligible to receive benefits. The current services baseline assumes that receipts and direct spending programs continue in the future as specified by current law. In most cases, that is what will occur without enactment of new legislation. Alternatively, the current services baseline could assume direct spending or tax cuts up to the levels allowed by the BEA before automatic sequestration would be triggered. Because there are currently balances on the pay-as-you-go scorecard, increases in mandatory spending or decreases in receipts could be enacted without triggering automatic reductions. If spending of these balances were included in the baseline, the surplus would decrease by $2.9 billion in 2000 and $5.0 billion over the period 2000 through 2003. A detailed discussion of the pay-as-you-go scorecard and its related sequestration process can be found in the Preview Report (chapter 13 of this volume). The capped baseline estimates shown in the memorandum to Table 14–1 provide an alternative set of estimates that assume the balances will be spent.

Provisions of law providing spending authority and the authority to collect taxes or other receipts that expire under current law are usually assumed to expire as scheduled in the current services baseline. However, the current services baseline assumes extension of two types of authority that, in fact, normally are extended in some form by Congress. First, expiring provisions affecting excise taxes dedicated to a trust fund are assumed to be extended at current rates. During the projection period of 1999 through 2004, no taxes are affected by this exception. Second, direct spending programs that will expire under current law are assumed to be extended if their 1999 outlays exceed $50 million. (Under the recent BEA revisions, programs enacted after the enactment of the Balanced Budget Act of 1997 that are explicitly temporary in nature can expire in the baseline even if their current year outlays exceed $50 million.) The budgetary impact of anticipated regulations and administrative actions that are permissible under current law are also reflected in the estimates.

Discretionary spending.—Discretionary programs differ in one important aspect from direct spending programs—Congress usually provides spending authority for discretionary programs one year at a time. The spending authority is normally provided in the form of annual appropriations. Absent appropriations of additional funds in the future, discretionary programs would cease to exist after existing balances were spent. For this reason, the definition of current services for discretionary programs is somewhat arbitrary.

The definition used here is that, for 1999, the current services estimates for discretionary programs are equal to the enacted 1999 appropriations. For 2000 through 2004, funding is equal to the 1999 level adjusted for inflation. Other assumptions about discretionary funding are plausible. For example, aggregate discretionary funding could be set equal to the discretionary cap levels in the BEA for 2000 through 2002. For 2003 and beyond, aggregate discretionary spending could grow at the same rate that current services discretionary spending grows. The memorandum to Table 14–1 provides an alternative set of estimates that reflect this assumption. A detailed discussion of the discretionary caps is contained in the Preview Report (chapter 13 of this volume).

Economic Assumptions

The current services estimates are based on the same economic assumptions as the President's budget, which are based on enactment of the President's budget proposals. The economy and the budget interact. Changes in economic conditions significantly alter the estimates of tax receipts, unemployment benefits, entitlement payments that are automatically adjusted for changes in cost-of-living (COLAs), income support programs for low-income individuals, and interest on the Federal debt. In turn, Government tax and spending policies influence prices, economic growth, consumption, savings, and investment. Because of these interactions, it would be reasonable, from an economic perspective, to assume different economic paths for the current services baseline and the President's budget. However, this would diminish the value of current services estimates as a benchmark for measuring proposed policy changes, because it would then be difficult to separate the effects of proposed policy changes from the effects of different economic assumptions. By using the same economic assumptions for current services and the President's budget, this potential source of confusion is eliminated. The economic assumptions underlying both the budget and the current service estimates are summarized in the Table 14–2. The economic outlook underlying these assumptions is discussed in greater detail in Chapter 1 of this volume.

Major Programmatic Assumptions

A number of programmatic assumptions must be made in order to calculate the baseline estimates. These include assumptions about the number of beneficiaries who will receive payments from the major benefit programs and annual cost-of-living adjustments in the indexed programs. Assumptions on baseline caseload projections for the major benefit programs are shown in Table 14–3. Assumptions about various automatic cost-of-living-adjustments are shown in Table 14–2.

It is also necessary to make assumptions about the continuation of expiring programs and provisions. Under the BEA, expiring excise taxes dedicated to a trust fund are extended at current rates. In general, mandatory programs with current year spending of at least $50 million are also assumed to continue. (Note that under the BEA, all discretionary programs with

Table 14–2. SUMMARY OF ECONOMIC ASSUMPTIONS

(Fiscal years; dollar amounts in billions)

	1998	1999	2000	2001	2002	2003	2004
Gross Domestic Product (GDP):							
Levels, dollar amounts in billions:							
Current dollars	8,404	8,748	9,106	9,485	9,894	10,340	10,810
Real, chained (1992) dollars	7,474	7,679	7,833	7,989	8,160	8,355	8,555
Percent change, year over year:							
Current dollars	5.0	4.1	4.1	4.2	4.3	4.5	4.5
Real, chained (1992) dollars	3.8	2.7	2.0	2.0	2.1	2.4	2.4
Inflation measures (percent change, year/year):							
GDP chained price index	1.2	1.3	2.0	2.1	2.1	2.1	2.1
Consumer price index (all urban)	1.4	2.0	2.3	2.3	2.3	2.3	2.3
Unemployment rate, civilian (percent)	4.6	4.7	5.0	5.2	5.3	5.3	5.3
Interest rates (percent):							
91-day Treasury bills	5.0	4.2	4.3	4.3	4.4	4.4	4.4
10-year Treasury notes	5.6	4.9	5.0	5.2	5.3	5.4	5.4
MEMORANDUM							
Related programmatic assumptions:							
Automatic benefit increases (percent):							
Social security and veterans pensions	2.1	1.3	2.4	2.3	2.3	2.3	2.3
Federal employee retirement	2.1	1.3	2.4	2.3	2.3	2.3	2.3
Food stamps	2.0	2.5	1.6	2.3	2.3	2.3	2.3
Insured unemployment rate	1.9	2.0	2.1	2.2	2.2	2.2	2.2

Table 14–3. BENEFICIARY PROJECTIONS FOR MAJOR BENEFIT PROGRAMS

(Annual average, in thousands)

	1998	1999	2000	2001	2002	2003	2004
Federal family education loans	3,604	3,738	3,907	4,089	4,277	4,474	4,680
Federal direct student loans	2,121	2,246	2,278	2,290	2,351	2,416	2,484
Foster care and adoption assistance	468	506	566	603	654	705	759
Medicaid and Children's Health Insurance Program	33,000	34,200	35,100	36,000	36,800	37,500	37,900
Medicare:							
Hospital Insurance	38,254	38,585	38,936	39,328	39,753	40,236	40,778
Supplementary Medical Insurance	36,639	36,855	37,156	37,496	37,833	38,226	38,672
Railroad retirement	727	707	685	664	643	623	604
Federal civil service retirement	2,361	2,381	2,404	2,422	2,435	2,448	2,463
Military retirement	1,923	1,941	1,952	1,964	1,977	1,989	2,000
Unemployment insurance	7,400	7,870	8,310	8,700	8,800	8,820	8,890
Food stamps	19,787	19,715	20,100	20,455	20,671	20,739	20,866
Child nutrition	31,381	32,219	32,951	33,612	34,261	34,871	35,447
Supplemental security income (SSI):							
Aged	1,247	1,222	1,195	1,169	1,145	1,123	1,103
Blind/Disabled	5,018	5,116	5,160	5,212	5,268	5,323	5,375
Subtotal, SSI	6,265	6,338	6,355	6,381	6,413	6,446	6,478
Child care entitlement to States	1,013	1,048	1,179	1,196	1,240	1,219	1,191
Social security (OASDI):							
Old age and survivors insurance	37,780	38,076	38,396	38,748	39,141	39,517	39,913
Disability insurance	6,200	6,387	6,584	6,861	7,047	7,318	7,622
Veterans compensation	2,574	2,577	2,568	2,570	2,584	2,575	2,567
Veterans pensions	696	671	649	630	612	598	583

enacted appropriations in the current year are assumed to continue.) However, specific provisions of law that affect mandatory programs (but are not necessary for program operation) are allowed to expire as scheduled. For example, a savings proposal enacted in the Balanced Budget Act that limits, through 2002, veterans' pension benefit payments for medicaid-eligible beneficiaries in nursing homes is allowed to expire. After 2002, these benefits will increase under current law and are reflected at this higher level in the baseline. Table 14–4 provides a listing of mandatory programs assumed to continue in the baseline after their expiration. These extensions increase 2000 current services outlays by $0.3 billion. In 2004, these extensions add $56.5 billion to outlays. There are no excise taxes dedicated to trust funds that expire before the end of 2004.

Many other important assumptions must be made in order to calculate the baseline estimates. These include assumptions about the timing and substance of regulations that will be issued over the projection period, the use of administrative discretion provided under current law, and other assumptions about the way programs operate. Table 14–4 lists many of these assumptions and their impact on the baseline estimates. It is not intended to be an exhaustive listing; the variety and complexity of Government programs are too great to provide a complete list. Instead, some of the more important assumptions are shown.

Table 14–4. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE

(In millions of dollars)

	1999	2000	2001	2002	2003	2004
REGULATIONS [1]						
Department of Transportation emergency preparedness grants:						
Increased hazardous materials registration fee	....	–6	–6	–6	–6	–6
Increased spending for emergency preparedness grants	....	....	3	6	6	6
Old age and survivors insurance (OASI) and disabilty insurance (DI):						
Increase in collected overpayments	10	25	35	30	25	15
Medicare, HI:						
BBA 1997 Codifying Regulations	–19,165	–31,270	–41,680	–49,460	–56,135	–62,905
OBRA 1993 Codifying Regulations	–10,015	NA	NA	NA	NA	NA
Medicare, SMI:						
BBA 1997 Codifying Regulations	1,990	2,560	4,865	8,430	11,675	11,760
OBRA 1993 Codifying Regulations	–6,705	NA	NA	NA	NA	NA
Medicare, HI and SMI:						
Salary equivalency guidelines for therapists	–90	–20	....	....	....	....
Identification of potential organ, tissue, and eye donors	35	75	115	160	200	240
OASIS Home Health	10	10	....	....	....	....
Medicaid:						
BBA 1997 Codifying Regulations	726	–107	–660	–1,071	–1,628	–1,825
OBRA 1993 Codifying Regulations	–2,916	NA	NA	NA	NA	NA
SSI childhood disability standard to implement welfare reform (Medicaid effect)	–110	–125	–125	–135	–150	....
Removal of the 100 hour limitation on employment [2]	35	85	140	160	175	190
Net Medicaid and Medicare effects of upcoming SSA regulations	50	–39	1	–11	–3	–9
Supplemental security income (SSI):						
Net effect of upcoming regulations	15	15	10	....	–5	–5
Environmental Protection Agency:						
Pesticide registration fee	....	....	....	–16	–16	–16
National Pollution Discharge Elimination permit fee	....	–3	–6	–6	–6	–6
EXPIRING AUTHORIZATIONS						
Provisions extended in the baseline (effect of extension):						
Spending:						
Contingency fund for State welfare programs	....	....	....	50	80	86
Child care entitlement to States	....	....	....	....	2,378	2,677
Child nutrition:						
Nutrition education and training	....	....	....	....	....	2
Summer food service program	....	....	....	....	....	438
State administrative expenses	....	....	....	....	....	145
Continued review effort	....	....	....	....	....	4
CCC commodity program assistance	....	....	....	....	7,323	7,364
Family preservation program	....	....	....	52	207	271
Food stamps:						
Benefit costs	....	....	....	....	19,599	21,608
State administrative expenses	....	....	....	....	1,631	1,678
Employment and training	....	....	....	....	336	339
Other program costs	....	....	....	....	50	48
Nutrition assistance for Puerto Rico	....	....	....	....	1,335	1,335
Food donations on Indian reservations	....	....	....	....	75	75
The emergency food assistance program commodities	....	....	....	....	100	100
Temporary assistance for needy families (TANF):						
State family assistance grants (SFAG)	....	....	....	....	17,091	18,648
SFAG to territories	....	....	....	....	78	78
Bonus to reward high performance States	....	....	....	....	....	200
Bonus to reward decrease in illegitimacy	....	....	....	....	99	1,106
Tribal work program	....	....	....	....	8	8
Trade adjustment assistance	....	307	312	319	325	333
Provisions not extended in the baseline (effect of extension):						
Civil service retirement:						
Increased non-Postal agency contributions for employees of 1.51 percent	....	....	....	....	372	472
Increased employee contributions of 0.5 percent	....	....	....	....	512	700
Customs user fees:						
Coveyance and passenger fees	....	....	....	....	....	–497
Merchandise processing fees	....	....	....	....	....	–1,025
Medicare, HI:						
Reduction in PPS Capital Payments (BBA 4402)	....	....	....	....	–220	–300
Reduction in PPS Capital Payments (BBA 4412)	....	....	....	....	–230	–280

Table 14–4. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(In millions of dollars)

	1999	2000	2001	2002	2003	2004
Medicare, SMI:						
Medicare low income premium assistance	....	....	....	....	250	250
Medicaid:						
Transition benefits	....	....	....	350	350	400
Emergency services for undocumented aliens	....	....	....	25	25	25
VA pensions/nursing home provision	....	....	....	....	400	400
NAFTA transitional trade adjustment assistance	....	33	60	68	69	70
Veterans compensation: rounding down of monthly benefits to the nearest dollar after COLA applied	....	....	....	....	–15	–24
Veterans pensions:						
Authority to limit benefits to Medicaid-eligible beneficiaries in nursing homes (gross savings)	....	....	....	....	–510	–517
Authority to verify income of beneficiaries with the IRS and SSA	....	....	....	....	–3	–3
Veterans housing: Authority to collect higher loan fees and reduce resale losses	....	....	....	....	–188	–190
Welfare to work grants	....	217	991	1,478	1,500	1,500
OTHER IMPORTANT PROGRAM ASSUMPTIONS						
Child support enforcement (CSE):						
Effect of non-TANF maintenance of effort programs on the federal share of CSE collections	....	30	30	45	65	70
Effect of hold harmless payments to States	41	65	60	53	53	48
Effect of enhanced automated system matching rates	25	27	14	4	....	....
Increased federal costs due to waivers in effect prior to TANF implementation and new cost neutrality requirements	13	12	6	3	....	....
Alternative penalty for Family Support Act systems requirements	–69	–50	–75	–9	....	....
Food stamps:						
Tax offset, recoupment, and general claims collection	–85	–95	–95	–95	–95	–95
Quality control liabilities [3]	–49	–52	–55	–57	–59	–61
Allocation of administrative costs between public assistance programs	227	227	227	227	227	227
State incentive payments	18	21	21	22	23	24
Non-employment and training costs of BBA changes to work requirement for able-bodied adults without dependents	115	125	130	125	110	110
Foster care: [4]						
Reconciliations, settlements, and disputes	28	–10	–10	–10	–10	–10
Medicare: Medicare Integrity Program (MIP) [5]	–8,275	–9,875	–10,660	–10,970	–11,290	–11,290
Medicaid:						
Home and Community Care for the Frail Elderly (Section 1929)	80	90	100	110	120	130
Financial management recoveries	–120	–128	–136	–146	–157	–170
Vaccines for Children, total program costs	528	545	515	475	458	442
Personal Responsibility and Work Opportunity Reconciliation Act of 1996 [6]	–32	–415	–800	–1,650	–1,885	....
Allocation of administrative costs between public assistance programs	295	305	325	344	374	403
Health Insurance Portability and Accountability Act of 1996	70	....	....	....	....	....
48 Hour Maternity Stay	15	20	20	20	20	20
Impact of year 2000 computer changes	30	80	....	....	....	....
Adoption Asistance Bill of 1997	1	2	2	2	2	2
State children's health insurance program outlays included in medicaid	450	475	700	880	1,080	1,169
SSI change in effective date for benefits (medicaid effect)	10	10	10	15	15	15
Increase in inpatient and outpatient rates for IHS facilities	30	30	30	30	30	30
HHS Inspector General: Audit and Investigative Recoveries	–630	–770	–840	–980	–1,050	–1,050
State children's health insurance program (Title XXI)	1,405	1,900	2,800	3,520	4,320	4,645
Approved Demonstrations: [7]						
Medicare, HI:						
Home Health Prospective Payment:						
Costs	255	245	....	....	....	....
Replacement Benefits	255	245	....	....	....	....
Montana Rural Health (MAF):						
Costs	2	....	....	....	....	....
Replacement Benefits	2	....	....	....	....	....
Nursing Home Case Mix and Quality:						
Costs	182	....	....	....	....	....
Replacement Benefits	182	....	....	....	....	....
Medicare, SMI:						
Competitive Bidding for Durable Medical Equipment:						
Costs	2	17	69	72	80	6
Replacement Benefits	2	17	69	72	80	6
Telemedicine:						
Costs	1	1	2	....	....	....
Replacement Benefits	1	1	2	....	....	....
Municipal Health:						
Costs	22	20	2	....	....	....
Replacement Benefits	11	9	1	....	....	....

Table 14–4. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(In millions of dollars)

	1999	2000	2001	2002	2003	2004
United Mine Workers capitation:						
Costs	548	408	....	....	....	....
Replacement Benefits	555	416	....	....	....	....
Medicare, HI and SMI:						
Choices:						
Costs	390	417	446	....	....	....
Replacement Benefits	402	430	460	....	....	....
Community Nursing Organization (CNO):						
Costs	11	....	....	....	....	....
Replacement Benefits	11	....	....	....	....	....
Evercare:						
Costs	125	180	....	....	....	....
Replacement Benefits	125	130	....	....	....	....
End State Renal Disease Managed Care:						
Costs	37	50	29	....	....	....
Replacement Benefits	37	50	29	....	....	....
Monroe County (NY) Long Term Care:						
Costs	4	5	....	....	....	....
Replacement Benefits	4	5	....	....	....	....
New York Graduate Medical Education:						
Costs	928	928	1,000	1,004	961	....
Replacement Benefits	966	1,041	1,124	1,204	1,178	....
Rochester - CCN (dual eligibles):						
Costs	9	35	56	81	118	94
Replacement Benefits	10	38	62	94	141	115
Medicaid:						
Alabama:						
Costs	68	72	75	33	78	81
Replacement Benefits	68	72	75	33	78	81
Arizona Health Care Cost Containment System:						
Costs	1,347	1,471	1,618	1,780	1,958	2,153
Replacement Benefits	1,347	1,471	1,618	1,780	1,958	2,153
Arkansas (ARKids First):						
Costs	45	47	49	51	53	55
Replacement Benefits	45	47	49	51	53	55
Arkansas Family Planning Services:						
Costs	12	12	13	13	13	....
Replacement Benefits	12	12	13	13	13	....
Delaware Statewide:						
Costs	98	105	105	106	108	110
Replacement Benefits	98	105	105	106	108	110
Hawaii Health QUEST:						
Costs	234	257	283	311	....	....
Replacement Benefits	234	257	283	311	....	....
Kentucky (amended version):						
Costs	1,926	2,101	2,290	2,496	2,695	2,911
Replacement Benefits	1,926	2,101	2,290	2,496	2,695	2,911
LA County:						
Costs	2,219	2,375	....	....	....	....
Replacement Benefits	2,219	2,375	....	....	....	....
Maryland Family Planning:						
Costs	14	20	25	31	39	....
Replacement Benefits	14	20	25	31	39	....
Maryland:						
Costs	881	948	1,021	1,092	1,157	1,226
Replacement Benefits	881	948	1,021	1,092	1,157	1,226
Massachusetts Statewide:						
Costs	1,694	1,803	1,918	2,033	2,155	2,284
Replacement Benefits	1,694	1,803	1,918	2,033	2,155	2,284
Minnesota Statewide:						
Costs	1,187	1,338	1,510	1,706	....	....
Replacement Benefits	1,187	1,338	1,510	1,706	....	....
New Jersey Managed Charity Care:						
Costs	1,164	1,030	1,030	1,030	339	....
Replacement Benefits	1,164	1,030	1,030	1,030	339	....
New York (Partnership Plan):						
Costs	15,897	18,582	29,956	23,452	28,142	33,770
Replacement Benefits	15,897	18,582	29,956	23,452	28,142	33,770

Table 14–4. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(In millions of dollars)

	1999	2000	2001	2002	2003	2004
Oklahoma Statewide:						
Costs	7,868	841	900	963	1,030	1,102
Replacement Benefits	7,868	841	900	963	1,030	1,102
OhioCare:						
Costs	1,971	2,123	2,287	2,464	2,636	2,794
Replacement Benefits	1,971	2,123	2,287	2,464	2,636	2,794
Oregon Health Plan:						
Costs	468	505	545	186	....	....
Replacement Benefits	468	505	545	186	....	....
Rhode Island Rite Care (including costs of amendments):						
Costs	67	70	70	70	....	....
Replacement Benefits	67	70	70	70	....	....
SC Family Planning:						
Costs	7	....	....	....	....	....
Replacement Benefits	7	....	....	....	....	....
TennCare:						
Costs	2,921	3,071	3,227	3,392	3,561	3,739
Replacement Benefits	2,921	3,071	3,227	3,392	3,561	3,739
Vermont:						
Costs	138	151	151	151	151	151
Replacement Benefits	138	151	151	151	151	151
Welfare Reform:						
Costs	76	74	72	70	....	....
Replacement Benefits	76	74	72	70	....	....
Medicare and Medicaid:						
S/HMOs—Medicare:						
Costs	694	819	....	....	....	....
Replacement Benefits	680	803	....	....	....	....
S/HMOs—Medicaid:						
Costs	70	83	....	....	....	....
Replacement Benefits	70	83	....	....	....	....
S/HMO II—Medicare:						
Costs	1,378	1,612	....	....	....	....
Replacement Benefits	1,105	1,213	....	....	....	....
S/HMO II—Medicaid:						
Costs	276	324	....	....	....	....
Replacement Benefits	276	324	....	....	....	....
Minnesota Long Term Care Options—Medicare:						
Costs	96	112	....	....	....	....
Replacement Benefits	96	112	....	....	....	....
Minnesota Long Term Care Options—Medicaid:						
Costs	75	84	....	....	....	....
Replacement Benefits	75	84	....	....	....	....
Wisconsin - Dual Eligibles:						
Costs	29	41	50	55	57	....
Replacement Benefits	29	41	50	55	57	....
Developmental Demonstrations (waivers not yet approved):						
Medicare,SMI:						
Competitive bidding for labs	54	55	56	57	58	....
Telemedicine for diabetics	8	8	8	8	8	....
Medicare, HI and SMI:						
Consumer directed durable medical equipment	....	5	5	6	....	....
Competitive pricing for HMOs	1,080	2,400	4,650	3,660	2,425	....
Provider partnership demo	....	412	411	103	....	....
Group volume performance standards	....	3,527	3,879	4,268	4,695	5,164
OASI,DI, SSI:						
Expansion of tax refund offset to debts previously written off (OASI, SSI)	–10	–10	–10	–10	–10	–10
Performance of continuing disability reviews (baseline levels) (DI, SSI)	–545	–1,085	–1,570	–2,035	–2,534	–2,795
Collection of overpayments:						
OASI	–1,022	–984	–987	–946	–940	–934
DI	–244	–269	–293	–318	–345	–372
SSI	–504	–545	–589	–627	–662	–697
Debts written off as uncollectable (no effect on outlays):						
OASI	98	103	104	99	99	99
DI	222	244	266	289	314	339
SSI	354	335	362	386	408	430
DI:						
Payments to states for vocational rehabilitation	73	79	86	89	91	91
Limitation on prisoner's benefits	–11	–12	–13	–13	–14	–14

Table 14–4. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(In millions of dollars)

	1999	2000	2001	2002	2003	2004
OASI: limitation on prisoner's benefits	–5	–6	–7	–7	–7	–7
SSI:						
Payments from states for state supplemental benefits	–3,100	–3,100	–3,100	–3,100	–3,100	–3,100
Payments for state supplemental benefits	3,100	3,100	3,100	3,100	3,100	3,100
Fees for administration of State supplement:						
Treasury share	148	149	149	149	151	151
SSA share	75	80	80	80	80	80
Research and demonstration projects	33	63	24	24	24	24
Payments to states for vocational rehabilitation	61	64	64	64	64	64
Performance of non-disability redeterminations	–129	–269	–213	–26	–16	–10
Change in timing of October, 2000 payment	....	–2,190	2,190	....	....	....
Change in effective date of benefits	–125	–130	–135	–140	–140	–145
TANF						
State penalties	–50	–50	–50	–50	–50	–50
Transfers to SSBG	....	1,500	701	701	701	701

* $500,000 or less.

[1] Not shown in the table are Medicare and Medicaid regulations that have not been specifically priced.

[2] The effects of regulations on automated lab testing and ambulance services will be used as offsets to the costs of the Medicaid rule removing the 100 hour limitation on employment.

[3] Collections may not equal liabilities.

[4] Estimates for foster care assume State IV-E waivers will not increase costs.

[5] These amounts reflect gross MIP savings that are not offset with MIP costs.

[6] Includes savings from immigrant benefits restrictions. BBA97 and P.L. 105-306 included costs for restoring benefits to some of these immigrants.

[7] Estimates for demonstrations reflect total federal costs. DoD Medicare Subvention demonstration is reflected under BBA97 codifying regulations.

Current Services Receipts, Outlays, and Budget Authority

Receipts.—Table 14–5 shows baseline receipts by major source. Total receipts are projected to increase by $65.2 billion from 1999 to 2000 and by $285.5 billion from 2000 to 2004, largely due to assumed increases in incomes resulting from both real economic growth and inflation.

Individual income taxes are estimated to increase by $32.9 billion from 1999 to 2000 under current law. This growth of 3.8 percent is primarily the effect of increased collections resulting from rising personal incomes. Individual income taxes are projected to grow at an annual rate of 3.2 percent between 2000 and 2004.

Corporation income taxes under current law are estimated to grow by $4.2 billion or 2.3 percent from 1999 to 2000, in large part due to higher corporate profits. Corporation income taxes are projected to increase at an annual rate of 3.9 percent from 2000 to 2004.

Social insurance and retirement receipts are estimated to increase by $27.4 billion between 1999 and 2000, and by an additional $102.9 billion between 2000 and 2004. The estimates reflect assumed increases in total wages and salaries paid, and scheduled increases in the social security taxable earnings base from $72,600 in 1999 to $87,000 in 2004.

Excise taxes are estimated to increase by $4.6 billion from 1999 to 2004, in large part due to increased economic activity. Other baseline receipts (estate and gift taxes, customs duties, and miscellaneous receipts) are projected to increase by $27.1 billion from 1999 to 2004.

Outlays.—Current services outlays are estimated to be $1,723.2 billion in 1999 and $1,774.1 billion in 2000, a three percent increase. Between 1999 and 2004, they are projected to increase at an average annual rate of 3.4 percent. Outlays for discretionary programs increase from $577.4 billion in 1999 to $596.1 billion in 2000, largely reflecting increases in resources to keep pace with inflation. Again reflecting increases in resources to keep pace with inflation, outlays continue to increase each year thereafter, reaching $671.3 billion in 2004. Entitlement and other mandatory programs are estimated to grow from $918.6 billion in 1999 to $962.6 billion in 2000, and to $1,176.9 billion in 2004, due in large part to changes in the number of beneficiaries and to automatic cost-of-living adjustments and other adjustments for inflation. Social security outlays grow from $389.2 billion in 1999 to $487.2 billion in 2004, an average annual rate of 4.6 percent. Medicare and medicaid are projected to grow at annual average rates of 5.6 and 7.0 percent, respectively, outpacing inflation. Other areas of growth include federal employee retirement and disability (average annual growth rate of 3.5 percent) and unemployment compensation (average annual growth rate of 7.0 percent).

Net interest payments to the public are estimated to decline over the projection period from $227.1 billion in 1999 to $185.1 billion in 2004, reflecting reduced borrowing by the Government resulting from projected surpluses over the period.

Tables 14–7 and 14–8 show current services outlays by function and by agency, respectively. A more detailed presentation of outlays (by function, subfunction, and program) appears at the end of this chapter.

Budget authority.—Tables 14–9 and 14–10 show current services estimates of budget authority by function and by agency, respectively.

Current Services Outlays and Budget Authority by Function and Program.—Tables 14–11 and 14–12 present current services budget authority and outlays, respectively, in function order, with category and program level detail.

Table 14–5. BASELINE RECEIPTS BY SOURCE

(In billions of dollars)

	1998 actual	Estimates					
		1999	2000	2001	2002	2003	2004
Individual income taxes	828.6	869.2	902.1	918.4	947.6	975.7	1,022.9
Corporation income taxes	188.7	182.3	186.5	192.6	199.2	207.9	217.2
Social insurance and retirement receipts	571.8	608.8	636.2	659.9	686.2	712.0	739.2
On-budget	(156.0)	(164.8)	(170.9)	(177.3)	(184.5)	(189.8)	(196.3)
Off-budget	(415.8)	(444.0)	(465.3)	(482.6)	(501.8)	(522.2)	(542.9)
Excise taxes	57.7	68.1	65.2	67.0	69.3	71.0	72.7
Other	75.0	78.2	81.8	86.8	95.6	99.7	105.3
Total	1,721.8	1,806.6	1,871.8	1,924.7	1,998.0	2,066.3	2,157.3
On-budget	(1,306.0)	(1,362.6)	(1,406.5)	(1,442.0)	(1,496.2)	(1,544.1)	(1,614.4)
Off-budget	(415.8)	(444.0)	(465.3)	(482.6)	(501.8)	(522.2)	(542.9)

Table 14–6. CHANGE IN BASELINE OUTLAY ESTIMATES BY CATEGORY

(Dollar amounts in billions)

	1999	2000	2004	Change 1999 to 2000		Change 1999 to 2004	
				Amount	Percent	Amount	Annual average rate
Discretionary:							
Defense	277.5	279.0	313.9	1.5	0.5	36.4	2.5
Nondefense	299.9	317.1	357.4	17.2	5.7	57.5	3.6
Subtotal, discretionary	577.4	596.1	671.3	18.7	3.2	93.9	3.1
Mandatory:							
Medicaid	108.5	114.8	152.3	6.3	5.8	43.8	07.0
Medicare	202.0	214.9	265.2	12.9	6.4	63.2	5.6
Federal employee retirement and disability	76.1	78.9	90.4	2.8	3.7	14.3	3.5
Unemployment compensation	22.7	25.6	31.8	2.9	12.7	9.1	7.0
Social security	389.2	405.2	487.2	16.1	4.1	98.0	4.6
Undistributed offsetting receipts	–40.0	–42.3	–46.7	–2.2	5.6	–6.6	3.1
Other	160.1	165.3	196.6	5.2	3.3	36.5	4.2
Subtotal, mandatory	918.6	962.6	1,176.9	44.0	4.8	258.2	5.1
Net interest	227.1	215.5	185.1	–11.7	–5.1	–42.1	–4.0
Total, outlays	1,723.2	1,774.1	2,033.3	50.9	3.0	310.1	3.4

Table 14–7. CURRENT SERVICES OUTLAYS BY FUNCTION

(in billions of dollars)

Function	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
National defense:							
Department of Defense—Military	256.1	263.5	264.7	274.9	282.0	289.9	298.1
Other	12.3	13.2	13.5	13.9	14.4	14.8	15.1
Total, National defense	268.5	276.7	278.2	288.8	296.5	304.7	313.2
International affairs	13.1	14.9	16.5	17.4	18.8	19.8	20.5
General science, space, and technology	18.2	18.5	18.6	19.2	19.7	20.3	20.8
Energy	1.3	*	–2.0	–1.2	–1.0	–0.9	–0.9
Natural resources and environment	22.4	24.3	24.5	25.4	25.8	26.8	27.6
Agriculture	12.2	21.4	15.4	13.3	12.0	10.8	11.1
Commerce and housing credit	1.0	0.4	5.2	8.1	10.4	10.9	11.6
On-Budget	(0.8)	(–0.5)	(3.4)	(6.3)	(9.5)	(10.7)	(11.3)
Off-Budget	(0.2)	(1.0)	(1.8)	(1.8)	(0.9)	(0.2)	(0.3)
Transportation	40.3	42.6	46.2	48.6	49.4	51.4	52.6
Community and regional development	9.7	10.4	10.2	10.0	9.6	9.5	9.5
Education, training, employment, and social services	54.9	60.1	64.6	66.1	66.0	69.0	71.0
Health	131.4	143.1	152.6	162.5	173.5	185.6	198.4
Medicare	192.8	205.0	218.0	232.4	236.6	254.7	268.8
Income security	233.2	243.1	257.5	267.8	278.2	288.3	299.1
Social security	379.2	392.6	408.6	427.0	447.4	468.5	490.9
On-Budget	(9.2)	(11.3)	(10.4)	(9.7)	(11.4)	(12.0)	(12.8)
Off-Budget	(370.1)	(381.3)	(398.3)	(417.3)	(436.0)	(456.5)	(478.1)
Veterans benefits and services	41.8	43.5	44.7	46.4	47.8	50.0	51.8
Administration of justice	22.8	24.5	27.5	29.5	29.2	30.1	32.4
General government	13.4	14.9	14.4	14.4	15.0	15.6	16.3
Net interest	243.4	227.1	215.5	207.8	199.5	191.5	185.1
On-Budget	(290.0)	(279.0)	(272.0)	(269.9)	(268.0)	(267.0)	(267.8)
Off-Budget	(–46.6)	(–51.9)	(–56.5)	(–62.1)	(–68.5)	(–75.4)	(–82.7)
Undistributed offsetting receipts:							
Employer share, employee retirement (on-budget)	–27.8	–28.1	–29.0	–30.0	–31.0	–31.7	–32.8
Employer share, employee retirement (off-budget)	–7.1	–7.4	–8.0	–8.4	–9.1	–9.7	–10.4
Rents and royalties on the Outer Continental Shelf	–4.5	–3.1	–2.8	–2.8	–2.8	–2.7	–2.6
Sale of major assets	–5.2	....	–0.3	....	....	....	....
Other undistributed offsetting receipts	–2.6	–1.4	–2.2	–4.1	–8.4	–1.8	–0.8
Total, Undistributed offsetting receipts	–47.2	–40.0	–42.3	–45.3	–51.3	–45.9	–46.7
On-Budget	(–40.1)	(–32.7)	(–34.3)	(–36.9)	(–42.2)	(–36.1)	(–36.2)
Off-Budget	(–7.1)	(–7.4)	(–8.0)	(–8.4)	(–9.1)	(–9.7)	(–10.4)
Total	**1,652.6**	**1,723.2**	**1,774.1**	**1,838.1**	**1,883.0**	**1,960.9**	**2,033.3**
On-Budget	(1,335.9)	(1,400.1)	(1,438.5)	(1,489.6)	(1,523.7)	(1,589.4)	(1,648.1)
Off-Budget	(316.6)	(323.1)	(335.6)	(348.5)	(359.3)	(371.5)	(385.2)

* $50 million or less.

Table 14–8. CURRENT SERVICES OUTLAYS BY AGENCY

(in billions of dollars)

Agency	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Legislative Branch	2.6	2.8	3.0	3.0	3.1	3.3	3.4
Judicial Branch	3.5	3.9	3.8	4.0	4.1	4.2	4.3
Agriculture	53.9	63.4	55.9	56.1	56.3	56.7	59.2
Commerce	4.0	4.8	5.1	5.3	5.5	5.7	5.9
Defense—Military	256.1	263.5	264.7	274.9	282.0	289.9	298.1
Education	31.5	34.4	36.8	38.9	38.3	40.3	41.1
Energy	14.4	15.5	16.0	16.3	16.7	17.0	17.2
Health and Human Services	350.6	375.5	400.6	425.6	442.3	474.3	502.8
Housing and Urban Development	30.2	32.3	33.1	34.9	34.5	35.2	35.9
Interior	7.2	8.4	8.2	8.3	8.5	8.8	9.1
Justice	16.2	16.5	19.4	21.2	20.7	21.3	21.8
Labor	30.0	34.9	38.5	40.0	41.1	42.6	44.2
State	5.4	6.8	7.7	8.4	8.7	8.9	9.2
Transportation	39.5	41.9	45.2	47.8	49.1	50.6	51.8
Treasury	390.1	385.8	378.4	378.4	379.4	381.3	386.6
Veterans Affairs	41.8	43.5	44.7	46.3	47.7	49.9	51.8
Corps of Engineers	3.8	4.2	4.3	4.4	4.5	4.6	4.7
Other Defense Civil Programs	31.2	32.3	33.2	34.1	35.0	35.8	36.7
Environmental Protection Agency	6.3	6.7	7.2	7.5	7.6	7.9	8.1
Executive Office of the President	0.2	0.4	0.4	0.4	0.4	0.4	0.4
Federal Emergency Management Agency	2.1	2.7	2.7	2.3	1.7	1.4	1.3
General Services Administration	1.1	0.3	0.5	0.3	–*	0.5	0.5
International Assistance Programs	9.0	9.5	10.1	10.0	11.0	11.4	11.9
National Aeronautics and Space Administration	14.2	14.0	13.6	14.0	14.3	14.9	15.2
National Science Foundation	3.2	3.3	3.6	3.7	3.9	3.9	4.0
Office of Personnel Management	46.3	48.3	50.5	52.9	55.4	57.8	60.6
Small Business Administration	–0.1	–0.9	0.3	0.3	0.5	0.7	0.7
Social Security Administration	408.2	422.4	439.1	458.4	480.2	502.4	525.9
On-Budget	(38.1)	(41.1)	(40.8)	(41.2)	(44.1)	(45.9)	(47.7)
Off-Budget	(370.1)	(381.3)	(398.3)	(417.3)	(436.0)	(456.5)	(478.1)
Other Independent Agencies	11.0	6.3	14.9	17.0	21.2	22.4	23.6
On-Budget	(10.8)	(5.4)	(13.0)	(15.2)	(20.3)	(22.2)	(23.3)
Off-Budget	(0.2)	(1.0)	(1.8)	(1.8)	(0.9)	(0.2)	(0.3)
Undistributed Offsetting Receipts	–161.0	–160.3	–167.2	–177.0	–190.6	–193.5	–202.9
On-Budget	(–107.4)	(–101.1)	(–102.8)	(–106.5)	(–113.0)	(–108.3)	(–109.7)
Off-Budget	(–53.7)	(–59.2)	(–64.5)	(–70.5)	(–77.6)	(–85.2)	(–93.2)
Total	**1,652.6**	**1,723.2**	**1,774.1**	**1,838.1**	**1,883.0**	**1,960.9**	**2,033.3**
On-Budget	(1,335.9)	(1,400.1)	(1,438.5)	(1,489.6)	(1,523.7)	(1,589.4)	(1,648.1)
Off-Budget	(316.6)	(323.1)	(335.6)	(348.5)	(359.3)	(371.5)	(385.2)

* $50 million or less.

Table 14–9. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION

(in billions of dollars)

Function	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
National defense:							
Department of Defense—Military	258.5	262.6	271.5	279.4	287.1	295.2	303.7
Other	12.7	13.7	14.0	14.3	14.6	15.0	15.3
Total, National defense	271.3	276.2	285.5	293.6	301.7	310.2	319.0
International affairs	14.8	36.7	37.0	38.2	38.6	41.3	43.2
General science, space, and technology	18.0	18.8	19.3	19.7	20.1	20.6	21.1
Energy	0.3	–0.3	–2.1	–1.3	–1.1	–0.8	–0.9
Natural resources and environment	24.5	23.9	24.9	25.6	26.4	27.3	28.1
Agriculture	12.7	24.4	14.5	12.9	11.1	11.4	11.7
Commerce and housing credit	14.3	5.2	13.0	13.4	13.5	13.3	13.2
On-Budget	(8.0)	(–0.4)	(8.2)	(11.6)	(13.0)	(13.2)	(13.3)
Off-Budget	(6.4)	(5.6)	(4.9)	(1.8)	(0.5)	(0.1)	(–0.1)
Transportation	45.3	51.2	54.9	54.9	55.8	57.7	58.2
Community and regional development	10.6	9.1	9.1	10.2	10.7	9.7	10.3
Education, training, employment, and social services	61.0	60.9	66.4	67.6	68.4	71.6	73.7
Health	135.1	142.4	155.7	164.5	173.3	184.6	197.1
Medicare	193.7	205.6	217.9	232.2	237.0	254.6	268.6
Income security	231.6	243.1	257.6	270.5	281.2	291.1	301.3
Social security	380.5	391.4	408.9	428.5	449.2	470.4	492.9
On-Budget	(9.2)	(11.3)	(10.4)	(9.7)	(11.4)	(12.0)	(12.8)
Off-Budget	(371.3)	(380.1)	(398.5)	(418.8)	(437.8)	(458.3)	(480.1)
Veterans benefits and services	42.8	43.5	44.3	46.1	47.5	50.1	51.7
Administration of justice	25.9	26.9	27.7	28.5	29.5	30.3	32.8
General government	13.8	15.6	15.0	15.4	15.9	16.5	17.0
Net interest	243.4	227.1	215.5	207.8	199.5	191.5	185.1
On-Budget	(290.0)	(279.0)	(272.0)	(269.9)	(268.0)	(267.0)	(267.8)
Off-Budget	(–46.6)	(–51.9)	(–56.5)	(–62.1)	(–68.5)	(–75.4)	(–82.7)
Undistributed offsetting receipts:							
Employer share, employee retirement (on-budget)	–27.8	–28.1	–29.0	–30.0	–31.0	–31.7	–32.8
Employer share, employee retirement (off-budget)	–7.1	–7.4	–8.0	–8.4	–9.1	–9.7	–10.4
Rents and royalties on the Outer Continental Shelf	–4.5	–3.1	–2.8	–2.8	–2.8	–2.7	–2.6
Sale of major assets	–5.2	....	–0.3	....	....	....	....
Other undistributed offsetting receipts	–2.6	–1.4	–2.2	–4.1	–8.4	–1.8	–0.8
Total, Undistributed offsetting receipts	–47.2	–40.0	–42.3	–45.3	–51.3	–45.9	–46.7
On-Budget	(–40.1)	(–32.7)	(–34.3)	(–36.9)	(–42.2)	(–36.1)	(–36.2)
Off-Budget	(–7.1)	(–7.4)	(–8.0)	(–8.4)	(–9.1)	(–9.7)	(–10.4)
Total	**1,692.3**	**1,761.5**	**1,822.8**	**1,883.0**	**1,927.2**	**2,005.4**	**2,077.6**
On-Budget	(1,368.3)	(1,435.1)	(1,483.8)	(1,532.9)	(1,566.5)	(1,632.2)	(1,690.8)
Off-Budget	(324.0)	(326.5)	(338.9)	(350.1)	(360.7)	(373.2)	(386.8)
MEMORANDUM							
Discretionary budget authority:							
National defense	272.4	277.0	286.3	294.5	302.5	311.0	319.7
International	19.0	40.0	40.9	41.8	42.8	43.7	44.7
Domestic	242.8	249.5	266.9	275.8	284.6	293.8	302.9
Total, discretionary	**534.2**	**566.5**	**594.2**	**612.1**	**629.9**	**648.4**	**667.3**

Table 14–10. CURRENT SERVICES BUDGET AUTHORITY BY AGENCY

(in billions of dollars)

Agency	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Legislative Branch	2.7	3.0	3.1	3.2	3.3	3.4	3.5
Judicial Branch	3.6	3.8	3.9	4.0	4.2	4.3	4.4
Agriculture	58.3	67.6	56.0	58.0	58.5	58.9	61.8
Commerce	4.1	5.1	5.4	5.6	5.8	5.9	6.1
Defense—Military	258.5	262.6	271.5	279.4	287.1	295.2	303.7
Education	35.5	34.3	39.7	40.5	40.4	42.5	43.5
Energy	14.4	15.9	16.4	16.5	16.8	17.1	17.4
Health and Human Services	359.5	379.3	404.2	428.9	443.5	473.0	500.1
Housing and Urban Development	21.0	20.8	31.8	35.4	34.5	36.5	38.2
Interior	8.2	7.6	8.1	8.3	8.5	8.8	9.1
Justice	18.8	19.0	19.6	20.2	20.9	21.5	22.1
Labor	33.2	36.6	38.3	41.0	42.6	44.2	45.7
State	6.1	8.1	8.3	8.6	8.8	9.0	9.3
Transportation	44.4	50.5	54.1	54.1	55.5	56.9	57.4
Treasury	392.7	387.5	380.2	380.5	381.5	383.4	388.6
Veterans Affairs	42.8	43.4	44.3	46.1	47.5	49.9	51.7
Corps of Engineers	4.2	4.1	4.3	4.4	4.5	4.6	4.7
Other Defense Civil Programs	31.3	32.4	33.3	34.2	35.1	36.1	36.8
Environmental Protection Agency	7.0	7.3	7.6	7.8	8.0	8.2	8.4
Executive Office of the President	0.2	0.4	0.4	0.4	0.4	0.4	0.4
Federal Emergency Management Agency	2.4	0.8	0.7	0.7	0.7	0.9	1.0
General Services Administration	0.2	0.4	0.6	0.5	0.1	0.6	0.6
International Assistance Programs	7.1	27.6	27.8	28.7	28.8	31.2	32.8
National Aeronautics and Space Administration	13.6	13.7	14.0	14.3	14.7	15.0	15.4
National Science Foundation	3.5	3.7	3.8	3.9	3.9	4.0	4.1
Office of Personnel Management	47.4	49.6	52.1	54.5	56.9	59.3	62.1
Small Business Administration	0.2	–0.8	0.5	0.8	0.8	0.8	0.8
Social Security Administration	407.9	421.1	439.3	460.0	481.9	504.2	527.8
On-Budget	(36.6)	(41.1)	(40.8)	(41.2)	(44.1)	(45.9)	(47.7)
Off-Budget	(371.3)	(380.1)	(398.5)	(418.8)	(437.8)	(458.3)	(480.1)
Other Independent Agencies	24.4	16.4	20.8	19.7	22.9	23.1	22.9
On-Budget	(18.0)	(10.8)	(15.9)	(17.9)	(22.4)	(23.0)	(23.0)
Off-Budget	(6.4)	(5.6)	(4.9)	(1.8)	(0.5)	(0.1)	(–0.1)
Undistributed Offsetting Receipts	–161.0	–160.3	–167.2	–177.0	–190.6	–193.5	–202.9
On-Budget	(–107.4)	(–101.1)	(–102.8)	(–106.5)	(–113.0)	(–108.3)	(–109.7)
Off-Budget	(–53.7)	(–59.2)	(–64.5)	(–70.5)	(–77.6)	(–85.2)	(–93.2)
Total	**1,692.3**	**1,761.5**	**1,822.8**	**1,883.0**	**1,927.2**	**2,005.4**	**2,077.6**
On-Budget	(1,368.3)	(1,435.1)	(1,483.8)	(1,532.9)	(1,566.5)	(1,632.2)	(1,690.8)
Off-Budget	(324.0)	(326.5)	(338.9)	(350.1)	(360.7)	(373.2)	(386.8)

Table 14–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM

(in millions of dollars)

Source	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
050 National defense:							
Discretionary:							
Department of Defense—Military:							
Military personnel	69,822	70,932	73,731	76,144	78,638	81,219	83,884
Operation and maintenance	96,939	97,779	101,049	104,107	107,329	110,603	113,996
Procurement	44,772	48,951	49,930	50,980	52,048	53,143	54,257
Research, development, test and evaluation	37,090	36,635	37,482	38,353	39,247	40,165	41,105
Military construction	5,463	5,079	5,199	5,319	5,443	5,572	5,704
Family housing	3,829	3,580	3,659	3,737	3,816	3,899	3,983
Revolving, management and trust funds	1,968	955	1,712	1,746	1,605	1,643	1,680
Discretionary offsetting receipts	–35	–394	–217	–1	–2	–2	–2
Total, Department of Defense—Military	259,848	263,517	272,545	280,385	288,124	296,242	304,607
Atomic energy defense activities:							
Department of Energy	11,548	12,363	12,625	12,900	13,185	13,472	13,768
Formerly utilized sites remedial action	140	140	143	146	149	152	155
Defense nuclear facilities safety board	17	17	18	18	19	20	20
Total, Atomic energy defense activities	11,705	12,520	12,786	13,064	13,353	13,644	13,943
Defense-related activities:							
Discretionary programs	817	945	976	1,006	1,037	1,069	1,101
Total, Discretionary	272,370	276,982	286,307	294,455	302,514	310,955	319,651
Mandatory:							
Department of Defense—Military:							
Revolving, trust and other DoD mandatory	1,041	448	382	385	388	385	384
Offsetting receipts	–2,353	–1,402	–1,379	–1,416	–1,418	–1,384	–1,324
Total, Department of Defense—Military	–1,312	–954	–997	–1,031	–1,030	–999	–940
Atomic energy defense activities:							
Proceeds from sales of excess DOE assets	–1	....	....	....	....	....	....
Defense-related activities:							
Mandatory programs	197	202	209	221	233	242	254
Total, Mandatory	–1,116	–752	–788	–810	–797	–757	–686
Total, National defense	271,254	276,230	285,519	293,645	301,717	310,198	318,965
150 International affairs:							
Discretionary:							
International development, humanitarian assistance:							
Development assistance and operating expenses	1,681	1,710	1,752	1,795	1,839	1,885	1,931
Multilateral development banks (MDB's)	1,487	1,512	1,543	1,574	1,607	1,641	1,676
Assistance for the New Independent States	581	847	864	882	900	919	939
Food aid	867	862	880	898	917	936	956
Refugee programs	700	670	684	698	713	728	742
Assistance for Central and Eastern Europe	408	430	439	448	457	467	477
Voluntary contributions to international organizations	303	292	298	304	310	317	324
Peace Corps	226	241	249	258	267	275	285
Other development and humanitarian assistance	904	1,264	1,334	1,353	1,380	1,405	1,433
Total, International development, humanitarian assistance	7,157	7,828	8,043	8,210	8,390	8,573	8,763
International security assistance:							
Foreign military financing grants and loans	3,359	3,350	3,417	3,489	3,562	3,637	3,713
Economic support fund	2,435	2,433	2,482	2,534	2,587	2,641	2,697
Other security assistance	308	345	352	359	367	375	382
Total, International security assistance	6,102	6,128	6,251	6,382	6,516	6,653	6,792
Conduct of foreign affairs:							
State Department operations	2,087	2,922	3,015	3,104	3,195	3,290	3,387
Foreign buildings	389	1,031	1,056	1,079	1,105	1,131	1,158

Table 14–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Assessed contributions to international organizations	943	922	940	960	980	1,001	1,022
Assessed contributions for international peacekeeping	257	231	236	241	246	251	256
Arrearage payment for international organizations and peacekeeping	....	475	485	495	505	516	526
Other conduct of foreign affairs	168	171	175	182	191	195	204
Total, Conduct of foreign affairs	3,844	5,752	5,907	6,061	6,222	6,384	6,553
Foreign information and exchange activities:							
Broadcasting Board of Governors	427	397	411	427	440	455	471
Other information and exchange activities	795	719	742	763	786	809	832
Total, Foreign information and exchange activities	1,222	1,116	1,153	1,190	1,226	1,264	1,303
International financial programs:							
Export-Import Bank	718	799	818	837	856	875	896
Special defense acquisition fund	–52	–48	–10	–10	....	....	....
IMF new arrangements to borrow	....	3,450	3,519	3,593	3,668	3,745	3,824
Other IMF	....	14,943	15,242	15,562	15,889	16,222	16,563
Total, International financial programs	666	19,144	19,569	19,982	20,413	20,842	21,283
Total, Discretionary	18,991	39,968	40,923	41,825	42,767	43,716	44,694
Mandatory:							
International development, humanitarian assistance:							
Credit liquidating accounts	51	–456	–445	–445	–464	–458	–449
Other development and humanitarian assistance	17	–8	–34	–4	–4	–4	–4
Total, International development, humanitarian assistance	68	–464	–479	–449	–468	–462	–453
International security assistance:							
Repayment of foreign military financing loans	–534	–371	....	....	....	....	....
Foreign military loan reestimates	19	5	....	....	....	....	....
Foreign military loan liquidating account	–215	–287	–550	–458	–402	–339	–271
Total, International security assistance	–730	–653	–550	–458	–402	–339	–271
Foreign affairs and information:							
Conduct of foreign affairs	1	12	3	4	2	3	3
U.S. Information Agency trust funds	–1	–1	–1	–1	–1	–1	–1
Miscellaneous trust funds	2	2	2	2	2	2	2
Japan-U.S. Friendship Commission	1	2	3	3	3	3	3
Total, Foreign affairs and information	3	15	7	8	6	7	7
International financial programs:							
Foreign military sales trust fund (net)	–3,459	–1,910	–2,670	–2,430	–3,100	–1,540	–680
Exchange stabilization fund	30	....	....	....	....	....	....
Other international financial programs	–134	–285	–251	–327	–159	–72	–80
Total, International financial programs	–3,563	–2,195	–2,921	–2,757	–3,259	–1,612	–760
Total, Mandatory	–4,222	–3,297	–3,943	–3,656	–4,123	–2,406	–1,477
Total, International affairs	14,769	36,671	36,980	38,169	38,644	41,310	43,217
250 General science, space, and technology:							
Discretionary:							
General science and basic research:							
National Science Foundation programs	3,368	3,608	3,683	3,763	3,846	3,930	4,014
Department of Energy general science programs	2,261	2,698	2,753	2,812	2,871	2,932	2,995
Total, General science and basic research	5,629	6,306	6,436	6,575	6,717	6,862	7,009
Space flight, research, and supporting activities:							
Science, aeronautics and technology	4,770	4,885	4,983	5,087	5,194	5,303	5,415
Human space flight	5,560	5,480	5,590	5,707	5,827	5,949	6,074
Mission support	1,973	2,084	2,172	2,253	2,335	2,422	2,513

Table 14–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1998 Actual	Estimate 1999	2000	2001	2002	2003	2004
Other NASA programs	18	20	21	22	23	24	25
Total, Space flight, research, and supporting activities	12,321	12,469	12,766	13,069	13,379	13,698	14,027
Total, Discretionary	17,950	18,775	19,202	19,644	20,096	20,560	21,036
Mandatory:							
General science and basic research:							
National Science Foundation donations	45	72	78	68	34	34	34
Total, General science, space, and technology	17,995	18,847	19,280	19,712	20,130	20,594	21,070
270 Energy:							
Discretionary:							
Energy supply:							
Research and development	1,149	1,134	1,203	1,234	1,266	1,297	1,330
Naval petroleum reserves operations	107	14	14	15	15	16	16
Uranium enrichment activities	226	220	224	229	234	239	244
Decontamination transfer	–388	–398	–420	–419	–428	–437	–447
Nuclear waste program	156	169	174	178	182	187	191
Federal power marketing	230	222	225	233	242	250	260
Rural electric and telephone discretionary loans	59	69	76	77	81	83	86
Financial management services	503	466	476	485	495	506	517
Total, Energy supply	2,042	1,896	1,972	2,032	2,087	2,141	2,197
Energy conservation and preparedness:							
Energy conservation	584	628	642	656	671	686	701
Emergency energy preparedness	208	160	164	167	171	175	179
Total, Energy conservation and preparedness	792	788	806	823	842	861	880
Energy information, policy, and regulation:							
Nuclear Regulatory Commission (NRC)	22	20	40	45	59	71	84
Federal Energy Regulatory Commission fees and recoveries, and other	–10	–29	–28	–31	–30	–31	–32
Departmental and other administration	231	213	221	226	233	240	248
Total, Energy information, policy, and regulation	243	204	233	240	262	280	300
Total, Discretionary	3,077	2,888	3,011	3,095	3,191	3,282	3,377
Mandatory:							
Energy supply:							
Naval petroleum reserves oil and gas sales	–210	–3	–4	–4	–3	–3	–2
Federal power marketing	–782	–728	–588	–743	–822	–787	–879
Tennessee Valley Authority	–754	–480	–757	–1,008	–978	–922	–1,367
Proceeds from uranium sales	–13	–6	–17	–17	–32	–32	–4
Nuclear waste fund program	–600	–642	–632	–632	–631	–632	–632
Rural electric and telephone liquidating accounts	–422	–1,168	–3,098	–1,962	–1,844	–1,716	–1,347
Rural electric and telephone loan subsidy reestimate	....	–171	....	....	....	....	....
Total, Mandatory	–2,781	–3,198	–5,096	–4,366	–4,310	–4,092	–4,231
Total, Energy	296	–310	–2,085	–1,271	–1,119	–810	–854
300 Natural resources and environment:							
Discretionary:							
Water resources:							
Corps of Engineers	3,995	3,922	4,041	4,156	4,274	4,394	4,523
Bureau of Reclamation	864	780	831	853	878	901	927
Other discretionary water resources programs	250	134	145	157	154	166	181
Total, Water resources	5,109	4,836	5,017	5,166	5,306	5,461	5,631
Conservation and land management:							
Forest Service	2,461	2,534	2,630	2,717	2,810	2,905	3,004
Management of public lands (BLM)	989	1,037	1,075	1,109	1,149	1,186	1,226
Conservation of agricultural lands	673	692	721	749	777	806	837

Table 14–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1998 Actual	Estimate 1999	2000	2001	2002	2003	2004
Other conservation and land management programs	564	554	570	588	605	624	642
Total, Conservation and land management	4,687	4,817	4,996	5,163	5,341	5,521	5,709
Recreational resources:							
Operation of recreational resources	3,151	2,759	2,860	2,958	3,055	3,160	3,270
Other recreational resources activities	221	118	120	124	126	129	132
Total, Recreational resources	3,372	2,877	2,980	3,082	3,181	3,289	3,402
Pollution control and abatement:							
Regulatory, enforcement, and research programs	2,616	2,637	2,725	2,812	2,901	2,993	3,087
State and tribal assistance grants	3,213	3,407	3,476	3,548	3,622	3,698	3,776
Hazardous substance superfund	1,500	1,500	1,538	1,579	1,619	1,661	1,703
Other control and abatement activities	138	187	189	195	200	204	209
Total, Pollution control and abatement	7,467	7,731	7,928	8,134	8,342	8,556	8,775
Other natural resources:							
NOAA	2,051	2,232	2,301	2,369	2,436	2,508	2,580
Other natural resource program activities	770	860	893	921	953	984	1,019
Total, Other natural resources	2,821	3,092	3,194	3,290	3,389	3,492	3,599
Total, Discretionary	23,456	23,353	24,115	24,835	25,559	26,319	27,116
Mandatory:							
Water resources:							
Mandatory water resource programs	18	–23	18	–19	–19	–23	–27
Conservation and land management:							
Conservation Reserve Program and other agricultural programs	2,147	1,830	2,016	1,973	2,061	2,114	2,122
Other conservation programs	525	479	496	479	479	475	477
Offsetting receipts	–1,843	–1,978	–2,075	–2,037	–2,043	–2,044	–2,053
Total, Conservation and land management	829	331	437	415	497	545	546
Recreational resources:							
Operation of recreational resources	835	922	970	948	797	847	932
Offsetting receipts	–350	–434	–433	–440	–302	–309	–317
Total, Recreational resources	485	488	537	508	495	538	615
Pollution control and abatement:							
Superfund resources and other mandatory	–270	–201	–177	–149	–124	–124	–124
Other natural resources:							
Other fees and mandatory programs	–42	–8	–1	3	3	4	3
Total, Mandatory	1,020	587	814	758	852	940	1,013
Total, Natural resources and environment	24,476	23,940	24,929	25,593	26,411	27,259	28,129
350 Agriculture:							
Discretionary:							
Farm income stabilization:							
Agriculture credit loan program	347	341	352	364	377	389	401
P.L.480 market development activities	196	194	198	202	206	210	216
Administrative expenses	976	831	855	878	904	929	955
Total, Farm income stabilization	1,519	1,366	1,405	1,444	1,487	1,528	1,572
Agricultural research and services:							
Research programs	1,262	1,357	1,399	1,440	1,483	1,528	1,573
Extension programs	423	438	448	457	467	477	487
Marketing programs	48	50	51	52	53	54	55
Animal and plant inspection programs	431	433	442	451	461	470	480
Economic intelligence	190	167	173	179	185	192	199

Table 14–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Grain inspection	24	27	28	28	29	29	30
Foreign agricultural service	144	136	141	144	149	154	159
Other programs and unallocated overhead	305	344	355	366	379	397	409
Total, Agricultural research and services	2,827	2,952	3,037	3,117	3,206	3,301	3,392
Total, Discretionary	4,346	4,318	4,442	4,561	4,693	4,829	4,964
Mandatory:							
Farm income stabilization:							
Commodity Credit Corporation	8,652	19,462	9,875	7,496	5,490	5,382	5,511
Crop insurance and other farm credit activities	824	1,557	1,004	1,677	1,739	1,811	1,895
Credit liquidating accounts (ACIF and FAC)	–1,150	–1,144	–1,110	–1,085	–1,069	–1,048	–1,028
Total, Farm income stabilization	8,326	19,875	9,769	8,088	6,160	6,145	6,378
Agricultural research and services:							
Miscellaneous mandatory programs	199	358	418	428	435	542	549
Offsetting receipts	–141	–149	–149	–150	–150	–150	–150
Total, Agricultural research and services	58	209	269	278	285	392	399
Total, Mandatory	8,384	20,084	10,038	8,366	6,445	6,537	6,777
Total, Agriculture	12,730	24,402	14,480	12,927	11,138	11,366	11,741
370 Commerce and housing credit:							
Discretionary:							
Mortgage credit:							
Federal Housing Administration (FHA) loan programs	657	621	646	669	692	717	743
Government National Mortgage Association (GNMA)	–355	–346	–413	–413	–412	–412	–412
Other Housing and Urban Development	5	–154	–71	–69	–70	–71	–73
Rural housing insurance fund	581	558	578	596	617	638	657
Total, Mortgage credit	888	679	740	783	827	872	915
Postal service:							
Payments to the Postal Service fund (On-budget)	86	....	....	....	....	....	....
Deposit insurance:							
National Credit Union Administration	1	2	2	2	2	2	2
Other advancement of commerce:							
Small and minority business assistance	568	554	564	577	589	602	614
Science and technology	703	683	702	723	744	766	786
Economic and demographic statistics	736	1,388	1,439	1,487	1,538	1,589	1,641
Regulatory agencies	–115	97	79	120	146	180	264
International Trade Administration	299	285	297	306	317	328	340
Other discretionary	–38	13	117	144	152	155	162
Total, Other advancement of commerce	2,153	3,020	3,198	3,357	3,486	3,620	3,807
Total, Discretionary	3,128	3,701	3,940	4,142	4,315	4,494	4,724
Mandatory:							
Mortgage credit:							
FHA General and Special Risk, downward reestimate of negative subsidies	–333	....	....	....	....	....	....
FHA and GNMA negative subsidies	–2,332	–6,117	–388	–177	–1,977	–2,063	–2,300
Mortgage credit reestimates	1,076	1,264	....	....	....	....	....
Mortgage credit liquidating accounts	–764	–1,226	–145	828	–516	–534	–605
Other mortgage credit activities	....	205	....	....	....	....	....
Total, Mortgage credit	–2,353	–5,874	–533	651	–2,493	–2,597	–2,905
Postal service:							
Postal Service (Off-budget)	6,359	5,607	4,874	1,829	521	96	–144

Table 14–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Deposit insurance:							
Bank Insurance Fund	–19	–23	–22	–22	–23	–24	–25
FSLIC Resolution Fund	–42	–10	–10	–10	–10	–10	–10
Savings Association Insurance Fund	–2	–2	–2	–2	–2	–2	–2
Other deposit insurance activities	29	35	34	34	35	36	37
Total, Deposit insurance	–34	....	....	....	....	....	....
Other advancement of commerce:							
Universal Service Fund	2,759	2,750	4,668	6,463	10,772	10,922	11,075
Payments to copyright owners	250	260	282	300	311	327	343
Spectrum auction subsidy	4,811	....	....	....	....	....	....
Regulatory fees	–29	–30	–30	–30	–30	–30	–30
Patent and trademark fees	–119	....	....	....	....	....	....
Credit liquidating accounts	1	–756	–251	....	....	....	....
Other mandatory	–445	–477	93	95	96	87	88
Total, Other advancement of commerce	7,228	1,747	4,762	6,828	11,149	11,306	11,476
Total, Mandatory	11,200	1,480	9,103	9,308	9,177	8,805	8,427
Total, Commerce and housing credit	14,328	5,181	13,043	13,450	13,492	13,299	13,151
400 Transportation:							
Discretionary:							
Ground transportation:							
Highways	559	332	339	345	353	360	368
Highway safety	147	88	90	92	94	96	98
Mass transit	2,584	–371	26	26	27	27	29
Railroads	747	777	793	812	832	849	870
Regulation	14	13	14	14	15	15	16
Total, Ground transportation	4,051	839	1,262	1,289	1,321	1,347	1,381
Air transportation:							
Airports and airways (FAA)	7,351	7,716	8,002	8,201	8,405	8,615	8,832
Aeronautical research and technology	1,327	1,196	1,229	1,263	1,297	1,331	1,368
Payments to air carriers	9	–3	....	....	....	....	....
Total, Air transportation	8,687	8,909	9,231	9,464	9,702	9,946	10,200
Water transportation:							
Marine safety and transportation	2,901	3,244	3,346	3,441	3,538	3,640	3,744
Ocean shipping	129	90	111	114	119	123	127
Total, Water transportation	3,030	3,334	3,457	3,555	3,657	3,763	3,871
Other transportation:							
Other discretionary programs	237	248	256	267	276	287	297
Total, Discretionary	16,005	13,330	14,206	14,575	14,956	15,343	15,749
Mandatory:							
Ground transportation:							
Highways	24,582	29,315	31,406	30,556	31,108	31,658	31,658
Highway safety	268	372	384	397	412	422	422
Mass transit	2,260	5,363	5,770	6,173	6,580	6,987	7,012
Offsetting receipts and subsidy reestimates	–48	–12	–12	–12	–12	–12	–12
Credit liquidating accounts	–14	–26	–30	–29	–29	–29	–29
Total, Ground transportation	27,048	35,012	37,518	37,085	38,059	39,026	39,051
Air transportation:							
Airports and airways (FAA)	1,668	2,322	2,410	2,410	2,410	2,410	2,410
Payments to air carriers	39	....	50	50	50	50	50
Total, Air transportation	1,707	2,322	2,460	2,460	2,460	2,460	2,460

Table 14–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Water transportation:							
Coast Guard retired pay	653	684	730	778	825	877	926
Other water transportation programs	–46	–86	–1	–3	–5	70	71
Total, Water transportation	607	598	729	775	820	947	997
Other transportation:							
Other mandatory transportation programs	–30	–30	–31	–33	–534	–35	–36
Total, Mandatory	29,332	37,902	40,676	40,287	40,805	42,398	42,472
Total, Transportation	45,337	51,232	54,882	54,862	55,761	57,741	58,221
450 Community and regional development:							
Discretionary:							
Community development:							
Community development loan guarantees	30	30	31	31	32	32	33
Community development block grant	4,925	4,873	4,970	5,075	5,181	5,290	5,401
Community adjustment and investment program	....	10	10	10	11	11	11
Community development financial institutions	80	95	97	99	101	103	106
Brownfields redevelopment	25	25	26	26	27	27	28
Other community development programs	260	469	483	494	508	523	538
Total, Community development	5,320	5,502	5,617	5,735	5,860	5,986	6,117
Area and regional development:							
Rural development	819	905	922	948	967	992	1,016
Economic Development Administration	366	413	421	431	440	451	460
Indian programs	1,013	1,045	1,074	1,102	1,132	1,161	1,194
Appalachian Regional Commission	170	66	67	69	70	72	73
Tennessee Valley Authority	70	50	52	54	56	58	60
Denali commission	....	20	20	21	21	22	22
Total, Area and regional development	2,438	2,499	2,556	2,625	2,686	2,756	2,825
Disaster relief and insurance:							
Disaster relief	1,920	308	314	321	327	334	341
Small Business Administration disaster loans	173	197	201	205	209	214	218
Other disaster assistance programs	412	388	412	425	435	448	462
Total, Disaster relief and insurance	2,505	893	927	951	971	996	1,021
Total, Discretionary	10,263	8,894	9,100	9,311	9,517	9,738	9,963
Mandatory:							
Community development:							
Pennsylvania Avenue activities and other programs	172	....	....	....	....	....	....
Area and regional development:							
Indian programs	596	481	111	113	113	116	118
Rural development programs	5	128	36	36	36	36	36
Credit liquidating accounts	–143	304	61	1,002	1,347	–111	303
Offsetting receipts	–321	–401	–102	–104	–104	–107	–108
Total, Area and regional development	137	512	106	1,047	1,392	–66	349
Disaster relief and insurance:							
National flood insurance fund	–14	–92	–138	–166	–206	–20	–20
National flood mitigation fund	27	20	20	20	20	20	20
Radiological emergency preparedness fees	–12	....	....	....	....	....	....
Disaster loans program account	61	9	....	....	....	....	....
SBA disaster loan subsidy reestimate	....	–236	....	....	....	....	....

Table 14–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1998 Actual	Estimate 1999	2000	2001	2002	2003	2004
Credit liquidating accounts	–5	–6	–6	–6	–6	–6	–6
Total, Disaster relief and insurance	57	–305	–124	–152	–192	–6	–6
Total, Mandatory	366	207	–18	895	1,200	–72	343
Total, Community and regional development	10,629	9,101	9,082	10,206	10,717	9,666	10,306
500 Education, training, employment, and social services:							
Discretionary:							
Elementary, secondary, and vocational education:							
Education reform	1,275	1,314	1,340	1,368	1,397	1,427	1,456
School improvement programs	1,538	2,811	2,867	2,928	2,989	3,052	3,116
Education for the disadvantaged	7,871	3,670	8,537	8,717	8,900	9,086	9,278
Special education	4,811	5,334	5,440	5,555	5,671	5,791	5,913
Impact aid	808	864	881	900	918	938	958
Vocational and adult education	1,508	1,539	1,570	1,603	1,636	1,671	1,706
Indian education programs	621	640	658	676	693	711	731
Bilingual and immigrant education	354	380	388	396	404	413	421
Other	8	269	274	280	286	292	298
Total, Elementary, secondary, and vocational education	18,794	16,821	21,955	22,423	22,894	23,381	23,877
Higher education:							
Student financial assistance	8,979	9,348	9,536	9,735	9,941	10,149	10,361
Higher education account	947	1,308	1,334	1,363	1,391	1,420	1,449
Federal family education loan program	46	47	48	51	52	54	55
Other higher education programs	342	349	356	363	371	378	386
Total, Higher education	10,314	11,052	11,274	11,512	11,755	12,001	12,251
Research and general education aids:							
Library of Congress	269	283	295	306	317	328	339
Public broadcasting	291	303	358	400	411	416	405
Smithsonian institution	490	515	533	553	573	594	615
Education research, statistics, and improvement	431	665	678	692	707	721	737
Other	729	773	796	818	841	866	892
Total, Research and general education aids	2,210	2,539	2,660	2,769	2,849	2,925	2,988
Training and employment:							
Training and employment services	4,988	5,281	5,389	5,503	5,620	5,740	5,862
Older Americans employment	440	440	449	458	468	478	488
Federal-State employment service	1,249	1,249	1,274	1,302	1,330	1,358	1,388
Other employment and training	90	96	101	104	108	112	116
Total, Training and employment	6,767	7,066	7,213	7,367	7,526	7,688	7,854
Other labor services:							
Labor law, statistics, and other administration	1,041	1,126	1,173	1,216	1,259	1,305	1,353
Social services:							
National service initiative	686	716	712	726	743	764	785
Children and families services programs	5,677	6,032	6,156	6,288	6,424	6,561	6,702
Aging services program	865	882	900	920	939	959	980
Other	346	350	357	364	372	380	388
Total, Social services	7,574	7,980	8,125	8,298	8,478	8,664	8,855
Total, Discretionary	46,700	46,584	52,400	53,585	54,761	55,964	57,178
Mandatory:							
Higher education:							
Federal family education loan program	2,055	3,335	3,684	3,927	3,089	3,988	3,713
Federal direct loan program	897	327	84	–133	–240	42	457
Other higher education programs	12	–37	–37	–37	–37	–37	–37

Table 14–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Credit liquidating account (Family education loan program)	551	–411	–539	–525	–477	–402	–318
Total, Higher education	3,515	3,214	3,192	3,232	2,335	3,591	3,815
Research and general education aids:							
Mandatory programs	22	32	33	21	19	19	19
Training and employment:							
Trade adjustment assistance	127	131	94	94	94	95	95
Welfare to work grants	1,488	1,409					
Other training and employment		42	50	48			
Total, Training and employment	1,615	1,582	144	142	94	95	95
Other labor services:							
Other labor services		5	5	5			
Social services:							
Payments to States for foster care and adoption assistance	4,311	4,922	5,627	6,154	6,722	7,358	8,024
Family support and preservation	255	275	295	305	305	305	305
Social services block grant	2,299	1,909	2,380	1,700	1,700	1,700	1,700
Rehabilitation services	2,247	2,305	2,339	2,393	2,448	2,504	2,562
Other social services	12	27	32	32	32	32	32
Total, Social services	9,124	9,438	10,673	10,584	11,207	11,899	12,623
Total, Mandatory	14,276	14,271	14,047	13,984	13,655	15,604	16,552
Total, Education, training, employment, and social services	60,976	60,855	66,447	67,569	68,416	71,568	73,730
550 Health:							
Discretionary:							
Health care services:							
Substance abuse and mental health services	2,147	2,488	2,540	2,594	2,649	2,707	2,765
Indian health	2,099	2,242	2,316	2,388	2,459	2,534	2,613
Other discretionary health care services programs	5,797	6,864	7,022	7,187	7,351	7,525	7,701
Total, Health care services	10,043	11,594	11,878	12,169	12,459	12,766	13,079
Health research and training:							
National Institutes of Health	13,632	15,612	15,957	16,317	16,685	17,062	17,448
Clinical training	296	309	315	322	329	336	343
Other health research and training	303	327	338	347	357	368	379
Total, Health research and training	14,231	16,248	16,610	16,986	17,371	17,766	18,170
Consumer and occupational health and safety:							
Food safety and inspection	589	617	650	680	710	742	776
Occupational safety and health	553	582	605	626	648	670	694
Other consumer health programs	970	1,029	1,072	1,110	1,150	1,192	1,235
Total, Consumer and occupational health and safety	2,112	2,228	2,327	2,416	2,508	2,604	2,705
Total, Discretionary	26,386	30,070	30,815	31,571	32,338	33,136	33,954
Mandatory:							
Health care services:							
Medicaid grants	99,591	102,522	114,821	122,356	131,137	141,197	152,321
State children's health insurance fund	4,235	4,247	4,215	4,215	3,090	3,150	3,150
Federal employees' and retired employees' health benefits	4,095	4,631	5,101	5,537	5,988	6,464	7,008
Coal miner retiree health benefits (including UMWA funds)	373	362	354	345	336	329	320
Other mandatory health services activities	389	464	377	390	404	336	351
Total, Health care services	108,683	112,226	124,868	132,843	140,955	151,476	163,150
Health research and safety:							
Health research and training	39	64	59	56	54	22	17

Table 14–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1998 Actual	Estimate 1999	2000	2001	2002	2003	2004
Consumer and occupational health and safety	....	....	–1	–1	–1	–1	–1
Total, Health research and safety	39	64	58	55	53	21	16
Total, Mandatory	108,722	112,290	124,926	132,898	141,008	151,497	163,166
Total, Health	135,108	142,360	155,741	164,469	173,346	184,633	197,120
570 Medicare:							
Discretionary:							
Medicare:							
Hospital insurance (HI) administrative expenses	1,196	1,331	1,391	1,451	1,514	1,581	1,654
Supplementary medical insurance (SMI) administrative expenses	1,527	1,658	1,724	1,790	1,862	1,937	2,018
Total, Discretionary	2,723	2,989	3,115	3,241	3,376	3,518	3,672
Mandatory:							
Medicare:							
Hospital insurance (HI)	135,341	145,005	144,562	150,880	153,250	162,507	170,540
Supplementary medical insurance (SMI)	74,841	77,797	92,326	102,160	106,529	117,566	125,605
Health care fraud and abuse control	659	764	864	950	1,010	1,075	1,075
Medicare premiums, collections, and interfunds	–19,897	–21,005	–22,991	–25,032	–27,158	–30,093	–32,252
Total, Mandatory	190,944	202,561	214,761	228,958	233,631	251,055	264,968
Total, Medicare	193,667	205,550	217,876	232,199	237,007	254,573	268,640
600 Income security:							
Discretionary:							
General retirement and disability insurance:							
Railroad retirement	299	285	291	296	301	306	312
Pension Benefit Guaranty Corporation	10	11	11	12	12	12	13
Pension and Welfare Benefits Administration and other	83	92	96	99	102	106	110
Total, General retirement and disability insurance	392	388	398	407	415	424	435
Federal employee retirement and disability:							
Civilian retirement and disability program administrative expenses	85	80	83	86	89	93	97
Armed forces retirement home	69	71	73	77	79	81	85
Total, Federal employee retirement and disability	154	151	156	163	168	174	182
Unemployment compensation:							
Unemployment programs administrative expenses	2,484	2,370	2,552	2,728	2,818	2,884	2,967
Housing assistance:							
Public housing operating fund	2,900	2,818	2,874	2,935	2,996	3,059	3,124
Public housing capital fund	2,500	3,000	3,060	3,124	3,189	3,257	3,326
Subsidized, public, homeless and other HUD housing	11,436	14,180	19,210	21,350	23,437	25,404	27,142
Rural housing assistance	613	650	663	677	691	706	721
Total, Housing assistance	17,449	20,648	25,807	28,086	30,313	32,426	34,313
Food and nutrition assistance:							
Special supplemental food program for women, infants, and children (WIC)	3,924	3,924	4,002	4,087	4,172	4,260	4,349
Other nutrition programs	498	488	501	515	526	541	555
Total, Food and nutrition assistance	4,422	4,412	4,503	4,602	4,698	4,801	4,904
Other income assistance:							
Refugee assistance	423	435	443	453	462	473	482
Low income home energy assistance	1,160	1,100	1,122	1,146	1,170	1,194	1,219
Child care and development block grant	1,002	1,000	1,020	1,041	1,063	1,086	1,108

Table 14–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Supplemental security income (SSI) administrative expenses	2,262	2,321	2,413	2,496	2,584	2,675	2,768
Total, Other income assistance	4,847	4,856	4,998	5,136	5,279	5,428	5,577
Total, Discretionary	29,748	32,825	38,414	41,122	43,691	46,137	48,378
Mandatory:							
General retirement and disability insurance:							
Railroad retirement	4,243	4,389	4,551	4,740	4,710	4,794	4,904
Special benefits for disabled coal miners	1,088	1,056	1,010	964	911	864	814
Pension Benefit Guaranty Corporation	–10	–11	–11	–12	–12	–12	–13
District of Columbia pension funds	....	234	222	230	238	248	256
Proceeds from sale of DC retirement fund assets	....	–3,075	....	....	....	....	....
Special workers' compensation expenses	128	152	160	164	168	171	174
Total, General retirement and disability insurance	5,449	2,745	5,932	6,086	6,015	6,065	6,135
Federal employee retirement and disability:							
Federal civilian employee retirement and disability	43,616	45,325	47,386	49,340	51,291	53,320	55,514
Military retirement	31,234	32,287	33,180	34,100	34,973	35,851	36,748
Federal employees workers' compensation (FECA)	201	181	81	82	73	66	63
Federal employees life insurance fund	28	33	35	36	37	38	39
Total, Federal employee retirement and disability	75,079	77,826	80,682	83,558	86,374	89,275	92,364
Unemployment compensation:							
Unemployment insurance programs	19,424	22,512	25,404	27,694	29,029	30,324	31,584
Trade adjustment assistance	222	230	220	218	225	231	239
Total, Unemployment compensation	19,646	22,742	25,624	27,912	29,254	30,555	31,823
Housing assistance:							
Mandatory housing assistance programs	37	50	40	40	40	40	40
Food and nutrition assistance:							
Food stamps (including Puerto Rico)	24,907	22,586	22,455	23,306	23,944	24,472	25,278
State child nutrition programs	7,998	9,179	9,543	10,012	10,559	11,022	11,502
Funds for strengthening markets, income, and supply (Sec.32)	513	587	669	536	548	548	548
Total, Food and nutrition assistance	33,418	32,352	32,667	33,854	35,051	36,042	37,328
Other income support:							
Supplemental security income (SSI)	25,969	28,331	28,936	29,950	31,248	32,337	33,392
Family support payments	607	2,649	750	2,569	3,350	3,630	3,910
Federal share of child support collections	–1,007	–945	–965	–974	–939	–927	–947
Temporary assistance for needy families and related programs	18,632	17,053	17,087	17,142	16,824	16,824	16,824
Child care entitlement to states	2,070	2,167	2,367	2,567	2,717	2,717	2,717
Earned income tax credit (EITC)	23,239	26,273	26,880	27,631	28,595	29,529	30,538
Child tax credit	....	415	528	496	483	453	425
Other assistance	53	52	62	63	63	64	64
SSI recoveries and receipts	–1,361	–1,415	–1,452	–1,497	–1,544	–1,594	–1,642
Total, Other income support	68,202	74,580	74,193	77,947	80,797	83,033	85,281
Total, Mandatory	201,831	210,295	219,138	229,397	237,531	245,010	252,971
Total, Income security	231,579	243,120	257,552	270,519	281,222	291,147	301,349
650 Social security:							
Discretionary:							
Social security:							
Old-age and survivors insurance (OASI)administrative expenses (Off-budget)	1,773	1,746	1,814	1,878	1,943	2,011	2,082
Disability insurance (DI) administrative expenses (Off-budget)	1,422	1,406	1,459	1,506	1,556	1,607	1,661
Office of the Inspector General—Social Security Adm.	10	12	12	13	13	14	14
Total, Discretionary	3,205	3,164	3,285	3,397	3,512	3,632	3,757

Table 14–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Mandatory:							
Social security:							
Old-age and survivors insurance (OASI)(Off-budget)	328,873	338,405	350,694	367,529	382,223	398,341	415,229
Disability insurance (DI)(Off-budget)	48,394	49,793	54,891	58,707	63,438	68,385	73,911
Quinquennial OASI and DI adjustments	....	....	....	–1,121	....	....	....
Intragovernmental transactions (On-budget)	9,142	11,277	10,339	10,818	11,383	12,033	12,785
Intragovernmental transactions (Off-budget)	–9,140	–11,278	–10,340	–10,818	–11,383	–12,033	–12,785
Total, Mandatory	377,269	388,197	405,584	425,115	445,661	466,726	489,140
Total, Social security	380,474	391,361	408,869	428,512	449,173	470,358	492,897
700 Veterans benefits and services:							
Discretionary:							
Veterans education, training, and rehabilitation:							
Loan fund program account	1	1	1	1	1	1	1
Hospital and medical care for veterans:							
Medical care and hospital services	18,056	18,283	19,017	19,691	20,392	21,120	21,877
Collections for medical care	–700	–638	–762	–926	–1,143	–1,150	–1,176
Construction of medical facilities	465	407	416	424	433	442	451
Total, Hospital and medical care for veterans	17,821	18,052	18,671	19,189	19,682	20,412	21,152
Veterans housing:							
Housing program loan subsidies	161	160	167	173	180	187	194
Other veterans benefits and services:							
Other general operating expenses	960	1,069	1,114	1,155	1,201	1,246	1,293
Total, Discretionary	18,943	19,282	19,953	20,518	21,064	21,846	22,640
Mandatory:							
Income security for veterans:							
Compensation	17,295	18,623	18,310	19,003	19,565	20,162	20,754
Proposed Legislation (non-PAYGO)	....	....	293	639	988	1,338	1,707
Subtotal, Compensation	17,295	18,623	18,603	19,642	20,553	21,500	22,461
Pensions	3,071	3,106	3,136	3,161	3,180	3,712	3,732
Burial benefits and miscellaneous assistance	117	129	123	125	127	128	130
National service life insurance trust fund	1,196	1,122	1,050	1,001	949	890	829
All other insurance programs	57	52	34	43	43	43	43
Insurance program receipts	–219	–213	–198	–186	–173	–161	–149
Total, Income security for veterans	21,517	22,819	22,748	23,786	24,679	26,112	27,046
Veterans education, training, and rehabilitation:							
Readjustment benefits (GI Bill and related programs)	1,366	1,175	1,469	1,722	1,714	1,712	1,740
Post-Vietnam era education	–1	....	....	....	....	....	....
All-volunteer force educational assistance trust fund	–198	–174	–209	–213	–217	–220	–235
Total, Veterans education, training, and rehabilitation	1,167	1,001	1,260	1,509	1,497	1,492	1,505
Hospital and medical care for veterans:							
Fees, charges and other mandatory medical care	138	....	....	....	....	....	....
Veterans housing:							
Housing loan subsidies	920	311	285	251	251	484	521
Housing loan reestimate	–206	....	....	....	....	....	....
Housing loan liquidating account	270	....	....	....	....	....	....
Total, Veterans housing	984	311	285	251	251	484	521

Table 14–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1998 Actual	Estimate 1999	2000	2001	2002	2003	2004
Other veterans programs:							
Other mandatory veterans programs	43	44	82	39	39	131	36
Total, Mandatory	23,849	24,175	24,375	25,585	26,466	28,219	29,108
Total, Veterans benefits and services	42,792	43,457	44,328	46,103	47,530	50,065	51,748
750 Administration of justice:							
Discretionary:							
Federal law enforcement activities:							
Criminal investigations (DEA, FBI, FinCEN, ICDE)	4,337	4,389	4,552	4,703	4,859	5,021	5,187
Alcohol, tobacco, and firearms investigations (ATF)	533	549	572	593	614	636	659
Border enforcement activities (Customs and INS)	3,994	4,637	4,816	4,981	5,153	5,333	5,518
Equal Employment Opportunity Commission	242	279	285	290	297	302	309
Tax law, criminal investigations (IRS)	372	371	391	409	427	446	466
Other law enforcement activities	1,488	1,452	1,598	1,650	1,708	1,764	1,828
Total, Federal law enforcement activities	10,966	11,677	12,214	12,626	13,058	13,502	13,967
Federal litigative and judicial activities:							
Civil and criminal prosecution and representation	2,421	2,518	2,609	2,694	2,786	2,878	2,972
Representation of indigents in civil cases	283	300	306	312	319	326	333
Federal judicial and other litigative activities	3,236	3,490	3,597	3,702	3,817	3,928	4,043
Total, Federal litigative and judicial activities	5,940	6,308	6,512	6,708	6,922	7,132	7,348
Correctional activities:							
Discretionary programs	3,099	3,302	3,432	3,553	3,677	3,807	3,941
Criminal justice assistance:							
Discretionary programs	4,835	4,889	4,989	5,093	5,202	5,310	5,423
Total, Discretionary	24,840	26,176	27,147	27,980	28,859	29,751	30,679
Mandatory:							
Federal law enforcement activities:							
Assets forfeiture fund	411	479	410	425	430	440	451
Border enforcement activities (Customs and INS)	1,681	1,630	1,716	1,681	1,757	1,789	1,823
Customs and INS fees	–2,316	–2,612	–2,792	–2,826	–2,790	–2,866	–1,403
Other mandatory law enforcement programs	440	390	350	348	327	330	333
Total, Federal law enforcement activities	216	–113	–316	–372	–276	–307	1,204
Federal litigative and judicial activities:							
Mandatory programs	422	435	461	469	481	492	505
Correctional activities:							
Mandatory programs	–2	–3	–3	–3	–3	–3	–3
Criminal justice assistance:							
Mandatory programs	394	356	407	408	409	410	411
Total, Mandatory	1,030	675	549	502	611	592	2,117
Total, Administration of justice	25,870	26,851	27,696	28,482	29,470	30,343	32,796
800 General government:							
Discretionary:							
Legislative functions:							
Legislative branch discretionary programs	1,976	2,245	2,321	2,396	2,474	2,557	2,638
Executive direction and management:							
Drug control programs	327	362	369	377	384	393	401
Executive Office of the President	233	296	306	314	324	338	347
Presidential transition and former Presidents	2	2	2	2	2	2	2
Total, Executive direction and management	562	660	677	693	710	733	750

Table 14–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Central fiscal operations:							
Tax administration	7,469	7,980	8,317	8,624	8,942	9,274	9,620
Other fiscal operations	502	640	665	674	701	726	756
Total, Central fiscal operations	7,971	8,620	8,982	9,298	9,643	10,000	10,376
General property and records management:							
Real property activities	–57	293	396	376	395	410	390
Records management	221	248	253	257	264	269	275
Other general and records management	141	160	167	171	176	183	189
Total, General property and records management	305	701	816	804	835	862	854
Central personnel management:							
Discretionary central personnel management programs	149	152	158	165	170	177	183
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	823	429	439	447	456	465	475
Payments to States and counties from Federal land management activities	11	11	11	11	12	12	12
Payments in lieu of taxes	120	125	128	130	133	136	139
Other	1						
Total, General purpose fiscal assistance	955	565	578	588	601	613	626
Other general government:							
Discretionary programs	153	257	262	271	278	285	292
Total, Discretionary	12,071	13,200	13,794	14,215	14,711	15,227	15,719
Mandatory:							
Legislative functions:							
Congressional members compensation and other	98	100	102	96	96	98	95
Central fiscal operations:							
Federal financing bank	3,081	1,300	31	32	34	36	32
Other mandatory programs	–2,327	–51	–20	–19	–17	–20	–24
Total, Central fiscal operations	754	1,249	11	13	17	16	8
General property and records management:							
Mandatory programs	22	18	19	20	21	21	22
Offsetting receipts	–63	–26	–29	–34	–35	–35	–32
Total, General property and records management	–41	–8	–10	–14	–14	–14	–10
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	–50						
Payments to States and counties	784	845	860	876	875	882	894
Tax revenues for Puerto Rico (Treasury, BATF)	342	328	329	336	338	341	344
Other general purpose fiscal assistance	90	98	99	93	93	93	93
Total, General purpose fiscal assistance	1,166	1,271	1,288	1,305	1,306	1,316	1,331
Other general government:							
Territories	167	162	164	166	192	194	194
Treasury claims	678	764	712	712	712	712	712
Presidential election campaign fund	63	63	63	63	63	63	63
Other mandatory programs	–84	–60		–11			
Total, Other general government	824	929	939	930	967	969	969
Deductions for offsetting receipts:							
Offsetting receipts	–1,069	–1,160	–1,160	–1,160	–1,160	–1,160	–1,160
Total, Mandatory	1,732	2,381	1,170	1,170	1,212	1,225	1,233
Total, General government	13,803	15,581	14,964	15,385	15,923	16,452	16,952

Table 14–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
900 Net interest:							
Mandatory:							
Interest on the public debt:							
Interest on the public debt	363,793	353,265	346,585	346,209	346,181	347,307	350,131
Interest received by on-budget trust funds:							
Civil service retirement and disability fund	–29,925	–31,649	–33,262	–33,946	–34,714	–35,412	–36,179
CSRDF interest receipts from FFB, Postal, and TVA	–1,841	–2,539	–1,379	–1,373	–1,368	–1,368	–1,174
Military retirement	–12,358	–12,533	–12,716	–12,912	–13,121	–13,338	–13,568
Medicare	–11,760	–12,038	–12,033	–11,917	–11,895	–12,022	–11,999
Other on-budget trust funds	–11,324	–8,410	–9,078	–9,421	–9,761	–10,088	–10,517
Total, Interest received by on-budget trust funds	–67,208	–67,169	–68,468	–69,569	–70,859	–72,228	–73,437
Interest received by off-budget trust funds:							
Interest received by social security trust funds	–46,630	–51,869	–56,492	–62,107	–68,500	–75,448	–82,749
Other interest:							
Interest on loans to Federal Financing Bank	–4,141	–2,736	–2,352	–2,153	–1,996	–1,845	–1,859
Interest on refunds of tax collections	2,599	2,904	3,036	3,180	3,304	3,423	3,560
Payment to the Resolution Funding Corporation	2,328	2,328	2,328	2,328	2,328	2,328	2,328
Interest paid to loan guarantee financing accounts	3,435	2,693	2,773	2,862	2,973	3,087	3,205
Interest received from direct loan financing accounts	–5,670	–6,609	–7,740	–8,797	–9,851	–10,902	–11,892
Interest on deposits in tax and loan accounts	–1,228	–1,050	–1,115	–1,105	–1,105	–1,105	–1,105
Interest received from Outer Continental Shelf escrow account, Interior	–3	–1,264	–9	....	....	....	....
All other interest	–3,912	–3,349	–3,085	–3,083	–3,013	–3,090	–3,101
Total, Other interest	–6,592	–7,083	–6,164	–6,768	–7,360	–8,104	–8,864
Total, Net interest	243,363	227,144	215,461	207,765	199,462	191,527	185,081
950 Undistributed offsetting receipts:							
Mandatory:							
Employer share, employee retirement (on-budget):							
Contributions to military retirement fund	–10,421	–10,534	–10,740	–10,981	–11,268	–11,585	–11,969
Postal Service contributions to Civil Service Retirement and Disability Fund	–6,109	–6,071	–6,274	–6,451	–6,620	–6,760	–6,849
Other contributions to civil and foreign service retirement and disability fund	–8,791	–8,931	–9,283	–9,782	–10,204	–10,286	–10,843
Contributions to HI trust fund	–2,499	–2,567	–2,684	–2,775	–2,913	–3,045	–3,187
Total, Employer share, employee retirement (on-budget)	–27,820	–28,103	–28,981	–29,989	–31,005	–31,676	–32,848
Employer share, employee retirement (off-budget):							
Contributions to social security trust funds	–7,052	–7,355	–7,969	–8,442	–9,102	–9,746	–10,442
Rents and royalties on the Outer Continental Shelf:							
OCS Receipts	–4,522	–3,123	–2,779	–2,798	–2,806	–2,673	–2,608
Sale of major assets:							
Proceeds from Sale of U.S. Enrichment Corporation	–1,885	....	....	....	....	....	....
Privatization of Elk Hills	–3,185	....	–323	....	....	....	....
Proceeds from sale of Power Marketing Administrations	–88	....	....	....	....	....	....
Total, Sale of major assets	–5,158	....	–323	....	....	....	....
Other undistributed offsetting receipts:							
Spectrum auction	–2,642	–1,447	–2,219	–4,101	–8,365	–1,770	–775
Total, Undistributed offsetting receipts	–47,194	–40,028	–42,271	–45,330	–51,278	–45,865	–46,673
Total	1,692,252	1,761,545	1,822,773	1,882,966	1,927,162	2,005,424	2,077,586
On-budget	(1,368,253)	(1,435,090)	(1,483,842)	(1,532,884)	(1,566,466)	(1,632,211)	(1,690,823)
Off-budget	(323,999)	(326,455)	(338,931)	(350,082)	(360,696)	(373,213)	(386,763)

Table 14–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM

(in millions of dollars)

Source	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
050 National defense:							
Discretionary:							
Department of Defense—Military:							
Military personnel	68,976	71,957	75,443	76,259	78,420	80,991	83,651
Operation and maintenance	93,138	96,560	96,712	102,380	105,712	109,036	112,317
Procurement	48,206	48,422	46,575	48,795	49,756	50,881	52,061
Research, development, test and evaluation	37,420	36,756	36,226	37,291	38,068	38,973	39,876
Military construction	6,044	5,288	5,081	5,029	5,203	5,322	5,453
Family housing	3,871	3,894	4,017	3,936	3,927	3,887	3,944
Revolving, management and trust funds	490	1,809	1,715	1,961	1,883	1,775	1,721
General transfer authority	....	220	100	40	20	....	....
Discretionary offsetting receipts	–35	–394	–217	–1	–2	–2	–2
Total, Department of Defense—Military	258,110	264,512	265,652	275,690	282,987	290,863	299,021
Atomic energy defense activities:							
Department of Energy	11,181	11,824	12,205	12,543	13,016	13,336	13,614
Formerly utilized sites remedial action	71	169	142	144	148	151	154
Defense nuclear facilities safety board	17	19	18	18	19	19	20
Total, Atomic energy defense activities	11,269	12,012	12,365	12,705	13,183	13,506	13,788
Defense-related activities:							
Discretionary programs	869	960	938	986	1,028	1,057	1,089
Total, Discretionary	270,248	277,484	278,955	289,381	297,198	305,426	313,898
Mandatory:							
Department of Defense—Military:							
Revolving, trust and other DoD mandatory	365	385	404	581	442	432	410
Offsetting receipts	–2,353	–1,402	–1,379	–1,416	–1,418	–1,384	–1,324
Total, Department of Defense—Military	–1,988	–1,017	–975	–835	–976	–952	–914
Atomic energy defense activities:							
Proceeds from sales of excess DOE assets	–1	....	....	....	....	....	....
Defense-related activities:							
Mandatory programs	197	202	209	221	233	242	254
Total, Mandatory	–1,792	–815	–766	–614	–743	–710	–660
Total, National defense	268,456	276,669	278,189	288,767	296,455	304,716	313,238
150 International affairs:							
Discretionary:							
International development, humanitarian assistance:							
Development assistance and operating expenses	2,131	1,823	1,781	1,675	1,754	1,789	1,828
Multilateral development banks (MDB's)	1,565	1,432	1,457	1,349	1,462	1,445	1,555
Assistance for the New Independent States	626	565	593	642	823	875	894
Food aid	778	815	872	885	873	922	941
Refugee programs	722	687	689	695	707	722	737
Assistance for Central and Eastern Europe	470	450	463	407	427	445	457
Voluntary contributions to international organizations	300	293	300	304	310	316	323
Peace Corps	217	241	254	255	264	273	282
Other development and humanitarian assistance	398	739	1,074	1,142	1,250	1,268	1,287
Total, International development, humanitarian assistance	7,207	7,045	7,483	7,354	7,870	8,055	8,304
International security assistance:							
Foreign military financing grants and loans	3,152	3,262	3,173	3,291	3,523	3,613	3,701
Economic support fund	2,461	2,187	2,362	2,244	2,391	2,485	2,541
Other security assistance	252	338	347	356	363	371	379
Total, International security assistance	5,865	5,787	5,882	5,891	6,277	6,469	6,621
Conduct of foreign affairs:							
State Department operations	1,824	2,588	3,153	3,148	3,176	3,270	3,367

Table 14–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Foreign buildings	235	508	782	968	1,040	1,116	1,122
Assessed contributions to international organizations	829	1,000	940	960	980	1,001	1,022
Assessed contributions for international peacekeeping	151	336	236	241	246	251	256
Arrearage payment for international organizations and peacekeeping	....	....	....	475	485	495	505
Other conduct of foreign affairs	177	170	186	185	187	194	201
Total, Conduct of foreign affairs	3,216	4,602	5,297	5,977	6,114	6,327	6,473
Foreign information and exchange activities:							
Broadcasting Board of Governors	403	415	419	425	438	453	468
Other information and exchange activities	753	797	737	764	780	802	826
Total, Foreign information and exchange activities	1,156	1,212	1,156	1,189	1,218	1,255	1,294
International financial programs:							
Export-Import Bank	672	594	567	637	734	808	863
Special defense acquisition fund	–39	–36	–5	–5	–5	–10	–10
Other IMF	24	22	16	9	....	....	....
Total, International financial programs	657	580	578	641	729	798	853
Total, Discretionary	18,101	19,226	20,396	21,052	22,208	22,904	23,545
Mandatory:							
International development, humanitarian assistance:							
Credit liquidating accounts	–1,781	–1,323	–1,226	–1,184	–1,136	–1,092	–1,044
Other development and humanitarian assistance	20	–8	–34	–4	–3	–3	–3
Total, International development, humanitarian assistance	–1,761	–1,331	–1,260	–1,188	–1,139	–1,095	–1,047
International security assistance:							
Repayment of foreign military financing loans	–534	–371	....	....	....	....	....
Foreign military loan reestimates	19	5	....	....	....	....	....
Foreign military loan liquidating account	–215	–287	–550	–458	–402	–339	–271
Total, International security assistance	–730	–653	–550	–458	–402	–339	–271
Foreign affairs and information:							
Conduct of foreign affairs	46	15	4	4	2	3	3
U.S. Information Agency trust funds	–1	–1	–1	–1	–1	–1	–1
Miscellaneous trust funds	2	2	2	2	2	2	2
Japan-U.S. Friendship Commission	2	3	3	3	1	1	1
Total, Foreign affairs and information	49	19	8	8	4	5	5
International financial programs:							
Foreign military sales trust fund (net)	–125	....	....	....	....	....	....
International monetary fund	–175	....	....	....	....	....	....
Exchange stabilization fund	–1,236	–1,254	–1,312	–1,380	–1,394	–1,408	–1,422
Credit liquidating account (Exim)	–880	–851	–521	–335	–303	–241	–242
Other international financial programs	–134	–285	–251	–327	–159	–72	–80
Total, International financial programs	–2,550	–2,390	–2,084	–2,042	–1,856	–1,721	–1,744
Total, Mandatory	–4,992	–4,355	–3,886	–3,680	–3,393	–3,150	–3,057
Total, International affairs	13,109	14,871	16,510	17,372	18,815	19,754	20,488
250 General science, space, and technology:							
Discretionary:							
General science and basic research:							
National Science Foundation programs	3,070	3,132	3,452	3,596	3,771	3,830	3,914
Department of Energy general science programs	2,239	2,534	2,700	2,784	2,841	2,901	2,963
Total, General science and basic research	5,309	5,666	6,152	6,380	6,612	6,731	6,877
Space flight, research, and supporting activities:							
Science, aeronautics and technology	5,118	5,055	4,697	4,903	4,906	5,229	5,339

Table 14–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Human space flight	5,551	5,526	5,495	5,604	5,783	5,904	6,028
Mission support	2,061	2,146	2,090	2,211	2,316	2,402	2,491
Other NASA programs	136	64	120	22	23	24	25
Total, Space flight, research, and supporting activities	12,866	12,791	12,402	12,740	13,028	13,559	13,883
Total, Discretionary	18,175	18,457	18,554	19,120	19,640	20,290	20,760
Mandatory:							
General science and basic research:							
National Science Foundation donations	44	72	78	68	34	34	34
Total, General science, space, and technology	18,219	18,529	18,632	19,188	19,674	20,324	20,794
270 Energy:							
Discretionary:							
Energy supply:							
Research and development	1,673	1,437	1,281	1,391	1,423	1,424	1,389
Naval petroleum reserves operations	96	42	31	14	15	16	16
Uranium enrichment activities	249	223	223	227	232	237	242
Decontamination transfer	–388	–398	–420	–419	–428	–437	–447
Nuclear waste program	164	163	172	176	180	184	189
Federal power marketing	247	245	230	230	238	246	255
Rural electric and telephone discretionary loans	91	91	86	92	88	85	88
Financial management services	489	487	473	481	492	503	513
Total, Energy supply	2,621	2,290	2,076	2,192	2,240	2,258	2,245
Energy conservation and preparedness:							
Energy conservation	621	560	663	654	658	673	688
Emergency energy preparedness	233	182	167	165	169	173	177
Total, Energy conservation and preparedness	854	742	830	819	827	846	865
Energy information, policy, and regulation:							
Nuclear Regulatory Commission (NRC)	37	24	36	41	54	67	79
Federal Energy Regulatory Commission fees and recoveries, and other	–10	–29	–28	–31	–30	–31	–32
Departmental and other administration	208	206	220	220	228	236	244
Total, Energy information, policy, and regulation	235	201	228	230	252	272	291
Total, Discretionary	3,710	3,233	3,134	3,241	3,319	3,376	3,401
Mandatory:							
Energy supply:							
Naval petroleum reserves oil and gas sales	–210	–3	–4	–4	–3	–3	–2
Federal power marketing	–945	–702	–619	–753	–821	–813	–905
Tennessee Valley Authority	–869	–463	–746	–1,011	–981	–1,025	–1,370
Proceeds from uranium sales	–13	–6	–17	–17	–32	–32	–4
United States Enrichment Corporation	–46	1	....	....	....	....	....
Nuclear waste fund program	–597	–642	–632	–632	–631	–632	–632
Rural electric and telephone liquidating accounts	240	–1,198	–3,124	–1,987	–1,868	–1,739	–1,368
Rural electric and telephone loan subsidy reestimate	....	–171	....	....	....	....	....
Total, Mandatory	–2,440	–3,184	–5,142	–4,404	–4,336	–4,244	–4,281
Total, Energy	1,270	49	–2,008	–1,163	–1,017	–868	–880
300 Natural resources and environment:							
Discretionary:							
Water resources:							
Corps of Engineers	3,866	3,920	4,019	4,136	4,253	4,374	4,500
Bureau of Reclamation	775	1,121	826	847	871	896	921
Other discretionary water resources programs	272	340	235	180	151	163	178
Total, Water resources	4,913	5,381	5,080	5,163	5,275	5,433	5,599

Table 14–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1998 Actual	Estimate 1999	2000	2001	2002	2003	2004
Conservation and land management:							
Forest Service	2,549	2,450	2,547	2,699	2,789	2,884	2,983
Management of public lands (BLM)	1,015	795	1,249	1,188	1,136	1,175	1,214
Conservation of agricultural lands	669	752	747	777	782	802	834
Other conservation and land management programs	584	505	502	557	558	609	629
Total, Conservation and land management	4,817	4,502	5,045	5,221	5,265	5,470	5,660
Recreational resources:							
Operation of recreational resources	2,552	3,230	2,863	3,004	3,102	3,208	3,318
Other recreational resources activities	102	134	129	122	125	128	131
Total, Recreational resources	2,654	3,364	2,992	3,126	3,227	3,336	3,449
Pollution control and abatement:							
Regulatory, enforcement, and research programs	2,544	2,687	2,763	2,807	2,883	2,966	3,059
State and tribal assistance grants	2,597	2,800	3,160	3,427	3,374	3,458	3,532
Hazardous substance superfund	1,431	1,419	1,442	1,479	1,543	1,622	1,701
Other control and abatement activities	135	159	176	187	197	201	206
Total, Pollution control and abatement	6,707	7,065	7,541	7,900	7,997	8,247	8,498
Other natural resources:							
NOAA	2,110	2,031	2,192	2,260	2,335	2,462	2,531
Other natural resource program activities	754	868	928	930	960	991	1,026
Total, Other natural resources	2,864	2,899	3,120	3,190	3,295	3,453	3,557
Total, Discretionary	21,955	23,211	23,778	24,600	25,059	25,939	26,763
Mandatory:							
Water resources:							
Mandatory water resource programs	–192	73	46	51	–143	–14	–43
Conservation and land management:							
Conservation Reserve Program and other agricultural programs	1,928	1,890	1,944	2,013	2,014	2,072	2,096
Other conservation programs	573	666	507	481	473	475	478
Offsetting receipts	–1,843	–1,978	–2,075	–2,037	–2,043	–2,044	–2,053
Total, Conservation and land management	658	578	376	457	444	503	521
Recreational resources:							
Operation of recreational resources	680	1,022	896	900	860	838	832
Offsetting receipts	–350	–434	–433	–440	–302	–309	–317
Total, Recreational resources	330	588	463	460	558	529	515
Pollution control and abatement:							
Superfund resources and other mandatory	–285	–210	–185	–157	–147	–147	–147
Other natural resources:							
Other fees and mandatory programs	–70	20	9	–9	–11	–11	–12
Total, Mandatory	441	1,049	709	802	701	860	834
Total, Natural resources and environment	22,396	24,260	24,487	25,402	25,760	26,799	27,597
350 Agriculture:							
Discretionary:							
Farm income stabilization:							
Agriculture credit loan program	347	353	359	374	385	397	410
P.L.480 market development activities	175	933	194	200	205	209	214
Administrative expenses	967	770	857	874	898	924	949
Total, Farm income stabilization	1,489	2,056	1,410	1,448	1,488	1,530	1,573
Agricultural research and services:							
Research programs	1,259	1,372	1,412	1,391	1,454	1,510	1,555

Table 14–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Extension programs	413	430	453	452	462	472	483
Marketing programs	42	44	51	52	53	54	55
Animal and plant inspection programs	451	433	448	454	459	470	480
Economic intelligence	179	157	172	179	185	191	197
Grain inspection	24	27	28	28	29	29	30
Foreign agricultural service	157	137	138	142	148	153	158
Other programs and unallocated overhead	313	347	362	367	378	394	408
Total, Agricultural research and services	2,838	2,947	3,064	3,065	3,168	3,273	3,366
Total, Discretionary	4,327	5,003	4,474	4,513	4,656	4,803	4,939
Mandatory:							
Farm income stabilization:							
Commodity Credit Corporation	8,248	16,383	10,477	8,105	6,721	5,307	5,324
Crop insurance and other farm credit activities	997	1,200	1,493	1,569	1,465	1,522	1,588
Credit liquidating accounts (ACIF and FAC)	–1,437	–1,235	–1,184	–1,194	–1,180	–1,186	–1,110
Total, Farm income stabilization	7,808	16,348	10,786	8,480	7,006	5,643	5,802
Agricultural research and services:							
Miscellaneous mandatory programs	212	246	305	427	486	539	546
Offsetting receipts	–141	–149	–149	–150	–150	–150	–150
Total, Agricultural research and services	71	97	156	277	336	389	396
Total, Mandatory	7,879	16,445	10,942	8,757	7,342	6,032	6,198
Total, Agriculture	12,206	21,448	15,416	13,270	11,998	10,835	11,137
370 Commerce and housing credit:							
Discretionary:							
Mortgage credit:							
Federal Housing Administration (FHA) loan programs	762	693	897	706	691	715	742
Government National Mortgage Association (GNMA)	–355	–346	–413	–413	–412	–412	–412
Other Housing and Urban Development	3	–156	–69	–68	–69	–70	–74
Rural housing insurance fund	576	603	585	595	609	633	652
Total, Mortgage credit	986	794	1,000	820	819	866	908
Postal service:							
Payments to the Postal Service fund (On-budget)	86						
Deposit insurance:							
National Credit Union Administration	1	2					
Other advancement of commerce:							
Small and minority business assistance	521	469	553	590	577	589	602
Science and technology	696	687	662	686	734	739	756
Economic and demographic statistics	665	1,288	1,467	1,469	1,517	1,568	1,620
Regulatory agencies	–137	35	70	115	143	176	261
International Trade Administration	303	273	288	302	313	324	335
Other discretionary	53	–41	–14	62	105	113	122
Total, Other advancement of commerce	2,101	2,711	3,026	3,224	3,389	3,509	3,696
Total, Discretionary	3,174	3,507	4,026	4,044	4,208	4,375	4,604
Mandatory:							
Mortgage credit:							
FHA General and Special Risk, downward reestimate of negative subsidies	–333						
FHA and GNMA negative subsidies	–2,332	–6,117	–388	–177	–1,977	–2,063	–2,300
Mortgage credit reestimates	1,076	1,264					
Mortgage credit liquidating accounts	–2,334	2,742	–2,895	–2,500	–2,386	–2,767	–3,137
Other mortgage credit activities	3	205	2				
Total, Mortgage credit	–3,920	–1,906	–3,281	–2,677	–4,363	–4,830	–5,437

Table 14–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Postal service:							
Postal Service (Off-budget)	217	964	1,833	1,829	902	223	280
Deposit insurance:							
Bank Insurance Fund	–1,220	–763	–774	–251	270	696	1,117
FSLIC Resolution Fund	–2,485	–3,658	–906	–895	–1,011	–325	–76
Savings Association Insurance Fund	–448	–402	–317	–251	–198	69	280
National Credit Union Administration	–213	–249	–263	–330	–328	–372	–404
Other deposit insurance activities	–6	23	22	34	35	36	37
Total, Deposit insurance	–4,372	–5,049	–2,238	–1,693	–1,232	104	954
Other advancement of commerce:							
Universal Service Fund	1,769	3,770	4,668	6,463	10,772	10,922	11,075
Payments to copyright owners	275	307	275	220	220	220	220
Spectrum auction subsidy	4,811	....	....	....	....	....	....
Regulatory fees	–30	–30	–30	–30	–30	–30	–30
Patent and trademark fees	–119	....	....	....	....	....	....
Credit liquidating accounts	–207	–578	–80	–87	–78	–72	–63
Other mandatory	–584	–536	32	29	33	26	25
Total, Other advancement of commerce	5,915	2,933	4,865	6,595	10,917	11,066	11,227
Total, Mandatory	–2,160	–3,058	1,179	4,054	6,224	6,563	7,024
Total, Commerce and housing credit	1,014	449	5,205	8,098	10,432	10,938	11,628
400 Transportation:							
Discretionary:							
Ground transportation:							
Highways	18,684	21,716	24,136	25,488	26,211	26,759	27,412
State infrastructure banks	64	37	17	11	9	5	3
Highway safety	380	452	486	501	482	491	501
Mass transit	4,297	4,003	4,098	4,781	5,091	5,577	5,708
Railroads	1,086	519	649	800	825	837	855
Regulation	14	13	13	14	15	15	16
Total, Ground transportation	24,525	26,740	29,399	31,595	32,633	33,684	34,495
Air transportation:							
Airports and airways (FAA)	9,215	9,311	9,688	9,987	10,238	10,578	10,845
Aeronautical research and technology	1,339	1,251	1,173	1,225	1,247	1,315	1,351
Payments to air carriers	40	–3	20	....	....	....	....
Total, Air transportation	10,594	10,559	10,881	11,212	11,485	11,893	12,196
Water transportation:							
Marine safety and transportation	2,843	2,904	3,206	3,364	3,475	3,585	3,696
Ocean shipping	125	106	40	122	119	113	86
Panama Canal Commission	–47	–15	44	....	....	....	....
Total, Water transportation	2,921	2,995	3,290	3,486	3,594	3,698	3,782
Other transportation:							
Other discretionary programs	229	276	257	262	274	282	290
Total, Discretionary	38,269	40,570	43,827	46,555	47,986	49,557	50,763
Mandatory:							
Ground transportation:							
Highways	1,541	1,632	1,504	1,339	1,183	1,021	921
Offsetting receipts and subsidy reestimates	–48	–12	–12	–12	–12	–12	–12
Credit liquidating accounts	–14	–26	–30	–29	–29	–29	–29
Total, Ground transportation	1,479	1,594	1,462	1,298	1,142	980	880
Air transportation:							
Airports and airways (FAA)	28	....	....	....	....	....	....

Table 14–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Payments to air carriers	....	....	30	50	50	50	50
Total, Air transportation	28	....	30	50	50	50	50
Water transportation:							
Coast Guard retired pay	647	651	714	771	818	869	919
Other water transportation programs	–61	–144	234	–52	–52	26	31
Total, Water transportation	586	507	948	719	766	895	950
Other transportation:							
Other mandatory transportation programs	–30	–30	–36	–33	–534	–35	–36
Total, Mandatory	2,063	2,071	2,404	2,034	1,424	1,890	1,844
Total, Transportation	40,332	42,641	46,231	48,589	49,410	51,447	52,607
450 Community and regional development:							
Discretionary:							
Community development:							
Community development loan guarantees	6	16	23	25	31	32	32
Community development block grant	4,621	4,964	4,883	4,909	5,002	5,081	5,183
Community adjustment and investment program	....	10	5	10	11	11	11
Community development financial institutions	39	64	75	103	98	100	102
Brownfields redevelopment	....	10	20	24	25	25	27
Other community development programs	250	410	369	399	436	463	494
Total, Community development	4,916	5,474	5,375	5,470	5,603	5,712	5,849
Area and regional development:							
Rural development	735	850	842	873	931	970	967
Economic Development Administration	387	439	440	440	429	429	439
Indian programs	1,022	1,000	1,058	1,087	1,241	1,270	1,301
Appalachian Regional Commission	188	152	132	76	77	62	70
Tennessee Valley Authority	85	45	50	53	55	57	60
Denali commission	....	2	6	12	16	19	21
Total, Area and regional development	2,417	2,488	2,528	2,541	2,749	2,807	2,858
Disaster relief and insurance:							
Disaster relief	1,998	2,232	2,301	1,994	1,373	1,110	983
Small Business Administration disaster loans	354	263	217	204	208	213	217
Other disaster assistance programs	442	453	430	452	431	444	457
Total, Disaster relief and insurance	2,794	2,948	2,948	2,650	2,012	1,767	1,657
Total, Discretionary	10,127	10,910	10,851	10,661	10,364	10,286	10,364
Mandatory:							
Community development:							
Pennsylvania Avenue activities and other programs	253	4	3	....	....	....	....
Credit liquidating accounts	–51	–36	–35	–34	–32	–26	–18
Total, Community development	202	–32	–32	–34	–32	–26	–18
Area and regional development:							
Indian programs	527	472	111	111	112	115	117
Rural development programs	15	108	73	40	37	35	35
Credit liquidating accounts	–182	–97	–104	–106	–277	–482	–506
Offsetting receipts	–321	–401	–102	–104	–104	–107	–108
Total, Area and regional development	39	82	–22	–59	–232	–439	–462
Disaster relief and insurance:							
National flood insurance fund	–450	–124	–184	–229	–278	–310	–349
National flood mitigation fund	4	21	25	20	20	20	20
Radiological emergency preparedness fees	–12	....	....	....	....	....	....
SBA disaster loan subsidy reestimate	....	–236	....	....	....	....	....

Table 14–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Credit liquidating accounts	–190	–188	–389	–399	–212	–6	–6
Total, Disaster relief and insurance	–648	–527	–548	–608	–470	–296	–335
Total, Mandatory	–407	–477	–602	–701	–734	–761	–815
Total, Community and regional development	9,720	10,433	10,249	9,960	9,630	9,525	9,549
500 Education, training, employment, and social services:							
Discretionary:							
Elementary, secondary, and vocational education:							
Education reform	746	1,267	1,274	1,329	1,360	1,389	1,418
School improvement programs	1,366	1,437	2,182	2,666	2,901	2,960	3,022
Education for the disadvantaged	7,817	6,687	8,032	8,593	8,790	8,975	9,163
Special education	3,659	4,264	5,129	5,754	5,521	5,637	5,755
Impact aid	700	985	967	965	915	934	954
Vocational and adult education	1,444	1,319	1,476	1,669	1,593	1,626	1,661
Indian education programs	615	615	651	672	686	703	723
Bilingual and immigrant education	207	386	413	397	395	403	412
Other	10	27	117	235	277	283	288
Total, Elementary, secondary, and vocational education	16,564	16,987	20,241	22,280	22,438	22,910	23,396
Higher education:							
Student financial assistance	7,934	9,352	9,008	8,923	8,901	8,884	8,865
Higher education account	785	1,061	1,221	1,325	1,360	1,388	1,417
Federal family education loan program	38	47	51	49	52	54	55
Other higher education programs	340	341	357	363	370	378	386
Total, Higher education	9,097	10,801	10,637	10,660	10,683	10,704	10,723
Research and general education aids:							
Library of Congress	262	264	316	354	366	381	395
Public broadcasting	289	302	354	393	403	402	406
Smithsonian institution	487	490	538	547	568	586	606
Education research, statistics, and improvement	514	529	658	677	693	707	722
Other	700	830	813	816	832	857	881
Total, Research and general education aids	2,252	2,415	2,679	2,787	2,862	2,933	3,010
Training and employment:							
Training and employment services	4,644	5,151	5,111	5,338	5,458	5,602	5,721
Older Americans employment	448	444	441	450	460	469	479
Federal-State employment service	1,296	1,211	1,318	1,284	1,311	1,339	1,368
Other employment and training	89	99	102	104	108	112	116
Total, Training and employment	6,477	6,905	6,972	7,176	7,337	7,522	7,684
Other labor services:							
Labor law, statistics, and other administration	1,036	1,103	1,147	1,207	1,251	1,295	1,343
Social services:							
National service initiative	591	732	785	632	697	727	744
Children and families services programs	5,329	5,841	6,077	6,228	6,341	6,467	6,607
Aging services program	828	864	874	885	933	952	973
Other	327	384	354	362	370	377	385
Total, Social services	7,075	7,821	8,090	8,107	8,341	8,523	8,709
Total, Discretionary	42,501	46,032	49,766	52,217	52,912	53,887	54,865
Mandatory:							
Elementary, secondary, and vocational education:							
Vocational and adult education	7	2	....	....	....	....	....
Higher education:							
Federal family education loan program	2,352	2,769	3,231	3,442	2,577	3,628	3,412
Federal direct loan program	876	342	53	–182	–252	41	458

Table 14–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Other higher education programs	–137	–69	–69	–52	–68	–67	–65
Credit liquidating account (Family education loan program)	–118	213	–490	–498	–460	–392	–312
Total, Higher education	2,973	3,255	2,725	2,710	1,797	3,210	3,493
Research and general education aids:							
Mandatory programs	19	22	21	17	18	18	18
Training and employment:							
Trade adjustment assistance	95	124	113	47	94	95	95
Welfare to work grants	16	872	1,464	523	22	....	....
Payments to States for AFDC work programs	48	39	15	8	....	....	....
Other training and employment	....	1	22	41	47	23	6
Total, Training and employment	159	1,036	1,614	619	163	118	101
Other labor services:							
Other labor services	....	5	5	5	....	....	....
Social services:							
Payments to States for foster care and adoption assistance	4,451	4,939	5,485	6,081	6,679	7,281	7,931
Family support and preservation	214	224	257	288	299	303	305
Social services block grant	2,441	2,050	2,445	1,812	1,707	1,700	1,700
Rehabilitation services	2,154	2,498	2,327	2,376	2,430	2,486	2,543
Total, Social services	9,260	9,711	10,514	10,557	11,115	11,770	12,479
Total, Mandatory	12,418	14,031	14,879	13,908	13,093	15,116	16,091
Total, Education, training, employment, and social services	54,919	60,063	64,645	66,125	66,005	69,003	70,956
550 Health:							
Discretionary:							
Health care services:							
Substance abuse and mental health services	2,213	2,331	2,464	2,520	2,583	2,682	2,723
Indian health	2,128	2,219	2,235	2,296	2,392	2,500	2,577
Other discretionary health care services programs	5,433	6,217	6,770	7,056	7,236	7,397	7,568
Total, Health care services	9,774	10,767	11,469	11,872	12,211	12,579	12,868
Health research and training:							
National Institutes of Health	12,475	13,995	15,429	15,992	16,375	16,741	17,109
Clinical training	269	296	306	320	324	331	338
Other health research and training	301	324	335	333	345	357	368
Total, Health research and training	13,045	14,615	16,070	16,645	17,044	17,429	17,815
Consumer and occupational health and safety:							
Food safety and inspection	592	617	649	679	709	741	774
Occupational safety and health	557	579	601	623	645	667	690
Other consumer health programs	884	1,028	1,070	1,098	1,139	1,179	1,222
Total, Consumer and occupational health and safety	2,033	2,224	2,320	2,400	2,493	2,587	2,686
Total, Discretionary	24,852	27,606	29,859	30,917	31,748	32,595	33,369
Mandatory:							
Health care services:							
Medicaid grants	101,234	108,534	114,821	122,356	131,138	141,197	152,321
State children's health insurance fund	5	1,437	1,900	2,800	3,520	4,320	4,645
Federal employees' and retired employees' health benefits	4,514	4,716	5,192	5,682	6,294	6,730	7,379
Coal miner retiree health benefits (including UMWA funds)	373	362	354	345	336	329	320
Other mandatory health services activities	436	366	444	387	383	367	357
Total, Health care services	106,562	115,415	122,711	131,570	141,671	152,943	165,022
Health research and safety:							
Health research and training	28	66	59	56	54	22	17

Table 14–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Consumer and occupational health and safety	–2	....	–1	–1	–1	–1	–1
Total, Health research and safety	26	66	58	55	53	21	16
Total, Mandatory	106,588	115,481	122,769	131,625	141,724	152,964	165,038
Total, Health	131,440	143,087	152,628	162,542	173,472	185,559	198,407
570 Medicare:							
Discretionary:							
Medicare:							
Hospital insurance (HI) administrative expenses	1,160	1,296	1,385	1,454	1,519	1,582	1,662
Supplementary medical insurance (SMI) administrative expenses	1,429	1,649	1,712	1,775	1,837	1,895	1,978
Total, Discretionary	2,589	2,945	3,097	3,229	3,356	3,477	3,640
Mandatory:							
Medicare:							
Hospital insurance (HI)	135,530	144,722	144,706	151,057	152,900	162,658	170,726
Supplementary medical insurance (SMI)	74,841	77,757	92,365	102,207	106,443	117,604	125,652
Health care fraud and abuse control	608	860	864	950	1,010	1,075	1,075
Medicare premiums, collections, and interfunds	–20,746	–21,302	–22,991	–25,032	–27,158	–30,093	–32,252
Total, Mandatory	190,233	202,037	214,944	229,182	233,195	251,244	265,201
Total, Medicare	192,822	204,982	218,041	232,411	236,551	254,721	268,841
600 Income security:							
Discretionary:							
General retirement and disability insurance:							
Railroad retirement	294	283	293	296	301	307	312
Pension Benefit Guaranty Corporation	10	11	11	12	12	12	13
Pension and Welfare Benefits Administration and other	81	97	95	98	102	105	110
Total, General retirement and disability insurance	385	391	399	406	415	424	435
Federal employee retirement and disability:							
Civilian retirement and disability program administrative expenses	89	89	83	87	90	93	97
Armed forces retirement home	63	68	72	76	78	81	84
Foreign service national separation liability trust fund	–10	....	....	....	....	....	....
Total, Federal employee retirement and disability	142	157	155	163	168	174	181
Unemployment compensation:							
Unemployment programs administrative expenses	2,484	2,442	2,526	2,683	2,770	2,835	2,918
Housing assistance:							
Public housing operating fund	3,116	2,806	2,846	2,903	2,964	3,026	3,089
Public housing capital fund	3,321	2,703	3,093	3,045	3,181	3,315	3,412
Subsidized, public, homeless and other HUD housing	21,650	22,137	23,305	24,668	25,580	26,596	27,629
Rural housing assistance	599	647	662	681	694	707	728
Total, Housing assistance	28,686	28,293	29,906	31,297	32,419	33,644	34,858
Food and nutrition assistance:							
Special supplemental food program for women, infants, and children (WIC)	3,902	3,951	3,997	4,080	4,166	4,254	4,343
Other nutrition programs	474	493	503	511	525	539	553
Total, Food and nutrition assistance	4,376	4,444	4,500	4,591	4,691	4,793	4,896
Other income assistance:							
Refugee assistance	325	420	429	441	451	461	470
Low income home energy assistance	1,132	1,134	1,156	1,139	1,163	1,187	1,212
Child care and development block grant	1,094	1,004	999	1,032	1,054	1,076	1,099

Table 14–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1998 Actual	Estimate 1999	2000	2001	2002	2003	2004
Supplemental security income (SSI) administrative expenses	2,275	2,441	2,454	2,516	2,574	2,664	2,759
Total, Other income assistance	4,826	4,999	5,038	5,128	5,242	5,388	5,540
Total, Discretionary	40,899	40,726	42,524	44,268	45,705	47,258	48,828
Mandatory:							
General retirement and disability insurance:							
Railroad retirement	4,239	4,400	4,548	4,730	4,701	4,785	4,893
Special benefits for disabled coal miners	1,094	1,069	1,014	964	924	880	835
Pension Benefit Guaranty Corporation	–1,227	–854	–1,051	–1,261	–1,376	–1,392	–1,383
District of Columbia pension funds	....	234	222	230	238	248	256
Proceeds from sale of DC retirement fund assets	....	–3,075	....	....	....	....	....
Special workers' compensation expenses	141	147	155	159	163	166	169
Total, General retirement and disability insurance	4,247	1,921	4,888	4,822	4,650	4,687	4,770
Federal employee retirement and disability:							
Federal civilian employee retirement and disability	43,464	45,154	47,164	49,138	51,082	53,103	55,282
Military retirement	31,142	32,192	33,083	34,000	34,871	35,746	36,640
Federal employees workers' compensation (FECA)	53	73	115	159	140	129	136
Federal employees life insurance fund	–1,316	–1,314	–1,432	–1,485	–1,534	–1,571	–1,625
Total, Federal employee retirement and disability	73,343	76,105	78,930	81,812	84,559	87,407	90,433
Unemployment compensation:							
Unemployment insurance programs	19,398	22,512	25,404	27,694	29,029	30,324	31,584
Trade adjustment assistance	188	230	220	218	225	231	239
Total, Unemployment compensation	19,586	22,742	25,624	27,912	29,254	30,555	31,823
Housing assistance:							
Mandatory housing assistance programs	55	83	43	–33	13	5	5
Food and nutrition assistance:							
Food stamps (including Puerto Rico)	20,141	21,204	21,475	21,952	22,599	23,124	24,088
State child nutrition programs	8,556	9,072	9,563	9,953	10,483	10,956	11,434
Funds for strengthening markets, income, and supply (Sec.32)	512	551	535	535	535	535	535
Total, Food and nutrition assistance	29,209	30,827	31,573	32,440	33,617	34,615	36,057
Other income support:							
Supplemental security income (SSI)	27,472	28,244	28,949	29,951	31,256	32,346	33,400
Family support payments	2,171	2,738	2,950	3,049	3,328	3,574	3,857
Federal share of child support collections	–1,007	–945	–965	–974	–939	–927	–947
Temporary assistance for needy families and related programs	13,286	13,071	14,499	15,330	16,472	17,645	18,734
Child care entitlement to states	2,028	2,302	2,460	2,581	2,707	2,714	2,717
Earned income tax credit (EITC)	23,239	26,273	26,880	27,631	28,595	29,529	30,538
Child tax credit	....	415	528	496	483	453	425
Other assistance	35	49	55	59	62	63	63
SSI recoveries and receipts	–1,361	–1,415	–1,452	–1,497	–1,544	–1,594	–1,642
Total, Other income support	65,863	70,732	73,904	76,626	80,420	83,803	87,145
Total, Mandatory	192,303	202,410	214,962	223,579	232,513	241,072	250,233
Total, Income security	233,202	243,136	257,486	267,847	278,218	288,330	299,061
650 Social security:							
Discretionary:							
Social security:							
Old-age and survivors insurance (OASI)administrative expenses (Off-budget)	1,571	1,968	1,885	1,915	1,946	2,005	2,075
Disability insurance (DI) administrative expenses (Off-budget)	1,518	1,469	1,498	1,527	1,556	1,603	1,656
Office of the Inspector General—Social Security Adm.	17	14	11	13	13	14	14
Total, Discretionary	3,106	3,451	3,394	3,455	3,515	3,622	3,745

Table 14–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Mandatory:							
Social security:							
Old-age and survivors insurance (OASI)(Off-budget)	328,188	337,932	350,617	366,237	380,851	396,934	413,740
Disability insurance (DI)(Off-budget)	47,932	51,225	54,614	58,403	63,067	67,981	73,452
Quinquennial OASI and DI adjustments	....	....	....	–1,121	....	....	....
Intragovernmental transactions (On-budget)	9,139	11,278	10,340	10,818	11,383	12,033	12,785
Intragovernmental transactions (Off-budget)	–9,140	–11,278	–10,340	–10,818	–11,383	–12,033	–12,785
Total, Mandatory	376,119	389,157	405,231	423,519	443,918	464,915	487,192
Total, Social security	379,225	392,608	408,625	426,974	447,433	468,537	490,937
700 Veterans benefits and services:							
Discretionary:							
Veterans education, training, and rehabilitation:							
Loan fund program account	1	1	1	1	1	1	1
Hospital and medical care for veterans:							
Medical care and hospital services	17,576	18,127	18,846	19,586	20,281	21,005	21,759
Collections for medical care	–700	–638	–762	–926	–1,143	–1,150	–1,176
Construction of medical facilities	521	445	432	420	426	427	435
Total, Hospital and medical care for veterans	17,397	17,934	18,516	19,080	19,564	20,282	21,018
Veterans housing:							
Housing program loan subsidies	161	161	168	173	180	187	194
Other veterans benefits and services:							
Other general operating expenses	942	1,108	1,109	1,154	1,196	1,241	1,289
Total, Discretionary	18,501	19,204	19,794	20,408	20,941	21,711	22,502
Mandatory:							
Income security for veterans:							
Compensation	17,123	18,295	18,658	18,991	19,553	20,156	20,745
Proposed Legislation (non-PAYGO)	....	....	264	639	959	1,280	1,676
Subtotal, Compensation	17,123	18,295	18,922	19,630	20,512	21,436	22,421
Pensions	3,059	3,102	3,135	3,155	3,175	3,700	3,722
Burial benefits and miscellaneous assistance	117	129	123	125	127	128	130
National service life insurance trust fund	1,210	1,262	1,273	1,361	1,298	1,306	1,304
All other insurance programs	32	65	56	48	53	69	79
Insurance program receipts	–219	–213	–198	–186	–173	–161	–149
Total, Income security for veterans	21,322	22,640	23,311	24,133	24,992	26,478	27,507
Veterans education, training, and rehabilitation:							
Readjustment benefits (GI Bill and related programs)	1,310	1,475	1,466	1,743	1,712	1,709	1,738
Post-Vietnam era education	....	37	32	8	9	8	8
All-volunteer force educational assistance trust fund	–209	–176	–209	–213	–217	–220	–235
Total, Veterans education, training, and rehabilitation	1,101	1,336	1,289	1,538	1,504	1,497	1,511
Hospital and medical care for veterans:							
Fees, charges and other mandatory medical care	148	–1	....	–1	–2	–2	–2
Veterans housing:							
Housing loan subsidies	920	311	285	250	289	260	260
Housing loan reestimate	–206	....	....	....	....	....	....
Housing loan liquidating account	–38	–4	–21	–7	–3	–3	–5
Total, Veterans housing	676	307	264	243	286	257	255

Table 14–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1998 Actual	Estimate 1999	2000	2001	2002	2003	2004
Other veterans programs:							
Other mandatory veterans programs	33	40	80	39	30	31	33
Total, Mandatory	23,280	24,322	24,944	25,952	26,810	28,261	29,304
Total, Veterans benefits and services	41,781	43,526	44,738	46,360	47,751	49,972	51,806
750 Administration of justice:							
Discretionary:							
Federal law enforcement activities:							
Criminal investigations (DEA, FBI, FinCEN, ICDE)	4,175	4,286	4,162	4,617	4,822	4,982	5,147
Alcohol, tobacco, and firearms investigations (ATF)	467	526	598	589	612	632	658
Border enforcement activities (Customs and INS)	3,912	4,194	4,593	4,875	5,099	5,276	5,459
Equal Employment Opportunity Commission	242	259	287	291	297	303	310
Tax law, criminal investigations (IRS)	364	371	390	407	426	445	465
Other law enforcement activities	1,149	1,426	1,583	1,660	1,699	1,753	1,817
Total, Federal law enforcement activities	10,309	11,062	11,613	12,439	12,955	13,391	13,856
Federal litigative and judicial activities:							
Civil and criminal prosecution and representation	2,450	2,280	2,506	2,673	2,789	2,882	2,976
Representation of indigents in civil cases	284	298	306	312	318	325	332
Federal judicial and other litigative activities	3,235	3,355	3,503	3,690	3,800	3,912	4,029
Total, Federal litigative and judicial activities	5,969	5,933	6,315	6,675	6,907	7,119	7,337
Correctional activities:							
Discretionary programs	2,697	3,432	3,400	3,657	3,722	3,866	3,902
Criminal justice assistance:							
Discretionary programs	3,175	2,997	5,354	6,134	5,067	5,169	5,278
Total, Discretionary	22,150	23,424	26,682	28,905	28,651	29,545	30,373
Mandatory:							
Federal law enforcement activities:							
Assets forfeiture fund	355	331	496	393	403	403	403
Border enforcement activities (Customs and INS)	1,598	1,657	1,712	1,709	1,754	1,786	1,820
Customs and INS fees	–2,316	–2,612	–2,792	–2,826	–2,790	–2,866	–1,403
Other mandatory law enforcement programs	407	399	400	327	331	334	337
Total, Federal law enforcement activities	44	–225	–184	–397	–302	–343	1,157
Federal litigative and judicial activities:							
Mandatory programs	359	765	490	484	480	491	504
Correctional activities:							
Mandatory programs	–15	–30	–29	–9	–13	–12	–10
Criminal justice assistance:							
Mandatory programs	294	532	519	533	409	410	411
Total, Mandatory	682	1,042	796	611	574	546	2,062
Total, Administration of justice	22,832	24,466	27,478	29,516	29,225	30,091	32,435
800 General government:							
Discretionary:							
Legislative functions:							
Legislative branch discretionary programs	1,910	2,114	2,247	2,299	2,382	2,500	2,621
Executive direction and management:							
Drug control programs	150	260	345	372	380	389	397
Executive Office of the President	226	286	303	314	323	336	345
Presidential transition and former Presidents	2	2	2	2	2	2	2
Total, Executive direction and management	378	548	650	688	705	727	744

Table 14–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Central fiscal operations:							
Tax administration	6,945	7,622	7,723	8,021	8,404	8,695	9,028
Other fiscal operations	420	549	605	678	705	731	760
Total, Central fiscal operations	7,365	8,171	8,328	8,699	9,109	9,426	9,788
General property and records management:							
Real property activities	770	75	254	221	316	335	286
Records management	209	229	241	255	263	269	274
Other general and records management	139	258	226	111	164	169	174
Total, General property and records management	1,118	562	721	587	743	773	734
Central personnel management:							
Discretionary central personnel management programs	116	153	158	163	169	175	183
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	823	429	410	418	426	435	444
Payments to States and counties from Federal land management activities	11	11	11	11	12	12	12
Payments in lieu of taxes	120	125	128	130	133	136	139
Other	–2	8	....	....	....	....	....
Total, General purpose fiscal assistance	952	573	549	559	571	583	595
Other general government:							
Discretionary programs	168	285	288	286	277	283	290
Total, Discretionary	12,007	12,406	12,941	13,281	13,956	14,467	14,955
Mandatory:							
Legislative functions:							
Congressional members compensation and other	97	100	102	96	96	98	95
Central fiscal operations:							
Federal financing bank	3,071	1,310	31	32	34	36	32
Other mandatory programs	–2,530	–16	–35	–67	–75	–70	–74
Total, Central fiscal operations	541	1,294	–4	–35	–41	–34	–42
General property and records management:							
Mandatory programs	–25	17	17	19	5	3	5
Offsetting receipts	–63	–26	–29	–34	–35	–35	–32
Total, General property and records management	–88	–9	–12	–15	–30	–32	–27
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	–50	....	....	....	....	....	....
Payments to States and counties	785	845	860	875	874	881	893
Tax revenues for Puerto Rico (Treasury, BATF)	340	328	329	336	338	341	344
Other general purpose fiscal assistance	90	100	99	93	93	93	93
Total, General purpose fiscal assistance	1,165	1,273	1,288	1,304	1,305	1,315	1,330
Other general government:							
Territories	167	229	257	238	194	197	197
Treasury claims	678	764	712	712	712	712	712
Presidential election campaign fund	....	26	231	7	....	29	216
Other mandatory programs	–54	–72	29	6	–12	–8	3
Total, Other general government	791	947	1,229	963	894	930	1,128
Deductions for offsetting receipts:							
Offsetting receipts	–1,069	–1,160	–1,160	–1,160	–1,160	–1,160	–1,160
Total, Mandatory	1,437	2,445	1,443	1,153	1,064	1,117	1,324
Total, General government	13,444	14,851	14,384	14,434	15,020	15,584	16,279

Table 14–12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
900 Net interest:							
Mandatory:							
Interest on the public debt:							
Interest on the public debt	363,793	353,265	346,585	346,209	346,181	347,307	350,131
Interest received by on-budget trust funds:							
Civil service retirement and disability fund	–29,925	–31,649	–33,262	–33,946	–34,714	–35,412	–36,179
CSRDF interest receipts from FFB, Postal, and TVA	–1,841	–2,539	–1,379	–1,373	–1,368	–1,368	–1,174
Military retirement	–12,358	–12,533	–12,716	–12,912	–13,121	–13,338	–13,568
Medicare	–11,760	–12,038	–12,033	–11,917	–11,895	–12,022	–11,999
Other on-budget trust funds	–11,324	–8,410	–9,078	–9,421	–9,761	–10,088	–10,517
Total, Interest received by on-budget trust funds	–67,208	–67,169	–68,468	–69,569	–70,859	–72,228	–73,437
Interest received by off-budget trust funds:							
Interest received by social security trust funds	–46,630	–51,869	–56,492	–62,107	–68,500	–75,448	–82,749
Other interest:							
Interest on loans to Federal Financing Bank	–4,141	–2,736	–2,352	–2,153	–1,996	–1,845	–1,859
Interest on refunds of tax collections	2,599	2,904	3,036	3,180	3,304	3,423	3,560
Payment to the Resolution Funding Corporation	2,328	2,328	2,328	2,328	2,328	2,328	2,328
Interest paid to loan guarantee financing accounts	3,435	2,693	2,773	2,862	2,973	3,087	3,205
Interest received from direct loan financing accounts	–5,670	–6,609	–7,740	–8,797	–9,851	–10,902	–11,892
Interest on deposits in tax and loan accounts	–1,228	–1,050	–1,115	–1,105	–1,105	–1,105	–1,105
Interest received from Outer Continental Shelf escrow account, Interior	–3	–1,264	–9	....	....	....	....
All other interest	–3,916	–3,349	–3,085	–3,083	–3,013	–3,090	–3,101
Total, Other interest	–6,596	–7,083	–6,164	–6,768	–7,360	–8,104	–8,864
Total, Net interest	243,359	227,144	215,461	207,765	199,462	191,527	185,081
950 Undistributed offsetting receipts:							
Mandatory:							
Employer share, employee retirement (on-budget):							
Contributions to military retirement fund	–10,421	–10,534	–10,740	–10,981	–11,268	–11,585	–11,969
Postal Service contributions to Civil Service Retirement and Disability Fund	–6,109	–6,071	–6,274	–6,451	–6,620	–6,760	–6,849
Other contributions to civil and foreign service retirement and disability fund	–8,791	–8,931	–9,283	–9,782	–10,204	–10,286	–10,843
Contributions to HI trust fund	–2,499	–2,567	–2,684	–2,775	–2,913	–3,045	–3,187
Total, Employer share, employee retirement (on-budget)	–27,820	–28,103	–28,981	–29,989	–31,005	–31,676	–32,848
Employer share, employee retirement (off-budget):							
Contributions to social security trust funds	–7,052	–7,355	–7,969	–8,442	–9,102	–9,746	–10,442
Rents and royalties on the Outer Continental Shelf:							
OCS Receipts	–4,522	–3,123	–2,779	–2,798	–2,806	–2,673	–2,608
Sale of major assets:							
Proceeds from Sale of U.S. Enrichment Corporation	–1,885	....	....	....	....	....	....
Privatization of Elk Hills	–3,185	....	–323	....	....	....	....
Proceeds from sale of Power Marketing Administrations	–88	....	....	....	....	....	....
Total, Sale of major assets	–5,158	....	–323	....	....	....	....
Other undistributed offsetting receipts:							
Spectrum auction	–2,642	–1,447	–2,219	–4,101	–8,365	–1,770	–775
Total, Undistributed offsetting receipts	–47,194	–40,028	–42,271	–45,330	–51,278	–45,865	–46,673
Total	1,652,552	1,723,184	1,774,126	1,838,127	1,883,016	1,960,929	2,033,288
On-budget	(1,335,948)	(1,400,128)	(1,438,480)	(1,489,583)	(1,523,679)	(1,589,410)	(1,648,061)
Off-budget	(316,604)	(323,056)	(335,646)	(348,544)	(359,337)	(371,519)	(385,227)

OTHER TECHNICAL PRESENTATIONS

15. TRUST FUNDS AND FEDERAL FUNDS

The budget consists of two major groups of funds: Federal funds and trust funds. This section presents summary information about the transactions of each fund group and of the major trust funds. It also discusses recent legislative changes to the Highway Trust Fund and the reclassification of most Indian tribal trust funds as non-budgetary. Information is also provided about the income and outgo of four Federal funds that are financed by earmarked collections similar to trust funds. This section does not reflect the President's proposed reform of the Social Security system.

Federal Funds Group

The Federal funds group comprises the larger part of the budget. It includes all transactions not classified by law as being in trust funds.

The main financing component of the Federal funds group is the general fund, which is used to carry out the general purposes of Government rather than being restricted by law to a specific program. It consists of all collections not earmarked by law to finance other funds, including virtually all income taxes and many excise taxes, and all expenditures financed by these collections and by general Treasury borrowing.

The Federal funds group also includes special funds and revolving funds, which earmark collections for spending on specific purposes. Where the law requires that Federal fund collections from a specified source be earmarked to finance a particular program, such as a portion of the Outer Continental Shelf mineral leasing revenues deposited into the Land and Water Conservation Fund, the collections and associated disbursements are recorded in special fund receipt and expenditure accounts. The majority of special fund collections are derived from the Government's power to impose taxes, fines, and other compulsory payments, and they must be appropriated before they can be obligated and spent.

Revolving funds conduct continuing cycles of business-like activity. They charge for the sale of products or services and use the proceeds to finance their spending. Instead of being deposited in receipt accounts, their proceeds are recorded as offsets to outlays within the funds' expenditure accounts, so that outlays are reported net of collections. These collections generally are available automatically for obligation and making payments. There are two classes of revolving funds. Public enterprise funds, such as the Postal Service Fund, conduct business-like operations mainly with the public. Intragovernmental funds, such as the Federal Buildings Fund, conduct business-like operations mainly within and between Government agencies.

Trust Funds Group

The trust funds group consists of funds that are designated by law as trust funds. Like special funds and revolving funds, they earmark collections for spending on specific purposes. Many of the larger trust funds finance social insurance payments for individuals, such as Social Security, Medicare, and unemployment compensation. Other major trust funds finance military and Federal civilian employees' retirement, highway and transit construction, and airport and airway development. There are a few trust revolving funds that are credited with collections earmarked by law to carry out a cycle of business-type operations. Trust funds also include a few small funds established to carry out the terms of a conditional gift, bequest, or court settlement.

There is no substantive difference between trust funds and special funds or between revolving funds and trust revolving funds. Whether a particular fund is designated in law as a trust fund is, in many cases, arbitrary. For example, the National Service Life Insurance Fund is a trust fund, but the Servicemen's Group Life Insurance Fund is a Federal fund, even though both are financed by earmarked fees paid by veterans and both provide life insurance payments to veterans' beneficiaries.[1]

The Federal budget meaning of the term "trust" differs significantly from the private sector usage. The beneficiary of a private trust owns the trust's income and often its assets. A custodian manages the assets on behalf of the beneficiary according to the stipulations of the trust, which he cannot change unilaterally. In contrast, the Federal Government owns the assets and earnings of most Federal trust funds, and it can unilaterally raise or lower future trust fund collections and payments, or change the purpose for which the collections are used, by changing existing law. Only a few small Federal trust funds are managed pursuant to a trust agreement where the Government is the trustee, and the Government generally has some ability to determine the amount deposited into or paid out of these funds. Other amounts are held in deposit funds by the Government as a custodian on behalf of some entity outside the Government. The Government makes no decisions about the amount of these deposits or how they are spent. Therefore, they are considered to be non-budgetary instead of Federal trust funds and are excluded from the Federal budget.

A trust fund must use its income for the purposes designated by law. Some, such as the Federal Employees Health Benefits fund, spend their income almost

[1] Another example is the Violent Crime Reduction Trust Fund, established pursuant to the Violent Crime Control and Law Enforcement Act of 1994. Because the Fund is substantively a means of accounting for general fund appropriations, and does not consist of dedicated receipts, it is classified as a Federal fund rather than a trust fund.

as quickly as it is collected. Others, such as the Social Security and the Federal civilian employees retirement trust funds, currently spend considerably less than they collect each year. A surplus of income over outgo adds to the trust fund's balance, which is available to finance future expenditures. The balances are generally invested, by law, in Treasury debt securities. Any net cash inflow from the public to the trust funds decreases the Treasury's need to borrow from the public in order to finance a Federal funds deficit.

A trust fund normally consists of one or more receipt accounts (to record income) and an expenditure account (to record outgo). However, a few trust funds, such as the Veterans Special Life Insurance fund, are established by law as revolving funds. These funds are similar to revolving funds in the Federal funds group. They conduct a cycle of business-type operations, and their outlays are displayed net of collections in a single expenditure account.

Income and Outgo by Fund Group

Table 15–1 shows income, outgo, and surplus or deficit by fund group and adds them to derive the total unified budget receipts, outlays, and surplus or deficit. The estimates assume enactment of the President's budget proposals. Income consists mostly of governmental receipts (primarily income, payroll, and excise taxes). It also includes proprietary receipts (derived from business-like transactions with the public) and interfund collections (receipts by one fund of payments from a fund in the other fund group) that are deposited in receipt accounts. Outgo consists of payments made to the public and/or to a fund in the other fund group.

Two types of transactions are treated specially. First, income and outgo for a fund group exclude transactions between funds within the same fund group.[2] These intrafund transactions constitute outgo and income for the individual funds that make and collect the payments. However, because the totals for each fund group measure its transactions with the public and the other fund group, intrafund transactions must be subtracted from the sum of the income and outgo of all individual funds within the fund group to calculate the consolidated income and outgo for the fund group as a whole. Second, income excludes collections that, by law, are offset against outgo in expenditure accounts instead of being deposited in receipt accounts.[3] It would be conceptually appropriate to classify these collections as income, but at present the data are not tabulated centrally for both fund groups. Consequently, they are offset against outgo in Table 15–1 and are not shown separately.

Some funds in the Federal funds group and some trust funds are authorized to borrow from the general fund of the Treasury.[4] Borrowed funds are not recorded as receipts and are excluded from the income of the fund. The borrowed funds finance outlays by the fund in excess of available receipts. Subsequently, fund receipts are transferred from the fund to the general fund in repayment of the borrowing. The repayment is not recorded as an outlay of the fund or included in fund outgo.

In order to derive unified budget receipts and outlays, Table 15–1 adds Federal funds and trust funds income and outgo, respectively, and subtracts offsetting receipts from each. Offsetting receipts are income for the fund group that receives them, but instead of being part of receipts in the unified budget, they are deposited in receipt accounts and are offset against outgo to calculate unified budget outlays. The reason for subtracting offsetting receipts is twofold.

- *Offsetting receipts from the public.*—Unified budget receipts measure the amount of collections raised by the Government in its sovereign capacity, and unified budget outlays measure the amount of resources allocated by the Government in a non-market capacity. Voluntary business-like collections from the public need to be subtracted from the income and outgo of the fund groups, respectively, to derive these amounts.
- *Offsetting receipts from other fund groups.*—Unified budget receipts and outlays measure the Government's net transactions with the public. Interfund receipts need to be subtracted from the income and outgo of the fund groups, respectively, to derive these amounts.

Income, Outgo, and Balances of Trust Funds

Table 15–2 shows the trust funds balance at the start of each year, income and outgo during the year, and the end of year balance. Income and outgo are divided between transactions with the public and transactions with Federal funds. Receipts from Federal funds are divided between interest and other interfund receipts.

The definition of income and outgo in this table differs from those in Table 15–1 in one important way. Trust fund collections that are offset against outgo (as offsetting collections) within expenditure accounts instead of being deposited in separate receipt accounts are classified as income in this table but not in Table 15–1. This classification is consistent with the definitions of income and outgo for trust funds used elsewhere in the budget. It has the effect of increasing both income and outgo by the amount of the offsetting collections. The difference is approximately $25 billion in 1998. Table 15-2, therefore, provides a more complete summary of trust fund income and outgo.

The trust funds group is expected to have large and growing surpluses over the projection period. As a consequence, trust fund balances are estimated to grow substantially, as they have over the past two decades.

[2] For example, the railroad retirement trust funds pay the equivalent of social security benefits to railroad retirees, in addition to the regular railroad pension. These benefits are financed by a payment from the Federal Old-Age and Survivors Insurance trust fund to the railroad retirement trust funds. The payment and collection are deducted so that total trust fund income and outgo measure disbursements to the public and to Federal funds.

[3] For example, postage stamp fees are deposited as offsetting collections in the Postal Service fund. As a result, the Fund's outgo is disbursements net of collections.

[4] For example, the Bonneville Power Administration Fund, a revolving fund in the Department of Energy, is authorized to borrow from the general fund, and the Black Lung Disability Trust Fund in the Department of Labor is authorized to receive appropriations of repayable advances from the general fund (a form of borrowing).

Table 15–1. RECEIPTS, OUTLAYS, AND SURPLUS OR DEFICIT BY FUND GROUP

(In billions of dollars)

	1998 actual	Estimate					
		1999	2000	2001	2002	2003	2004
Receipts:							
Federal funds cash income:							
From the public	1,151.1	1,182.4	1,232.3	1,256.5	1,311.6	1,346.8	1,409.0
From trust funds	1.1	1.1	2.9	2.2	1.1	1.1	1.2
Total, Federal funds cash income	1,152.2	1,183.5	1,235.2	1,258.7	1,312.7	1,348.0	1,410.2
Trust funds cash income:							
From the public	645.9	700.2	722.0	748.2	777.7	805.2	834.8
From Federal funds:							
Interest	115.5	120.8	126.8	132.0	139.9	148.4	157.1
Other	146.0	152.9	161.2	172.6	182.9	193.5	203.8
Total, trust funds cash income	907.4	973.9	1,010.0	1,052.8	1,100.5	1,147.2	1,195.8
Offsetting receipts	–337.9	–351.1	–362.2	–378.1	–406.2	–420.1	–440.5
Total, unified budget receipts	1,721.8	1,806.3	1,883.0	1,933.3	2,007.1	2,075.0	2,165.5
Outlays:							
Federal funds cash outgo	1,244.2	1,294.0	1,302.7	1,311.3	1,330.0	1,371.9	1,414.2
Trust funds cash outgo	746.2	784.2	825.2	866.0	896.5	941.2	984.2
Offsetting receipts	–337.9	–351.1	–362.2	–378.1	–406.2	–420.1	–440.5
Total, unified budget outlays	1,652.6	1,727.1	1,765.7	1,799.2	1,820.3	1,893.0	1,957.9
Surplus or deficit (–):							
Federal funds	–92.0	–110.5	–67.5	–52.7	–17.3	–23.9	–4.0
Trust funds	161.2	189.8	184.8	186.8	204.0	205.9	211.6
Total, unified surplus/deficit (–)	69.2	79.3	117.3	134.1	186.7	182.0	207.6

Note: Receipts include governmental, interfund, and proprietary receipts. They exclude intrafund receipts, which are offset against intrafund payments so that cash income and cash outgo are not overstated.

The size of the anticipated balances is unprecedented, and it results mainly from relatively recent changes in the way some trust funds are financed.

Until the 1980s, most trust funds operated on a pay-as-you-go basis. Taxes and user fees were set at levels high enough to finance benefits and administrative expenses, and to maintain prudent reserves, generally defined as being equal to one year's expenditures. As a result, trust fund balances tended to grow at about the same rate as their annual expenditures.

Pay-as-you-go financing was replaced in the 1980s by full or partial accrual funding for some of the larger trust funds. In order to partially prefund the "baby-boomers" social security benefits, the Social Security Amendments of 1983 raised payroll taxes above the levels necessary to finance current expenditures. In 1984 a new system was set up to finance military retirement benefits on a full accrual basis. In 1986 full accrual funding of retirement benefits was mandated for Federal civilian employees hired after December 31, 1983. The latter two changes require Federal agencies and their employees to make annual payments to the Federal employees' retirement trust funds in an amount equal to the value of the retirement benefits earned by employees in that year. Since many years will pass before current employees are paid retirement benefits, the trust funds will accumulate substantial balances over time.

Primarily because of these changes, but also because of the impact of real growth and inflation, trust fund balances increased eightfold from 1982 to 1998, from $205 billion to $1.6 trillion. Under the proposals in the President's budget, the balances are estimated to increase by approximately 70 percent by the year 2004, rising to $2.8 trillion. Almost all of these balances are invested in Treasury securities and earn interest. Therefore, they effectively represent the value, in current dollars, of taxes and user fees that have been paid in advance for future benefits and services.

These balances are available to finance future benefit payments and other trust fund expenditures—but only in a bookkeeping sense. These funds are not set up to be pension funds, like the funds of private pension plans. They do not consist of real economic assets that can be drawn down in the future to fund benefits. Instead, they are claims on the Treasury that, when redeemed, will have to be financed by raising taxes, borrowing from the public, or reducing benefits or other expenditures. The existence of large trust fund balances, therefore, does not, by itself, have any impact on the Government's ability to pay benefits.

From an economic standpoint, the Government is able to prefund benefits only by increasing saving and investment in the economy as a whole. This can be fully accomplished only by simultaneously running trust fund surpluses equal to the actuarial present value of the accumulating benefits and not allowing the Federal fund deficit to increase, so that the trust fund surplus reduces a unified budget deficit or increases a unified budget surplus. This would reduce Federal borrowing

Table 15–2. INCOME, OUTGO, AND BALANCES OF TRUST FUNDS GROUP

(In billions of dollars)

	1998 actual	Estimate					
		1999	2000	2001	2002	2003	2004
Total Trust Funds [1]							
Balance, start of year	1,515.9	1,669.0	1,856.9	2,041.6	2,228.4	2,432.5	2,638.5
Income:							
Governmental receipts	609.5	660.8	685.2	709.5	736.9	763.7	792.2
Proprietary receipts	43.9	47.2	45.4	47.8	50.6	51.9	53.7
Receipts from Federal funds:							
Interest	115.7	120.9	126.9	133.8	141.6	150.1	158.8
Other	163.3	184.0	188.7	196.9	206.7	216.0	226.9
Subtotal, income	932.3	1,012.9	1,046.2	1,088.0	1,135.8	1,181.8	1,231.5
Outgo:							
To the public	769.9	822.1	858.4	899.0	930.5	974.6	1,018.6
Payments to Federal funds	1.1	1.1	2.9	2.2	1.1	1.2	1.2
Subtotal, outgo	771.0	823.2	861.4	901.2	931.7	975.8	1,019.8
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	45.6	68.8	57.9	53.0	62.5	55.9	53.0
Interest	115.7	120.9	126.9	133.8	141.6	150.1	158.8
Subtotal, surplus or deficit (–)	161.2	189.8	184.8	186.8	204.1	206.0	211.7
Adjustments:							
Transfers/lapses (net)	–8.2	—*	—*	....	....	....	....
Other adjustments	*	—*	—*	....	....	....	....
Total, change in fund balance	153.1	189.7	184.8	186.8	204.1	206.0	211.7
Balance, end of year	1,669.0	1,858.7	2,041.6	2,228.4	2,432.5	2,638.5	2,850.2

*Less than $50 million.

[1] The difference between 1999 end of year balance and 2000 start of year balance is due to the removal of most tribal trust funds from the budget totals. See the discussion regarding changes in the budget classification of tribal trust funds in this chapter for additional information.

by the amount of the trust funds surplus and increase the amount of national saving available to finance investment. Greater investment would increase future incomes and wealth, which would provide more real economic resources to support the benefits.

Table 15–5, which appears at the end of the chapter, shows estimates of income, outgo, and balances for 1998 through 2004 for the major trust funds. With the exception of transactions between trust funds, the data for the individual trust funds are conceptually the same as the data in Table 15–2 for the trust funds group. As explained previously, transactions between trust funds are shown as outgo of the fund that makes the payment and as income of the fund that collects it in the data for an individual trust fund, but the collections are offset against outgo in the data for the trust fund group. Additional information for these and other trust funds can be found in the Status of Funds tables in the Budget Appendix.

Table 15–6, which also appears at the end of this chapter, shows income, outgo, and balances of four Federal funds—a revolving fund and three special funds. These funds are similar to trust funds in that they are financed by earmarked receipts, excesses of income over outgo are invested, the interest earnings add to balances, and the balances remain available to finance future expenditures. The table is illustrative of the Federal funds group, which includes many other revolving funds and special funds in addition to the ones shown.

Modifications to the Highway Trust Fund

The Transportation Equity Act for the 21st Century (TEA–21), which became law June 9, 1998, made some important changes to the operation of the Highway Trust Fund. The Highway Trust Fund, which is composed of the highway account and the mass transit account, will continue to be financed by earmarked taxes on gasoline and other fuels. However, TEA–21 provided that the Highway Trust Fund no longer receive interest earnings on its balances as of September 30, 1998. The Act also provided that highway account cash balances in excess of $8 billion be transferred to the General fund as of October 1, 1998. The cash balances of the mass transit account are not affected by this change. As shown in Table 15–5, the Highway Trust Fund balances are expected to remain at approximately $30 billion from 1999 to 2004.

Other significant changes provided in TEA–21 that affect the Highway Trust Fund include the creation of separate budget categories for Federal highway and mass transit spending and the establishment of a linkage between Highway Trust Fund tax receipts and highway spending. TEA–21 also extends most highway-related taxes to 2005 and authorizes expenditures from the Highway Trust Fund for programs under the Act and previous authorization acts through 2003. Some of these changes are further discussed in Chapter 13, "Preview Report."

Changes in the Budget Classification of Tribal Trust Funds

Beginning in fiscal year 2000, the Federal budget totals exclude trust funds that are owned by Indian tribes and held and managed in a fiduciary capacity by the Government on the tribes' behalf.[5] These tribal trust funds, together with other trust funds, have been included in the budget totals since the adoption of the unified budget in 1969. The legal obligations of the Secretary of the Interior, such as distributing interest earnings on certain trust funds to the Indian tribes, will remain unchanged, and the tribal trust funds will continue to be managed by the Federal government according to present law. Ownership of the trust fund assets, whether by the Government or the tribe, will also remain unchanged. As shown in Table 15–3, the Department of the Interior estimates that approximately $2 billion of assets in approximately 1,500 tribal trust funds are being removed from budgetary accounts as of fiscal year 2000. These figures are based on preliminary estimates; the actual amount of tribal trust fund assets to be removed from the budget will not be determined until the classification process is complete.

The transactions of all tribal trust funds are included in the Federal budget through fiscal year 1999. The budget does not include the transactions of the reclassified tribal trust funds after their removal from the budget in fiscal year 2000. As explained in more detail below, the transactions are instead included in the deposit fund totals compiled by the Treasury Department. The one-time transfer of on-budget tribal trust fund assets to non-budgetary deposit funds is not recorded as a budget outlay. The historical data on the budget will not be revised, due to the relatively small amount of transactions to be excluded from the budget and the difficulty of retroactively revising the numerous accounts affected by the reclassification.

The Government currently holds $2.5 billion in approximately 1,600 trust funds for roughly 315 Indian tribes. Over one-third of these assets are held on behalf of six Indian tribes. These trust funds are included in the Federal budget even though, in most cases, the assets of the fund are owned by the Indian tribes. The Government also holds $430 million for individual Indians in about 300,000 accounts as of September 30, 1998. These individual Indian accounts are classified as deposit funds, which are non-budgetary, and their categorization will not be affected by the reclassification of the tribal trust funds.

The tribal trust funds are composed of funds belonging to Indian tribes, and in some cases the Federal Government, that are required or authorized by law to be deposited in the U.S. Treasury or managed "in trust" by the United States. Tribal trust fund assets are derived from various sources, including payments for land cessions by treaty; proceeds from sales of land under confiscatory acts of Congress; proceeds from sales and leases of tribal lands and other natural resources; judgement awards made by the Indian Claims Commission and the United States Court of Claims; monies appropriated to fund legislative settlements; and interest on trust fund investments. For the purposes of this discussion, tribal trust funds are divided into three general categories, which are described later in this chapter and appear in Table 15–3.

Consistency with the Unified Budget.—Reclassifying tribal trust funds as non-budgetary is consistent with the unified budget concepts developed by the President's Commission on Budget Concepts in 1967.[6] The Commission recommended that the budget include all the Federal Government's programs and all the fiscal transactions of these programs with the public. The Commission used several criteria in determining which entities or activities should be included in the Federal budget: the ownership of the entity or activity, the sources of its capital, the selection of its managers, and the degree of control the President and Congress

[5] Tribal funds classified as special funds in the Federal budget are also within the scope of this budgetary reclassification. For the purposes of this discussion, the term "trust fund" refers to special funds, as well as those accounts designated by law as trust funds.

[6] *Report of the President's Commission on Budget Concepts* (Washington, D.C.: U.S. Government Printing Office, October 1967), p. 25.

Table 15–3. TRIBAL TRUST FUND BALANCES AND PROPOSED BUDGETARY TREATMENT: PRELIMINARY ESTIMATES

(dollars in millions as of September 30, 1998)

Type of Tribal Trust Fund	Number	Amount
To remain on-budget:		
Funds derived from legislative acts and for Government obligations	30	401
Currently on-budget, to be reclassified as non-budgetary (deposit funds):		
Funds with assets derived from tribe-owned natural resources	550	475
Funds funded by judgments against the United States	900	1,025
Funds derived from legislative acts and for Government obligations	120	600
Subtotal, funds to be reclassified as non-budgetary	1,570	2,100
Grand Total	**1,600**	**2,501**

have over its program and budget. In discussing these criteria, the Commission stated that "no one of these . . . [criteria] is conclusive, and at the margin, where boundary questions arise, decisions have been made on the basis of a net weighing of as many relevant considerations as possible."[7] With this in mind, the Commission recommended a comprehensive budget with almost no exception. The Commission reasoned that entities or activities having characteristics consistent with other Federal entities or activities, such as Federal ownership or Presidential and Congressional control over its program or budget, should be included in the unified budget. Other entities and activities should be excluded.

The Commission's distinction between budgetary and non-budgetary activities is exemplified by the treatment of two Federal employee retirement funds: the Civil Service Retirement and Disability (CSRD) trust fund and the Thrift Savings Fund. The Civil Service Retirement and Disability trust fund, which pays annuities to retired Federal employees, is included in the budget because the Government owns the assets and can make decisions about the level and timing of future pension benefit payments. Individuals do not have separate accounts in the CSRD trust fund, and the fund assets do not represent the present value of future pensions earned to date under current law. Conversely, the Thrift Savings Fund, which holds assets for Federal employees who participate in the Thrift Savings Plan, is non-budgetary. This fund is managed by the Government in a fiduciary capacity on behalf of the participants. The Plan is a defined contribution plan; the assets are credited to individual employees' accounts; and the assets in an account are owned by the employee, who has a legal claim on the specific assets in that account and no more. Employee decisions determine most of the amounts contributed to the Thrift Savings Fund, either directly from the employee or from the Federal matching contribution, with only a relatively small part being contributed to the fund automatically. Employees make decisions about investments among the statutorily prescribed funds. An employee may borrow from his or her account for specified purposes, such as to purchase a house or finance educational expenses.[8]

The reclassification of the tribal trust funds as non-budgetary fits neatly with the ownership criterion of the Commission and the budgetary treatment of the Thrift Savings Fund and other deposit funds. Based on the Commission's recommendations, the budget generally does not include activities or agencies which are not owned by the Federal government. Deposit funds are non-budgetary accounts that record amounts held temporarily until ownership is determined (for example, earnest money paid by bidders for mineral leases) or held by the Government as agent for others (for example, state and local income taxes withheld from Federal employees' salaries and not yet paid to the states and localities). As will be described in more detail below, most tribal trust funds share the principal defining characteristics of deposit funds—private ownership—and therefore ought to be classified in the same way rather than included in the budget.[9]

The removal of most tribal trust funds from the budget is also consistent with the Commission's criteria regarding the source of capital and the extent of federal control. As will be discussed in more detail below, the assets of most tribal trust funds—whether derived from tribe-owned natural resources, judgement awards, or appropriated legislative settlements—are monies that, based on legal requirements, are owned by the tribes. The exceptions are those trust funds that are funded by appropriations to achieve some public policy goal, as opposed to resolve a legal claim, and that are established in a manner whereby ownership of the fund assets is not conveyed to the tribes. As discussed below, these funds are to remain on-budget. With regard to the extent of Executive and Congressional control, it is clear that the Government's control over most tribal trust funds is significantly limited. The Government acts as the fiduciary of the fund assets and, at most, has some influence over the tribally developed use plans for judgement awards. These considerations outweigh the fact that the Government selects who will manage the fund assets. Moreover, as will be described below, in certain circumstances the tribes can withdraw and manage the assets of the fund.

Analyzing the Tribal Trust Funds.—The Department of the Interior and OMB are using the following criteria to guide their analysis of the trust funds. Some criteria are applicable to all Federal government trust funds, while others relate specifically to the budgetary treatment of tribal trust funds.

- Are monies deposited voluntarily into the trust fund?
- Can the beneficiary of the trust fund withdraw the assets of the fund at will?
- Can the beneficiary of the trust fund pledge the assets of the trust as collateral?
- Does the amount to be paid to the beneficiary of the trust fund depend on the amount in the fund, or does the Government guarantee a certain benefit amount?
- Can the Government unilaterally decide to withdraw money from a tribal trust fund and use it to fund a non-tribal purpose, or would this constitute a Federal taking?
- Can the Government unilaterally change the terms of the trust or use the money in a tribal trust fund account for a purpose other than specified by the trust agreement, as long as the funds

[7] *Ibid.*

[8] A small number of trust funds (according to the private sector usage of this term) have been established with the Government as the beneficiary as well as the fiduciary. These funds have especially been established from gifts by the public to the Government, such as gifts and donations to the Architect of the Capitol, gifts and bequests to the Department of Agriculture, and gifts and contributions to the Corporation for National and Community Service. These funds are included in the budget totals because the Government owns the fund assets.

[9] Non-budgetary activities, including deposit funds, are discussed further in Chapter 19, "Off-Budget Federal Entities and Non-Budgetary Activities." Deposit funds are also discussed in a section of Chapter 23, "Budget Systems and Concepts and Glossary."

are used for the benefit of the tribe? (As opposed to the Government simply deciding whether a use is consistent with the terms of the trust.)

- Does tribal "ownership" of the money differ substantively from the individual Indians' ownership of the funds held in the individual Indian accounts, which are held in deposit funds outside of the budget?
- If the law establishes an endowment for a tribal trust fund and stipulates that the tribes can only spend the interest earnings on the endowment, do the tribes own the endowment?
- Do any of the existing balances of the trust fund result from appropriations for what are the equivalent of grants, such as for development or schools?
- Is the amount and timing of payments from the trust fund linked to federal payments to the beneficiary of the trust fund or vice-versa?

A preliminary review of the tribal trust funds by the Department of the Interior and OMB indicates that two general types of tribal trust funds should be reclassified as non-budgetary: those funded from revenues generated by tribe-owned natural resources and those funded by judgements against the United States government. The third general category of tribal trust funds, those derived from legislative acts and for fulfilling Government obligations to tribes, includes some funds to be reclassified as non-budgetary, and others that should remain on-budget. The Department of the Interior and OMB will continue to review these trust funds to determine their proper budgetary treatment beginning in fiscal year 2000. A description of the general categories of tribal trust funds and their proposed treatment follows.

Trust funds with assets derived from tribe-owned natural resources—Proposed treatment: Non-budgetary.

As shown in Table 15–3, an estimated $475 million in 550 trust funds with assets derived from tribe-owned natural resources is being removed from the budget totals. These privately owned trust funds are managed by the Government in a fiduciary capacity. Tribes hold beneficial title to the natural resources from which the income originates, and thus own the resulting income. Some leases require the royalties to be paid directly to one or more tribes or to individual Indians. These payments are from one private party to another and thus outside the budget. In other cases, royalties are deposited in tribal trust funds, which are currently included in the budget. Sometimes the lessee makes a single payment to a suspense account (a type of deposit fund) for all three types of payments, and the Department of the Interior subsequently determines what amount should be paid to individuals, tribes, or the tribal trust funds. Distributions from the suspense account to tribes or individuals are not recorded in the budget. Distributions to tribal trust funds are recorded in the budget as offsetting receipts. At their discretion, and subject to tribal law and the Secretary of Interior's fiduciary responsibilities, tribes can withdraw their money from the tribal trust fund (as an outlay) or leave it in the trust fund, where it is invested by the Government.

There does not appear to be a substantive reason to treat payments to the tribal trust funds differently from payments made directly to the beneficiaries or that only pass through suspense accounts. The Government's role as trustee is primarily to ensure that the funds are distributed and managed correctly. The Government cannot take money from these trust funds to use for other purposes.

Trust funds funded by judgements against the United States—Proposed treatment: Non-budgetary.

As shown in Table 15–3, approximately $1 billion in 900 trust funds funded by judgement awards is being removed from the budget totals. These funds are derived from Indian Claims Commission awards or U.S. Court of Claims awards, and are paid out of the Federal Claims, Judgements, and Relief Act fund. Court decisions specify that these funds are payments for property damages. As such, the Government could not withdraw the funds and use them for other purposes without resurrecting the claim against the Government. This also appears to be true in cases where the settlement provides an endowment for a tribe and stipulates that only the earnings can be spent. The tribe, not the Government, owns the endowment, and the tribe receives the full benefit of earnings on the endowment. Congress can revise the use plans that the tribe develops, but it cannot change the judgement amount.

The funds are deposited in the trust fund until a use plan is approved. The use plan could pay the money to individual Indian accounts or to the tribes, or the funds could be held in a tribal trust fund until paid out for tribal activities specified in the plan. Subject to approval by the Department of the Interior, the tribes can withdraw and manage the funds themselves.

Trust funds derived from legislative acts and for fulfilling Government obligations to tribes—Proposed treatment: Mixed—On-budget and Non-budgetary.

The funds in this category are diverse and the proposed budgetary treatment is mixed. Some funds were created as a result of legislative settlements, such as for water rights or land claims, and, like the previous category, should be considered non-budgetary. Others are composed of appropriated monies to make payments to tribes for public policy goals, such as infrastructure development. If these funds did not resolve a legal claim and were established in a manner that did not convey ownership of the trust to the tribe, they should be included in the budget. As shown in Table 15–3, the majority of funds in this category are being removed from the budget totals.

For some of the trust funds in this category, Federal legislation created a corpus and provided that only interest accruing on the corpus shall be available for obligation. Since tribes do not have access to the corpus, and the fund was not established to settle a valid legal claim against the Government, the question of ownership of the corpus is raised. The Department of the

Interior and OMB will review the legislation that established each of these trust funds to determine ownership of the corpus. If it is determined that the tribe owns the corpus, then the funds will be removed from the budget totals. Otherwise, the funds will remain on-budget.

Budgetary Effect of Reclassifying Tribal Trust Funds as Non-budgetary.—Excluding the transactions of most tribal trust funds from the budget will have little effect on Federal outlays. As shown in Table 15–4, removing the tribal trust funds from the budget is estimated to decrease net outlays, and increase the unified budget surplus, by approximately $10 million each fiscal year from 2000 to 2003. These preliminary estimates are based on the proposed budgetary treatment presented in Table 15–3. The difference between these estimates and the actual budget effect should be minimal in dollar terms. It should be noted that, as mentioned previously, the budget does not record outlays for the one time transfer of on-budget tribal trust fund assets to non-budgetary deposit funds.

The removal of tribal trust funds from the budget affects Federal outlays in a number of ways. First, interest payments on Treasury securities held by these tribal trust funds, which are recorded as intra-budgetary transactions through 1999, are recorded as disbursements to the public in subsequent years. Second, as shown in Table 15–4, removing tribal trust funds from the budget decreases offsetting receipts from the public for royalties and other income from tribe-owned natural resources. Third, the budget no longer records the disbursement of these royalties and income from the Government to the tribes. This reduces disbursements by the same amount as offsetting receipts, but not necessarily in the same years.

Removing the tribal trust funds from the budget also shifts the timing of disbursements to the public resulting from Federal payments to Indian tribes for judgements and settlements. In fiscal year 1999, these payments are not recorded as outlays until the funds are disbursed to the tribes. In subsequent years, the payments are recorded as disbursements to the public when the funds are transferred to the tribes' deposit funds.

Table 15–4. OUTLAY IMPACT OF RECLASSIFYING TRIBAL TRUST FUNDS AS NON-BUDGETARY [1]

(In millions of dollars)

	1999	2000	2001	2002	2003
Pre-reclassification treatment of tribal trust funds:					
Offsetting receipts from the public	338	338	339	342	342
Disbursements to the public	431	429	431	434	434
Net impact on outlays	93	91	92	92	92
Effect of reclassifying tribal trust funds as deposit funds (non-budgetary):					
Offsetting receipts from the public	....	–323	–322	–324	–323
Disbursements to the public	....	–333	–333	–335	–333
Net impact on outlays	....	–10	–11	–11	–10
Post-reclassification treatment of tribal trust funds:					
Offsetting receipts from the public	338	15	17	18	19
Disbursements to the public	431	96	98	99	101
Net impact on outlays	93	81	81	81	82

[1] Does not include intrabudgetary transactions.

Table 15–5. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS

(In billions of dollars)

	1998 actual	Estimate					
		1999	2000	2001	2002	2003	2004
Airport and Airway Trust Fund							
Balance, start of year	6.4	9.1	12.3	13.9	15.4	17.3	19.0
Income:.							
Governmental receipts	8.1	10.4	10.7	11.3	11.9	12.4	13.0
Proprietary receipts	*	*	*	*	*	*	*
Receipts from Federal funds:							
Interest	0.5	0.6	0.8	0.9	0.9	1.0	1.2
Other	*	0.2	0.1	0.1	0.1	0.1	0.1
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	8.7	11.2	11.6	12.2	12.9	13.5	14.2
Outgo:							
To the public	5.9	8.0	10.1	10.6	11.1	11.8	12.3
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	5.9	8.0	10.1	10.6	11.1	11.8	12.3
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	2.2	2.6	0.8	0.7	0.9	0.7	0.7
Interest	0.5	0.6	0.8	0.9	0.9	1.0	1.2
Subtotal, surplus or deficit (–)	2.8	3.2	1.6	1.6	1.8	1.7	1.9
Adjustments:							
Transfers/lapses (net)	–*	–*	....	....	....	....	....
Other adjustments	*	*	....	....	....	....	....
Total, change in fund balance	2.8	3.2	1.6	1.6	1.8	1.7	1.9
Balance, end of year	9.1	12.3	13.9	15.4	17.3	19.0	20.9
Federal Employees Health Benefits Fund							
Balance, start of year	6.7	6.2	6.0	5.9	5.7	5.4	5.2
Income:.							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	4.5	4.8	5.5	6.0	6.5	7.1	7.6
Receipts from Federal funds:							
Interest	0.5	0.4	0.4	0.3	0.3	0.3	0.4
Other	11.8	12.7	14.1	15.1	16.4	17.7	19.1
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	16.7	17.9	20.0	21.5	23.2	25.1	27.0
Outgo:							
To the public	17.1	18.1	20.1	21.6	23.4	25.3	27.3
Payments to Other funds	*	*	*	*	*	*	*
Subtotal, outgo	17.2	18.2	20.1	21.7	23.5	25.3	27.3
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–0.9	–0.7	–0.5	–0.5	–0.6	–0.6	–0.7
Interest	0.5	0.4	0.4	0.3	0.3	0.3	0.4
Subtotal, surplus or deficit (–)	–0.5	–0.2	–0.1	–0.2	–0.3	–0.2	–0.3
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	–0.5	–0.2	–0.1	–0.2	–0.3	–0.2	–0.3
Balance, end of year	6.2	6.0	5.9	5.7	5.4	5.2	4.9
Federal Civilian Employees Retirement Funds							
Balance, start of year	430.9	460.6	491.5	521.8	551.8	581.4	609.8
Income:.							
Governmental receipts	4.3	4.3	4.4	4.5	4.5	3.9	3.7
Proprietary receipts	....	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	32.5	34.9	35.4	36.1	36.9	37.7	38.3

Table 15–5. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued

(In billions of dollars)

	1998 actual	Estimate 1999	2000	2001	2002	2003	2004
Other	36.6	37.0	37.7	38.6	39.4	40.0	41.1
Receipts from Trust funds	....	*	*	*	*	*	*
Subtotal, income	73.4	76.2	77.6	79.2	80.9	81.7	83.0
Outgo:							
To the public	43.6	45.3	47.3	49.3	51.2	53.2	55.4
Payments to Other funds	....	*	*	*	*	*	*
Subtotal, outgo	43.6	45.3	47.3	49.3	51.2	53.2	55.4
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–2.7	–4.1	–5.1	–6.2	–7.3	–9.2	–10.7
Interest	32.5	34.9	35.4	36.1	36.9	37.7	38.3
Subtotal, surplus or deficit (–)	29.8	30.9	30.3	30.0	29.7	28.4	27.6
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	*	–*	–*				
Total, change in fund balance	29.8	30.9	30.3	30.0	29.7	28.4	27.6
Balance, end of year	460.6	491.5	521.8	551.8	581.4	609.8	637.5
Federal Old-Age, Survivors and Disability Insurance Trust Funds							
Balance, start of year	630.9	730.3	852.2	983.5	1,119.3	1,262.5	1,413.3
Income:.							
Governmental receipts	415.8	444.0	465.3	482.6	501.8	522.2	542.9
Proprietary receipts	*	0.1	0.1	0.1	0.1	0.1	0.1
Receipts from Federal funds:							
Interest	46.6	51.9	56.5	62.1	68.5	75.4	82.7
Other	18.5	21.0	20.5	21.5	22.9	24.3	25.8
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	480.9	517.0	542.4	566.3	593.2	622.0	651.6
Outgo:							
To the public	377.3	391.0	407.2	425.6	446.1	467.2	489.6
Payments to Other funds	4.2	4.0	3.9	5.0	4.0	4.0	4.0
Subtotal, outgo	381.5	395.1	411.1	430.6	450.0	471.2	493.5
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	52.8	70.1	74.8	73.6	74.7	75.4	75.3
Interest	46.6	51.9	56.5	62.1	68.5	75.4	82.7
Subtotal, surplus or deficit (–)	99.4	121.9	131.3	135.7	143.2	150.9	158.1
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	*	....	....	....	....
Total, change in fund balance	99.4	121.9	131.3	135.7	143.2	150.9	158.1
Balance, end of year	730.3	852.2	983.5	1,119.3	1,262.5	1,413.3	1,571.4
Foreign Military Sales Trust Fund							
Balance, start of year	5.9	6.0	6.0	6.0	6.0	6.0	6.0
Income:.							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	14.1	13.3	12.7	12.1	12.1	9.7	8.6
Receipts from Federal funds:							
Interest	....	....	....	....	....	....	....
Other	....	....	....	....	....	....	....
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	14.1	13.3	12.7	12.1	12.1	9.7	8.6
Outgo:							
To the public	14.0	13.3	12.7	12.1	12.1	9.7	8.6
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	14.0	13.3	12.7	12.1	12.1	9.7	8.6

Table 15–5. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued

(In billions of dollars)

	1998 actual	Estimate					
		1999	2000	2001	2002	2003	2004
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	0.1						
Interest							
Subtotal, surplus or deficit (–)	0.1						
Adjustments:							
Transfers/lapses (net)							
Other adjustments							
Total, change in fund balance	0.1						
Balance, end of year	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Highway Trust Fund [1]							
Balance, start of year	22.4	18.4	27.8	28.7	29.0	29.6	30.4
Income:.							
Governmental receipts	26.6	38.5	33.1	33.6	34.3	34.9	35.5
Proprietary receipts	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Receipts from Federal funds:							
Interest	2.0						
Other	*	*	*	*	*	*	*
Receipts from Trust funds							
Subtotal, income	28.7	38.6	33.2	33.8	34.4	35.0	35.7
Outgo:							
To the public	24.5	29.2	32.3	33.4	33.8	34.2	34.7
Payments to Other funds							
Subtotal, Outgo	24.5	29.2	32.3	33.4	33.8	34.2	34.7
Change in fund balance:							
Surplus or deficit:							
Excluding interest	2.1	9.4	1.0	0.3	0.6	0.8	1.0
Interest	2.0						
Subtotal, surplus or deficit	4.2	9.4	1.0	0.3	0.6	0.8	1.0
Adjustments:							
Transfers/lapses (net)	–8.2	—*	—*				
Other adjustments			*				
Total, change in fund balance	–4.0	9.3	0.9	0.3	0.6	0.8	1.0
Balance, end of year	18.4	27.8	28.7	29.0	29.6	30.4	31.4
Medicare: Federal Hospital Insurance (HI) Trust Fund							
Balance, start of year	116.0	116.9	117.6	124.0	129.2	138.8	145.3
Income:.							
Governmental receipts	120.0	127.5	132.1	137.1	142.6	148.6	154.8
Proprietary receipts	1.3	1.4	1.4	1.7	1.9	2.0	2.2
Receipts from Federal funds:							
Interest	9.2	9.2	9.1	9.0	9.0	9.1	9.1
Other	7.8	9.6	9.8	10.0	10.6	11.1	11.7
Receipts from Trust funds							
Subtotal, income	138.2	147.6	152.4	157.8	164.1	170.9	177.8
Outgo:							
To the public	137.3	146.9	146.0	152.5	154.5	164.3	172.4
Payments to Other funds							
Subtotal, outgo	137.3	146.9	146.0	152.5	154.5	164.3	172.4
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–8.2	–8.4	–2.8	–3.8	0.5	–2.6	–3.7
Interest	9.2	9.2	9.1	9.0	9.0	9.1	9.1
Subtotal, surplus or deficit (–)	0.9	0.7	6.3	5.3	9.5	6.5	5.4
Adjustments:							
Transfers/lapses (net)	*						

Table 15–5. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued

(In billions of dollars)

	1998 actual	Estimate					
		1999	2000	2001	2002	2003	2004
Other adjustments	—*	—*	—*	....	....	....	....
Total, change in fund balance	0.9	0.7	6.3	5.3	9.5	6.5	5.4
Balance, end of year	116.9	117.6	124.0	129.2	138.8	145.3	150.7
Medicare: Federal Supplementary Medical Insurance (SMI) Trust Fund							
Balance, start of year	35.2	40.9	46.2	45.4	43.4	45.7	47.0
Income:.							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	19.4	19.9	21.4	23.6	25.7	28.6	30.8
Receipts from Federal funds:							
Interest	2.6	2.9	2.9	2.9	2.9	2.9	2.9
Other	60.9	75.3	76.5	80.6	85.2	89.6	94.5
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	82.9	98.1	100.9	107.1	113.8	121.1	128.2
Outgo:							
To the public	77.3	92.8	101.7	109.1	111.4	119.8	126.9
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	77.3	92.8	101.7	109.1	111.4	119.8	126.9
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	3.1	2.4	–3.7	–4.9	–0.5	–1.6	–1.6
Interest	2.6	2.9	2.9	2.9	2.9	2.9	2.9
Subtotal, surplus or deficit (–)	5.7	5.3	–0.8	–2.0	2.4	1.2	1.3
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	5.7	5.3	–0.8	–2.0	2.4	1.2	1.3
Balance, end of year	40.9	46.2	45.4	43.4	45.7	47.0	48.3
Military Retirement Fund							
Balance, start of year	139.2	146.0	152.1	159.2	166.7	174.6	182.8
Income:.							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	....	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	12.4	12.5	12.7	12.9	13.1	13.3	13.6
Other	25.5	25.8	27.5	28.5	29.6	30.6	31.8
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	37.9	38.3	40.2	41.5	42.7	44.0	45.4
Outgo:							
To the public	31.1	32.2	33.1	34.0	34.9	35.7	36.6
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	31.1	32.2	33.1	34.0	34.9	35.7	36.6
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–5.6	–6.4	–5.6	–5.5	–5.2	–5.1	–4.8
Interest	12.4	12.5	12.7	12.9	13.1	13.3	13.6
Subtotal, surplus or deficit (–)	6.8	6.1	7.1	7.5	7.9	8.2	8.8
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	—*	*	....	....	....	....
Total, change in fund balance	6.8	6.1	7.1	7.5	7.9	8.2	8.8
Balance, end of year	146.0	152.1	159.2	166.7	174.6	182.8	191.5
Railroad Retirement Trust Funds							
Balance, start of year	15.0	17.1	18.0	19.0	19.8	20.9	22.0
Income:.							

Table 15–5. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued

(In billions of dollars)

	1998 actual	Estimate 1999	2000	2001	2002	2003	2004
Governmental receipts	4.4	4.3	4.4	4.5	4.6	4.6	4.7
Proprietary receipts	....	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	2.0	1.1	1.1	1.1	1.2	1.3	1.4
Other	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Receipts from Trust funds	3.8	3.7	3.6	3.5	3.6	3.6	3.6
Subtotal, income	10.4	9.4	9.4	9.5	9.7	9.8	10.0
Outgo:							
To the public	8.2	8.2	8.3	8.4	8.4	8.5	8.6
Payments to Other funds	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Subtotal, outgo	8.4	8.4	8.5	8.6	8.7	8.7	8.9
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	*	–0.1	–0.2	–0.3	–0.2	–0.2	–0.3
Interest	2.0	1.1	1.1	1.1	1.2	1.3	1.4
Subtotal, surplus or deficit (–)	2.0	1.0	0.9	0.9	1.0	1.1	1.1
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	2.0	1.0	0.9	0.9	1.0	1.1	1.1
Balance, end of year	17.1	18.0	19.0	19.8	20.9	22.0	23.1
Unemployment Trust Fund							
Balance, start of year	62.1	71.0	78.2	84.6	90.2	96.1	101.0
Income:.							
Governmental receipts	27.5	28.8	30.4	31.7	33.0	32.8	33.3
Proprietary receipts	*	*	*	*	*	*	*
Receipts from Federal funds:							
Interest	4.3	4.4	4.9	5.2	5.6	5.9	6.2
Other	0.5	0.5	0.5	0.6	0.6	0.6	0.6
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	32.3	33.7	35.8	37.5	39.1	39.2	40.0
Outgo:							
To the public	23.5	26.5	29.4	31.8	33.2	34.3	35.6
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	23.5	26.5	29.4	31.8	33.2	34.3	35.6
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	4.5	2.7	1.5	0.4	0.3	–1.0	–1.7
Interest	4.3	4.4	4.9	5.2	5.6	5.9	6.2
Subtotal, surplus or deficit (–)	8.8	7.2	6.4	5.6	5.9	4.9	4.5
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	*	....	....	....	....
Total, change in fund balance	8.8	7.2	6.4	5.6	5.9	4.9	4.5
Balance, end of year	71.0	78.2	84.6	90.2	96.1	101.0	105.5
Veterans Life Insurance Trust Funds							
Balance, start of year	13.7	13.7	13.6	13.4	13.0	12.7	12.3
Income:.							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	0.8	0.8	0.8	0.8	0.7	0.7	0.7
Receipts from Federal funds:							
Interest	1.1	1.1	1.0	1.0	0.9	0.9	0.8
Other	*	*	*	*	*	*	*
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	2.0	1.9	1.8	1.7	1.6	1.6	1.5

Table 15–5. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued

(In billions of dollars)

	1998 actual	Estimate					
		1999	2000	2001	2002	2003	2004
Outgo:							
To the public	2.0	2.0	2.0	2.1	2.0	2.0	2.0
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	2.0	2.0	2.0	2.1	2.0	2.0	2.0
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–1.1	–1.2	–1.2	–1.3	–1.3	–1.3	–1.3
Interest	1.1	1.1	1.0	1.0	0.9	0.9	0.8
Subtotal, surplus or deficit (–)	—*	–0.1	–0.2	–0.3	–0.3	–0.4	–0.5
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	—*	*	—*	....	....	....	....
Total, change in fund balance	—*	–0.1	–0.2	–0.3	–0.3	–0.4	–0.5
Balance, end of year	13.7	13.6	13.4	13.0	12.7	12.3	11.8
Other Trust Funds [2]							
Balance, start of year	31.3	32.6	35.3	36.4	38.8	41.6	44.4
Income:.							
Governmental receipts	2.8	3.0	4.7	4.2	4.3	4.3	4.4
Proprietary receipts	3.6	6.8	3.4	3.5	3.6	3.6	3.7
Receipts from Federal funds:							
Interest	2.0	2.0	2.1	2.1	2.2	2.2	2.3
Other	1.5	1.6	1.6	1.6	1.7	1.7	1.7
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	9.8	13.4	11.8	11.4	11.7	11.9	12.2
Outgo:							
To the public	8.1	8.4	8.3	8.4	8.3	8.5	8.6
Payments to Other funds	0.5	0.5	2.4	0.6	0.6	0.6	0.6
Subtotal, outgo	8.6	8.9	10.7	8.9	8.9	9.1	9.2
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–0.7	2.5	–1.0	0.4	0.6	0.6	0.7
Interest	2.0	2.0	2.1	2.1	2.2	2.2	2.3
Subtotal, surplus or deficit (–)	1.3	4.5	1.1	2.5	2.7	2.8	2.9
Adjustments:							
Transfers/lapses (net)	—*	—*	....	....	....	....	....
Other adjustments	*	—*	—*	....	....	....	....
Total, change in fund balance	1.3	4.5	1.1	2.5	2.7	2.8	2.9
Balance, end of year	32.6	37.1	36.4	38.8	41.6	44.4	47.3

* Less than $50 million.

Note: Balances shown include committed and uncommitted cash balances.

[1] Figures reflect two legislative changes to the Highway Trust Fund as per the Transportation Equity Act for the 21st Century (TEA–21): no accumulation of interest earnings on fund balances beginnng in 1999 and transfer of $8.1 billion in highway account cash balances to the General fund. See the discussion of modifications to the Highway Trust Fund in this chapter for additional information.

[2] The difference between 1999 end of year balance and 2000 start of year balance is due to the removal of most tribal trust funds from the budget totals. See the discussion regarding changes in the budget classification of tribal trust funds in this chapter for additional information.

Table 15–6. INCOME, OUTGO, AND BALANCES OF SELECTED FEDERAL FUNDS

(In billions of dollars)

	1998 actual	Estimate					
		1999	2000	2001	2002	2003	2004
Abandoned Mine Reclamation Fund							
Balance, start of year	1.5	1.6	1.8	1.9	2.0	2.2	2.3
Income:							
Governmental receipts	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Proprietary receipts	*	*	*	*	*	*	*
Receipts from Federal funds:							
Interest	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other	*	....	....	....	....	....	....
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	0.3	0.4	0.4	0.4	0.4	0.4	0.4
Outgo:							
To the public	0.2	0.2	0.3	0.3	0.2	0.3	0.3
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	0.2	0.2	0.3	0.3	0.2	0.3	0.3
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	*	0.1	*	0.1	0.1	0.1	0.1
Interest	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Subtotal, surplus or deficit (–)	0.1	0.1	0.1	0.1	0.2	0.1	0.1
Adjustments:							
Transfers/lapses (net)	*	....	....	....	....	....	....
Other adjustments	*	....	....	....	....	....	....
Total, change in fund balance	0.1	0.1	0.1	0.1	0.2	0.1	0.1
Balance, end of year	1.6	1.8	1.9	2.0	2.2	2.3	2.5
Nuclear Waste Disposal Fund							
Balance, start of year	6.2	7.3	8.3	9.3	10.0	11.1	12.4
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Receipts from Federal funds:							
Interest	0.7	0.5	0.6	0.6	0.7	0.8	0.9
Other	....	....	....	....	....	....	....
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	1.3	1.1	1.2	1.3	1.3	1.4	1.5
Outgo:							
To the public	0.2	0.2	0.3	0.6	0.2	0.2	0.2
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	0.2	0.2	0.3	0.6	0.2	0.2	0.2
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	0.4	0.5	0.4	0.0	0.4	0.4	0.4
Interest	0.7	0.5	0.6	0.6	0.7	0.8	0.9
Subtotal, surplus or deficit (–)	1.2	1.0	0.9	0.7	1.2	1.2	1.3
Adjustments:							
Transfers/lapses (net)	—*	....	*	....	....	....	....
Other adjustments	—*	*	—*	....	....	....	....
Total, change in fund balance	1.2	1.0	1.0	0.7	1.2	1.2	1.3
Balance, end of year	7.3	8.3	9.3	10.0	11.1	12.4	13.7
Overseas Private Investment Corporation							
Balance, start of year	2.5	2.8	3.0	3.3	3.6	3.8	4.1
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Receipts from Federal funds:							
Interest	0.2	0.2	0.2	0.2	0.2	0.2	0.2

Table 15–6. INCOME, OUTGO, AND BALANCES OF SELECTED FEDERAL FUNDS—Continued

(In billions of dollars)

	1998 actual	Estimate 1999	2000	2001	2002	2003	2004
Other	*	*	*	*	*	*	*
Receipts from Trust funds							
Subtotal, income	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Outgo:							
To the public	*	0.1	0.1	0.1	0.1	0.1	0.1
Payments to Other funds							
Subtotal, outgo	*	0.1	0.1	0.1	0.1	0.1	0.1
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Interest	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Subtotal, surplus or deficit (–)	0.3	0.3	0.3	0.3	0.2	0.3	0.3
Adjustments:							
Transfers/lapses (net)	0.1	–0.1	—*				
Other adjustments	—*						
Total, change in fund balance	0.3	0.2	0.2	0.3	0.2	0.3	0.3
Balance, end of year	2.8	3.0	3.3	3.6	3.8	4.1	4.4
Uranium Enrichment Decontamination and Decommissioning Fund							
Balance, start of year	0.9	1.3	1.7	2.2	2.6	3.2	3.8
Income:							
Governmental receipts	0.1	0.2	0.2	0.2	0.2	0.3	0.3
Proprietary receipts							
Receipts from Federal funds:							
Interest	0.1	0.1	0.1	0.1	0.1	0.2	0.2
Other	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Receipts from Trust funds							
Subtotal, income	0.6	0.6	0.7	0.7	0.8	0.9	0.9
Outgo:							
To the public	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Payments to Other funds							
Subtotal, outgo	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Change in fund balance:.							
Surplus or deficit (–):							
Excluding interest	0.3	0.3	0.4	0.4	0.4	0.5	0.5
Interest	0.1	0.1	0.1	0.1	0.1	0.2	0.2
Subtotal, surplus or deficit (–)	0.4	0.4	0.5	0.5	0.6	0.6	0.7
Adjustments:							
Transfers/lapses (net)	*						
Other adjustments							
Total, change in fund balance	0.4	0.4	0.5	0.5	0.6	0.6	0.7
Balance, end of year	1.3	1.7	2.2	2.6	3.2	3.8	4.5

* Less than $50 million.
Note: Balances shown include committed and uncommitted cash balances.

16. NATIONAL INCOME AND PRODUCT ACCOUNTS

The National Income and Product Accounts (NIPAs) are an integrated set of measures of aggregate U.S. economic activity that are prepared by the Department of Commerce. One of the many purposes of the NIPAs is to measure the Nation's total production of goods and services, known as gross domestic product (GDP), and the incomes generated in its production. GDP is measured as the sum of final expenditures—consumer spending, private investment, net exports, and government consumption and investment. Because the NIPAs are widely used in economic analysis, it is important to show the NIPA presentation of Federal transactions.

Federal transactions are included in the NIPAs as part[1] of the government sector. The concepts for the Federal sector have been designed to measure certain important economic effects of Federal transactions in a way that is consistent with the conceptual structure of the entire set of integrated accounts. The NIPA Federal sector is not itself a budget, because it is not a financial plan for proposing, determining, and controlling the fiscal activities of the Government. Rather, it is an accounting translation of the budget to meet specialized and important needs, chiefly the measurement of the impact of Federal receipts, current expenditures, and the current surplus or deficit on the national economy. NIPA concepts differ in many ways from budget concepts, and therefore the NIPA presentation of Federal finances is significantly different from that of the budget.

GDP is a measure of the Nation's final output, which excludes intermediate product to avoid double counting. Government consumption expenditures and gross investment are included in GDP as part of final output, together with personal consumption expenditures, gross private domestic investment, and net exports of goods and services. Other Federal expenditures—transfer payments, grants to State and local governments, subsidies, and net interest payments—are not final output. An entire set of receipt and current expenditure transactions of the Federal Government is prepared as one sector of the NIPAs; however, when the accounts for all the sectors are consolidated into an account for the Nation as a whole, transfer payments, grants, subsidies, and interest are canceled out by the receipt of those payments as income in other sectors. This leaves only government consumption expenditures and gross investment—State and local as well as Federal—to be included in final output.

Differences Between the NIPAs and the Budget

Federal transactions in the NIPAs are measured according to NIPA accounting concepts in order to be compatible with the purposes of the NIPAs and other transactions recorded in the NIPAs. As a result they differ from the budget in netting, timing, and coverage. These differences cause total receipts and expenditures in the NIPAs to differ from total receipts and outlays in the budget. Differences in timing and coverage also cause the NIPA current surplus or deficit to differ from the budget surplus or deficit. Netting differences have equal effects on receipts and expenditures and thus have no effect on the current surplus or deficit. Besides these differences, the NIPAs combine transactions into different categories from those used in the budget.

Netting differences arise when the budget records certain transactions as offsets to outlays while they are recorded as receipts in the NIPAs (or vice versa). The budget treats all income that comes to the Government due to its sovereign powers—mainly, but not exclusively, taxes—as governmental receipts. On the other hand, the budget offsets against outlays any income that arises from voluntary business-type transactions with the public. The NIPAs generally follow this concept as well, and all income to government enterprises such as the Postal Service or the power administrations is offset against expenditures. However, the NIPAs have a narrower definition of "business-type transactions". Rents, royalties, and regulatory or inspection fees are recorded in the NIPAs as Government receipts (business nontaxes). The NIPAs include Medicare premiums as Government receipts, while the budget classifies them as business-type transactions.

In the budget, any intragovernmental income from one account to another is offset against outlays rather than being recorded as a receipt. Government contributions for employee pensions are an example: the budget offsets these payments against outlays. In contrast, the NIPAs treat the Federal Government like any other employer and show contributions for employee pensions and social insurance as expenditures by the employing agencies and governmental (rather than offsetting) receipts to the appropriate social insurance funds. The NIPAs also impute certain transactions that are not explicit in the budget. For example, unemployment benefits for Federal employees are financed by direct appropriations rather than social insurance contributions. The NIPAs impute social insurance contributions by employing agencies to finance these benefits—again, treating the Federal Government like any other employer.

Timing differences for receipts occur because the NIPAs generally record personal taxes and social insurance contributions when they are paid and business taxes when they accrue, while the budget generally records receipts when they are received. A type of timing difference arises on the expenditure side because

[1] The other part of the government sector is a single consolidated set of transactions for all U.S. State and local units of government combined.

of the NIPA treatment of government investment. The budget includes outlays for Federal investments as they are paid for, while the Federal sector of the NIPAs instead includes a depreciation charge on past investments ("consumption of general government fixed capital") among "current expenditures." The inclusion of depreciation on fixed capital (structures and equipment) in current expenditures is a proxy for the services of capital; i.e., for its contribution to government output of public services.

The budget and the NIPAs also have coverage differences. The NIPAs exclude transactions with U.S. territories. The NIPAs also exclude the proceeds from the sales of nonproduced assets such as land. Bonuses paid on Outer Continental Shelf oil leases and proceeds from broadcast spectrum auctions are shown as offsetting receipts in the budget and are deducted from budget outlays. In the NIPAs these transactions are excluded as an exchange of assets with no production involved.

Financial transactions such as loan disbursements, loan repayments, loan asset sales, and loan guarantees are excluded from the NIPAs on the grounds that such transactions simply involve an exchange of assets. In contrast, under the Federal Credit Reform Act of 1990, for direct loan obligations and loan guarantee commitments made after 1991, the budget records the estimated subsidy cost of the direct loan or loan guarantee as an outlay when the loan is disbursed. The cash flows with the public are recorded in nonbudgetary accounts as a means of financing the budget rather than as budgetary transactions themselves. This treatment recognizes that part of a Federal direct loan is an exchange of assets with equal value but part is a subsidy to the borrower. It also recognizes the subsidy normally granted by loan guarantees. In the NIPAs, neither the subsidies nor the loan transactions are included; however, the NIPAs include all interest transactions with the public, including net interest paid to the financing accounts.

Deposit insurance outlays for resolving failed banks and thrift institutions are similarly excluded from the NIPAs on the grounds that there are no offsetting current income flows from these transactions. In 1991, this exclusion was the largest difference between the NIPAs and the budget and tended to make the budget deficit larger than the NIPA current deficit. In subsequent years, as assets acquired from failed financial institutions have been sold, these collections tended to make the budget deficit smaller than the NIPA current deficit.

Federal Sector Receipts

Table 16–1 shows Federal receipts in the four major categories used in the NIPAs, which are similar to the budget categories but with significant differences.

Table 16–1. FEDERAL TRANSACTIONS IN THE NATIONAL INCOME AND PRODUCT ACCOUNTS, 1989–2000

(In billions of dollars)

Description	Actual										Estimate	
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
RECEIPTS												
Personal tax and nontax receipts	458.3	477.3	477.4	485.8	513.3	555.2	598.2	670.1	753.2	851.8	898.1	925.3
Corporate profits tax accruals	119.1	116.5	111.5	115.4	130.6	152.5	178.0	191.0	205.4	211.1	207.8	210.9
Indirect business tax and nontax accruals	61.7	63.6	75.8	80.9	85.2	97.1	94.7	89.7	97.6	95.6	95.3	112.3
Contributions for social insurance	430.8	455.1	476.7	499.0	522.7	551.7	579.0	598.7	635.9	669.3	703.7	738.4
Total receipts	1,069.9	1,112.5	1,141.5	1,181.0	1,251.8	1,356.5	1,449.9	1,549.5	1,692.1	1,828.1	1,904.9	1,987.0
CURRENT EXPENDITURES												
Consumption expenditures	401.4	419.9	444.4	447.6	449.9	445.6	444.4	441.6	457.8	455.1	473.1	477.3
Defense	301.8	308.8	326.0	318.0	313.2	305.7	299.7	297.2	305.9	302.6	307.9	305.9
Nondefense	99.7	111.1	118.4	129.6	136.7	139.9	144.6	144.4	151.9	152.5	165.2	171.4
Transfer payments	461.4	505.6	509.6	607.4	651.6	678.3	713.7	751.9	785.3	805.1	844.0	881.6
To persons	449.7	490.7	535.7	595.8	634.3	661.9	699.6	737.8	772.0	793.6	831.6	869.0
To the rest of the world	11.7	14.9	–26.1	11.5	17.3	16.4	14.2	14.1	13.3	11.6	12.3	12.6
Grants-in-aid to State and local governments	115.8	128.4	147.1	168.4	180.3	197.2	211.9	216.2	221.5	235.4	257.0	277.5
Net interest paid	161.9	178.5	187.1	197.9	192.2	195.6	220.3	227.5	231.2	233.4	215.3	202.1
Subsidies less current surplus of Government enterprises	32.9	29.5	31.7	34.1	38.7	38.4	36.2	33.7	33.4	28.6	30.8	29.4
Wage disbursements less accruals	....	....	*	....	....	....	....	....	....	....	....	....
Total current expenditures	1,173.4	1,261.9	1,319.9	1,455.3	1,512.6	1,555.1	1,626.5	1,670.9	1,729.2	1,757.6	1,820.2	1,867.9
Current surplus or deficit (–)	–103.5	–149.4	–178.4	–274.3	–260.8	–198.6	–176.6	–121.3	–37.0	70.4	84.7	119.1
ADDENDUM												
Gross investment	72.2	75.8	77.7	75.7	73.2	67.6	67.5	67.3	60.2	60.4	64.0	63.1
Defense	58.2	59.1	60.3	55.2	50.9	48.5	47.1	47.3	39.6	39.4	41.6	39.4
Nondefense	14.1	16.7	17.4	20.5	22.3	19.0	20.3	20.1	20.6	21.0	22.4	23.7

* $50 million or less.

Personal tax and nontax receipts is the largest category. It is composed primarily of personal income taxes, but also includes estate and gift taxes, fees, fines, and other receipts from persons.

Corporate profits tax accruals differs in classification from the corresponding budget category primarily because the NIPAs include the deposit of earnings of the Federal Reserve System as corporate profits taxes, while the budget treats these collections as miscellaneous receipts. The timing difference between the NIPAs and the budget is especially large for corporate receipts.

Indirect business tax and nontax accruals is composed of excise taxes, customs duties, royalties, fines, and other receipts from business.

Contributions for social insurance differs from the corresponding budget category primarily because: (1) the NIPAs include Federal employer contributions for employee retirement in this category as a Government receipt, while the budget offsets the contributions against outlays as undistributed offsetting receipts; (2) the NIPAs include premiums for Part B of Medicare as Government receipts, while the budget nets them against outlays; and (3) the NIPAs impute contributions for Federal employees' unemployment insurance and workers' compensation.

Federal Sector Current Expenditures

Table 16–1 shows current expenditures in the six major NIPA categories, which are very different from the budget categories.

Government consumption expenditures are the goods and services purchased by the Federal Government in the current account, including compensation of employees and depreciation. This category is a new one introduced three years ago as part of the regular comprehensive revision of the NIPAs. It replaced a category, government purchases of goods and services, that included gross investment spending rather than depreciation charges on federally owned fixed capital ("consumption of general government fixed capital"), as the new category does. Gross investment (shown as addendum items in Table 16–1) is thus excluded from current expenditures in computing the government current surplus or current deficit on a NIPA basis, where depreciation is included. The NIPAs treat State and local fixed capital in the same way—regardless of the extent to which it is financed from Federal grants in aid or from State and local own source receipts.

Although gross investment is not included in government current expenditures, both government gross investment and current consumption expenditures (including depreciation) are included in total GDP (both in current estimates and in historical NIPA data), which makes the treatment of the government sectors in the NIPAs similar to that of the private sector.

Transfer payments are the largest expenditure category. Transfer payments to persons are mainly for income security and health programs, such as Social Security and Medicare. Transfer payments to the rest of the world include grants to foreign governments and payments under Social Security and other similar programs to individuals living abroad.

Grants-in-aid to State and local governments help finance a range of programs, including income security,

Table 16–2. RELATIONSHIP OF THE BUDGET TO THE FEDERAL SECTOR, NIPA

	Actual										Estimate	
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
RECEIPTS												
Budget receipts	991.2	1,032.0	1,055.0	1,091.3	1,154.4	1,258.6	1,351.8	1,453.1	1,579.3	1,721.8	1,806.3	1,883.0
Coverage differences	–1.4	–1.6	–1.7	–1.8	–1.9	–2.1	–2.3	–2.3	–2.6	–5.5	–5.6	–7.7
Contributions to government employee retirement funds (grossing)	60.9	62.2	66.0	67.6	67.3	66.9	66.5	65.0	71.3	72.1	73.2	76.4
Other netting and grossing	13.9	16.6	20.9	25.5	29.3	31.2	29.6	30.0	34.0	31.3	29.4	32.2
Timing differences	3.6	3.5	2.2	–1.0	3.6	4.6	6.7	5.7	11.9	11.0	4.2	5.7
Other	1.7	–0.2	–0.9	–0.6	–0.9	–2.7	–2.4	–1.9	–1.7	–2.7	–2.5	–2.6
NIPA receipts	1,069.9	1,112.5	1,141.5	1,181.0	1,251.8	1,356.5	1,449.9	1,549.5	1,692.1	1,828.1	1,904.9	1,987.0
EXPENDITURES												
Budget outlays	1,143.7	1,253.2	1,324.4	1,381.7	1,409.4	1,461.7	1,515.7	1,560.5	1,601.2	1,652.6	1,727.1	1,765.7
Net lending	–10.7	1.4	–2.9	–5.0	–5.4	0.4	–15.9	–16.0	–17.2	–19.5	–34.4	–20.6
Deposit insurance and other financial transactions	–9.9	–56.1	–65.0	–4.7	24.1	7.5	20.8	15.2	17.5	5.1	8.8	3.0
Net purchases of nonproduced assets	0.7	1.0	–0.2	–0.2	–0.2	–0.2	7.4	0.1	10.1	5.4	0.8	4.5
Other coverage differences	–6.4	–6.9	–7.4	–5.0	–7.6	–5.4	–2.3	1.4	3.1	–0.5	7.7	0.4
Contributions to government employee retirement funds	60.9	62.2	66.0	67.6	67.3	66.9	66.5	65.0	71.3	72.1	73.2	76.4
Other netting and grossing differences	13.9	16.6	20.9	25.5	29.3	31.2	29.6	30.0	34.0	31.3	29.4	32.2
Difference between investment and depreciation	–15.9	–16.3	–14.3	–10.3	–5.8	1.6	2.9	3.4	10.5	9.4	5.5	6.5
Other timing differences	–2.9	6.8	–1.6	5.7	1.5	–8.6	1.6	11.2	–1.3	1.8	2.2	–0.2
NIPA current expenditures	1,173.4	1,261.9	1,319.9	1,455.3	1,512.6	1,555.1	1,626.5	1,670.9	1,729.2	1,757.6	1,820.2	1,867.9

Medicaid, capital expenditures on infrastructure, and others.

Net interest paid is the interest paid by the Government on its debt (excluding debt held by trust funds and other Government accounts), less interest received on its loans.

Subsidies less current surplus of Government enterprises consist of two elements: (1) subsidy payments for resident businesses; and (2) the current surplus (or deficit) of "Government enterprises," such as the Postal Service, which are business-type operations of Government that usually appear in the budget as public enterprise revolving funds. Depreciation (consumption of enterprise fixed capital) is netted in calculating the current surplus of government enterprises.

NIPA subsidies do not include the imputed credit subsidies estimated as budget outlays under credit reform. Rather, loans and guarantees are categorized as financial transactions and are excluded from the NIPAs except for associated interest and fees.

Wage disbursements less accruals is an adjustment that is necessary to the extent that the wages paid in a period differ from the amount earned in the period.

Differences in the Estimates

Since the introduction of the unified budget in January 1968, NIPA receipts have exceeded budget receipts in each year, due principally to their inclusion of employer contributions for employee retirement. NIPA current expenditures have usually been higher than budget outlays for the same reason. However, two components of budget outlays are sometimes sufficiently large in combination to match the netting adjustments. These are financial transactions and payments to U.S. territories. Large outlays associated with resolving the failed savings and loan associations and banks in 1990 and 1991 made those year's budget outlays nearly equal to NIPA current expenditures. With the change in budgetary treatment of direct loans in 1992 under credit reform, one type of financial transaction—direct loans to the public—has been recorded in the budget in a way that is closer to the NIPA treatment. Disbursement and repayment of loans are now recorded outside the budget as in the Federal sector of the NIPAs, although, unlike the NIPAs, credit subsidies are recorded as budget outlays.

During the period 1975–1992, the budget deficit exceeded the Federal current deficit as measured in the NIPAs every year. The largest difference, $91.0 billion,

Table 16–3. FEDERAL RECEIPTS AND EXPENDITURES IN THE NIPAs, QUARTERLY, 1998–2000

(In billions of dollars; seasonally adjusted at annual rates)

Description	Actual				Estimate							
	Oct.-Dec. 1997	Jan.-Mar. 1998	Apr.-June 1998	July-Sept. 1998	Oct.-Dec. 1998	Jan.-Mar. 1999	Apr.-June 1999	July-Sept. 1999	Oct.-Dec. 1999	Jan.-Mar. 2000	Apr.-June 2000	July-Sept. 2000
RECEIPTS												
Personal tax and nontax receipts	798.6	836.5	855.7	863.8	NA	868.7	880.3	889.6	897.2	905.5	910.4	914.6
Corporate profits tax accruals	212.8	204.8	206.2	207.5	NA	209.0	208.2	207.9	209.6	208.6	212.8	214.1
Indirect business tax and nontax accruals	93.8	93.9	95.2	98.3	NA	96.5	96.9	99.8	111.9	114.1	115.6	116.7
Contributions for social insurance	660.3	673.9	681.2	689.2	NA	707.9	714.1	719.8	725.2	739.0	745.6	752.2
Total receipts	1,765.5	1,809.1	1,838.3	1,858.8	NA	1,882.1	1,899.6	1,917.2	1,943.9	1,967.2	1,984.4	1,997.6
CURRENT EXPENDITURES												
Consumption expenditures	460.1	450.9	463.9	458.7	NA	470.5	478.4	484.5	480.5	479.7	475.0	468.3
Defense	304.8	293.3	303.0	302.9	NA	306.5	312.4	317.4	312.8	309.3	304.3	297.3
Nondefense	155.3	157.6	160.9	155.8	NA	164.0	166.0	167.1	167.7	170.4	170.7	171.0
Transfer payments	805.9	808.5	811.1	817.0	NA	846.0	852.7	860.4	876.7	886.5	889.3	898.0
To persons	784.4	798.6	802.1	805.8	NA	836.2	842.9	848.4	852.7	874.5	880.4	887.0
To the rest of the world	21.5	9.9	9.0	11.2	NA	9.9	9.9	12.0	24.0	12.0	8.9	11.0
Grants-in-aid to State and local governments	231.8	228.7	226.9	231.4	NA	247.8	256.2	265.6	264.9	270.8	271.7	279.2
Net interest paid	231.8	228.8	228.3	225.7	NA	214.2	209.6	205.4	201.7	199.2	197.6	196.8
Subsidies less current surplus of Government enterprises	33.7	33.4	33.5	34.0	NA	33.3	33.5	33.9	35.1	34.6	34.9	35.3
Wage disbursements less accruals	....	....	....	....	NA	....	....	....	....	....	....	....
Total current expenditures	1,763.4	1,750.3	1,763.9	1,766.7	NA	1,811.9	1,830.3	1,849.8	1,859.0	1,870.9	1,868.6	1,877.6
Current deficit (–)	2.1	58.8	74.4	92.0	NA	70.3	69.3	67.4	85.0	96.3	115.8	119.9
ADDENDUM												
Gross investment	60.0	60.7	56.8	60.7	NA	62.0	64.0	64.2	62.5	62.6	61.1	64.4
Defense	41.7	38.3	36.8	40.9	NA	40.6	42.1	41.7	39.8	39.6	37.7	40.6
Nondefense	18.3	22.4	20.0	19.9	NA	21.4	21.9	22.4	22.7	22.9	23.4	23.8

NA = Not available.
* $50 million or less.

occurred in 1991 as a result of resolving failed financial institutions as discussed above; the budget deficit was then $269.4 billion, while the NIPA current deficit was $178.4 billion. In 1993 and 1995–1997, the NIPA current account deficit was slightly above the budget deficit, while for 1998–2000, the NIPA current account surplus is projected to be higher than the budget surplus.

Table 16–1 displays Federal transactions using NIPA concepts with actual data for the years 1989–1998 and estimates for 1999 and 2000 consistent with the Administration's budget proposals. Table 16–2 summarizes the reasons for differences between the data using budget concepts and NIPA concepts. Table 16–3 displays quarterly data using NIPA concepts beginning in October 1997. Annual NIPA data for 1960–2000 are published in Section 14 of a separate budget volume, *Historical Tables, Budget of the U.S. Government, Fiscal Year 2000*.

Additional detailed estimates of receipts and current expenditures will be published in a forthcoming issue of the Department of Commerce publication, *Survey of Current Business*.

17. COMPARISON OF ACTUAL TO ESTIMATED TOTALS FOR 1998

The following three parts of this chapter compare the actual total receipts, outlays, and surplus for 1998 with the current services estimates[1] shown in the FY 1998 Budget published in February 1997. The fourth part of this chapter shows additional details for a comparison of mandatory and related programs, and the final part reconciles actual receipts, outlays, and surplus totals for 1998 previously published by the Department of the Treasury with those in this budget.

Receipts

Receipts in 1998 were $1,721.8 billion, which is $148.0 billion greater than the current services estimate of $1,573.8 billion in the 1998 Budget. As shown in Table 17–1, this increase was the net effect of legislative and administrative changes; economic conditions that differed from what had been expected; and technical factors that resulted in different collection patterns and effective tax rates than had been assumed.

Policy differences.—The Taxpayer Relief Act of 1997 (TRA 97), the Balanced Budget Act of 1997, and the Internal Revenue Service Restructuring and Reform Act of 1998 were the only major laws enacted after February 1997 that affected 1998 receipts. In total, the changes provided in these Acts, together with several minor legislative and administrative changes, reduced 1998 receipts by a net $10.0 billion.

Economic differences.—Differences between the economic assumptions upon which the current services estimates were made and actual economic performance accounted for a net increase in 1998 receipts of $38.5 billion. Higher-than-anticipated wages and salaries and non-wage sources of personal income were in large part responsible for the increases in individual income taxes and social insurance and retirement receipts of $20.9 billion and $16.4 billion, respectively. Higher-than-expected corporate profits increased corporation income taxes $0.4 billion above the budget estimate. Excise taxes and estate and gift taxes were also above the budget estimate, in large part attributable to higher-than-estimated levels of nominal gross domestic product (GDP). Higher-than-expected imports and higher-than-expected interest rates increased customs duties and miscellaneous receipts above the budget estimates by $0.1 billion and $0.3 billion, respectively.

Technical reestimates.—Higher-than-anticipated collections of individual income taxes accounted for $108.1 billion of the $119.5 billion increase in 1998 receipts attributable to technical factors. Higher-than-anticipated withheld and estimated payments of 1998 liability, attributable in large part to higher effective tax rates than estimated in February 1997, were in large part responsible for the increase in individual income tax receipts. Higher-than-anticipated net final settlements of 1997 individual income tax liability also contributed to the increase in individual income taxes. Different collections patterns and effective tax rates than assumed in February 1997 were primarily responsible for the higher-than-anticipated collections of corporation income taxes of $2.1 billion. Greater-than-anticipated numbers and values of taxable estates increased estate and gift taxes $5.2 billion above the budget estimate. The failure of taxpayers to take full advantage of a deposit rule change enacted in TRA 97, which shifted the due date for the deposit of certain Highway Trust Fund taxes (otherwise due after July 31, 1998 and before October 1, 1998) to October 5, 1998, was in large part responsible for the net technical revision in excise tax receipts. Increased deposits of earnings by the Federal Reserve, attributable to higher-

[1] The current services concept is discussed in Chapter 14: "Current Services Estimates." For mandatory programs and receipts the February 1997 current services estimate is based on laws then in place. For discretionary programs the current services estimate is based on the prior year estimates adjusted for inflation.

Table 17–1. COMPARISON OF ACTUAL 1998 RECEIPTS WITH THE INITIAL CURRENT SERVICES ESTIMATES

(In billions of dollars)

	Feb. 1997 estimate	Enacted legislation/ administrative actions	Different economic conditions	Technical factors	Net change	Actual
Individual income taxes	708.4	–8.8	20.9	108.1	120.2	828.6
Corporation income taxes.	187.0	–0.9	0.4	2.1	1.7	188.7
Social insurance and retirement receipts	557.9	–1.1	16.4	–1.4	13.9	571.8
Excise taxes	53.3	1.2	0.3	2.9	4.4	57.7
Estate and gift taxes	18.8	–0.0	0.1	5.2	5.3	24.1
Customs duties	19.1	–0.6	0.1	–0.4	–0.8	18.3
Miscellaneous receipts	29.3	0.1	0.3	2.9	3.3	32.7
Total	**1,573.8**	**–10.0**	**38.5**	**119.5**	**148.0**	**1,721.8**

than-expected asset values on securities denominated in foreign currencies, and higher-than-expected contributions to the Universal Service Fund, accounted for most of the $2.9 billion increase in miscellaneous receipts. Lower-than-estimated unemployment insurance receipts accounted for most of the reduction in social insurance and retirement receipts relative to the budget estimate. Customs duties were reduced $0.4 billion below the budget estimate, in large part because of lower-than-estimated taxable activity.

Outlays

Outlays for 1998 were $1,652.6 billion. This was $40.8 billion less than the $1,693.4 billion current services estimate in the 1998 Budget (February 1997).

Table 17–2 distributes the $40.8 billion net decrease in outlays among discretionary and mandatory programs and net interest. The table also makes rough estimates according to three reasons for the changes: policy; economic conditions; and technical estimating differences, a residual.

Policy changes are the result of actions by the Congress or the Administration that change spending levels, primarily through higher or lower appropriations or changes in authorizing legislation. For 1998, policy changes increased outlays an estimated $0.2 billion relative to the initial current services estimates.

Policy changes increased discretionary outlays $2.1 billion because outlays from final appropriations were above the initial current services estimates. Policy changes decreased mandatory outlays $2.2 billion below current law. The largest change decreased Medicare outlays by $8.7 billion. This and other decreases were partially offset by increases in several programs, including Medicaid, supplemental security income, and children's health programs. (Mandatory programs are mostly formula benefit or entitlement programs not normally controlled by annual appropriations.)

Economic conditions that differed from those forecast in February 1997 resulted in a net outlay decrease of $9.4 billion. Outlays for mandatory programs decreased an estimated $10.3 billion, largely due to lower than expected unemployment rates, which in turn resulted in lower outlays for unemployment compensation and food stamps. Outlays for net interest increased $0.8 billion due to a combination of changes in interest rates and changes in borrowing requirements that resulted from the effect of economic factors on receipts and outlays.

Technical estimating differences and other changes result from changes in such factors as the number of beneficiaries for entitlement programs, crop conditions, or other factors not associated with policy changes or economic conditions. Technical changes accounted for a net decrease of $31.6 billion. Large decreases occurred for Social Security, Medicare, and Medicaid. The decreases were partially offset by lower than expected revenues from the auction of spectrum licenses.

Deficit/Surplus

The preceding two sections discussed the differences between the initial current services estimates and the actual amounts of Federal Government receipts and outlays for 1998. This section combines these effects to show the net impact of these differences on the deficit or surplus.

As shown in Table 17–3, the 1998 current services deficit was initially estimated to be $119.5 billion. The actual surplus was $69.2 billion, which was a $188.8 billion change from the initial estimate. Receipts were $148.0 billion more than the initial estimate, and outlays were $40.8 billion less. The table shows the distribution of the changes according to the categories in the preceding two sections.

The net effect of policy decreases for receipts and outlays increased the deficit $10.2 billion.

Economic conditions that differed from the initial assumptions in February 1997 accounted for an estimated $47.9 billion decrease in the deficit. This was the combined effect of an increase in receipts of $38.5 billion

Table 17–2. COMPARISON OF ACTUAL 1998 OUTLAYS WITH THE INITIAL CURRENT SERVICES ESTIMATES

(In billions of dollars)

	Current Services (Feb. 1997)	Changes				Actual
		Policy	Economic	Technical	Total changes	
Discretionary:						
Defense	265.4	–1.0	....	5.8	4.8	270.2
Nondefense	288.0	3.1	....	–6.6	–3.5	284.4
Subtotal, discretionary.	553.4	2.1	....	–0.8	1.3	554.7
Mandatory:						
Deposit insurance	–3.9	....	....	–0.5	–0.5	–4.4
Other programs	894.0	–2.2	–10.3	–22.6	–35.1	858.9
Subtotal, mandatory	890.0	–2.2	–10.3	–23.1	–35.5	854.5
Net interest	249.9	0.3	0.8	–7.7	–6.6	243.4
Total outlays	**1,693.4**	**0.2**	**–9.4**	**–31.6**	**–40.8**	**1,652.6**

Table 17–3. COMPARISON OF THE ACTUAL 1998 SURPLUS WITH THE INITIAL CURRENT SERVICES ESTIMATES OF THE DEFICIT

(In billions of dollars)

	Current Services (Feb. 1997)	Changes				Actual
		Policy	Economic	Technical	Total changes	
Receipts	1,573.8	–10.0	38.5	119.5	148.0	1,721.8
Outlays	1,693.4	0.2	–9.4	–31.6	–40.8	1,652.6
Surplus/deficit (–)	**–119.5**	**–10.2**	**47.9**	**151.1**	**188.8**	**69.2**

Note: Surplus/deficit (–) changes are receipts minus outlays. For these changes, a plus indicates a decrease in the deficit or an increase in the surplus.

and a decrease in outlays of $9.4 billion. Technical factors decreased the deficit by an estimated $151.1 billion. This was due to an increase in receipts of $119.5 billion and a decrease in outlays of $31.6 billion for technical estimating reasons.

Comparison of the Actual and Estimated Outlays for Mandatory and Related Programs for 1998

This section compares the original 1998 outlay estimates for mandatory and related programs under current law in the 1998 Budget (February 1997) with the actual outlays. Mandatory and related programs are programs with permanent spending authority that is generally controlled by authorizing legislation rather than by annual appropriations. Outlays for these programs depend on eligibility criteria, benefit levels, and other factors established in law. Major examples of these programs include Social Security and Medicare benefits for the elderly, agricultural price support payments to farmers, and deposit insurance for banks and thrift institutions. This category also includes net interest outlays and undistributed offsetting receipts.

A number of factors may cause differences between the amounts estimated in the budget and the actual outlays. For example, legislation may change benefit rates or coverage; the actual number of beneficiaries may differ from the number estimated; or economic conditions (such as inflation or interest rates) may differ from what was assumed in making the original estimates.

Table 17–4 shows the differences between the actual outlays for these programs in 1998 and the amounts originally estimated in the 1998 Budget, based on laws in effect at that time. Actual outlays for mandatory spending and net interest in 1998 were $1,097.9 billion, which was $42.1 billion less than the initial estimate of $1,140.0 billion, based on existing law in February 1997.

Actual outlays for mandatory human resources programs were $900.9 billion, $36.8 billion less than originally estimated. This decrease was the net effect of legislative action, differences between actual and assumed economic conditions, differences between the anticipated and actual number of beneficiaries, and other technical differences.

Outlays for other functions were $4.9 billion less than originally estimated. Undistributed offsetting receipts were $6.1 billion lower than expected, largely due to lower-than-expected receipts from the sale of spectrum licenses.

Outlays for net interest were $243.4 billion or $6.6 billion less than the original estimate. This decrease was the net effect of changes in interest rates from those initially assumed, lower borrowing requirements due to a lower-than-estimated deficit for 1997 and an actual surplus in 1998, and technical factors.

Table 17–4. COMPARISON OF ACTUAL AND ESTIMATED OUTLAYS FOR MANDATORY AND RELATED PROGRAMS UNDER CURRENT LAW

(In billions of dollars)

	1998		
	Feb. 1997 estimate	Actual	Change
Mandatory outlays:			
Human resources programs:			
Education, training, employment, and social security	12.7	12.4	–0.3
Health:			
Medicaid	104.5	101.2	–3.2
Other	5.1	5.4	0.2
Total health	109.6	106.6	–3.0
Medicare	208.6	190.2	–18.4
Income security:			
Retirement and disability	78.3	77.6	–0.7
Unemployment compensation	24.7	19.6	–5.1
Food and nutrition assistance	33.9	29.2	–4.7
Other	66.8	65.9	–0.9
Total, income security	203.8	192.3	–11.5
Social security	380.9	376.1	–4.8
Veterans benefits and services:			
Income security for veterans	21.2	21.3	0.1
Other	0.9	2.0	1.1
Total veterans benefits and services	22.0	23.3	1.2
Total mandatory human resources programs	937.7	900.9	–36.8
Other functions:			
Agriculture	8.2	7.9	–0.3
Deposit insurance	–3.9	–4.4	–0.5
Other functions	1.4	–2.8	–4.1
Total, other functions	5.6	0.8	–4.9
Undistributed offsetting receipts:			
Employer share, employee retirement	–35.3	–34.9	0.4
Rents and royalties on the outer continentals	–4.4	–4.5	–0.1
Other undistributed offsetting receipts	–13.7	–7.8	5.9
Total undistributed offsetting receipts	–53.3	–47.2	6.1
Total, mandatory	890.0	854.5	–35.5
Net interest:.			
Interest on the public debt	365.2	363.8	–1.4
Interest received by trust funds	–108.1	–113.8	–5.8
Other interest	–7.2	–6.6	0.6
Total net interest	249.9	243.4	–6.6
Total outlays for mandatory and net interest	1,140.0	1,097.9	–42.1

Reconciliation of Differences with Amounts Published by Treasury for 1998

Table 17–5 provides a reconciliation of the receipts, outlays, and surplus totals published by the Department of the Treasury in the September 30, 1998, Monthly Treasury Statement and those published in this budget. The Department of the Treasury made technical adjustments to the estimates for the U.S. Government Annual Report, which lowered receipts by $12 million and outlays by $189 million. Additional adjustments made for this budget increased receipts by $389 million and outlays by $1,358 million. The major changes were for Federal family education loans and transactions of the United Mine Workers of America benefit funds.

Table 17–5. RECONCILIATION OF FINAL AMOUNTS FOR 1998

(In millions of dollars)

	Receipts	Outlays	Surplus
Totals published by Treasury (September 30, 1998, Monthly Treasury Statement)	1,721,421	1,651,383	70,039
Miscellaneous Treasury adjustments	–12	–189	176
Totals published by Treasury in U.S. Government Annual Report	1,721,409	1,651,194	70,215
Federal family education loans	....	971	–971
United Mine Workers of America benefit funds	340	340	....
Other	49	47	2
Total adjustments, net	389	1,358	–969
Totals in the budget	1,721,798	1,652,552	69,246
MEMORANDUM:			
Total change since September 30, 1998, Monthly Treasury Statement	377	1,169	–793

18. RELATIONSHIP OF BUDGET AUTHORITY TO OUTLAYS

Budget authority is the authority for Federal agencies to enter into obligations that will result in immediate or future outlays.[1] Budget authority is provided in laws, and Federal agencies cannot obligate the Government to make outlays until budget authority is provided. New budget authority for most Federal programs is provided in 13 annually enacted appropriations acts.[2] However, new budget authority for more than half of all outlays, mainly trust fund spending, is made available through permanent appropriations under existing laws. For most trust funds the budget authority for a year is automatically appropriated under existing law from the available balance of their receipts and equals the estimated annual obligations of the funds for that year. Automatic appropriations also cover interest on the public debt, for which budget authority is provided under a permanent appropriation enacted in 1847; and the authority to spend offsetting collections credited to appropriation or fund accounts.

Not all of the new budget authority for the year 2000 will be obligated or spent in 2000:[3]

- Budget authority for most trust funds comes from the authority of these funds to spend their receipts (limited, in most cases, by the estimated obligations). Any unexpended balances remain available to these trust funds indefinitely to finance future benefits and for other purposes specified by law.
- Budget authority for most major construction and procurement projects covers the entire cost estimated when the projects are initiated, even though work will take place and outlays will be made over a period extending beyond the year for which the budget authority is enacted.
- Until recent years, budget authority for large portions of the subsidized housing programs was equal to the Government's estimated obligation to pay subsidies under contracts, which extended for periods of up to 40 years. These contracts are now for one year only, and budget authority is provided to meet annual requirements.
- New budget authority for most other long-term contracts covers the estimated maximum obligation of the Government.
- Budget authority for most education and job training activity is appropriated for school or program years that begin in the fourth quarter of the fiscal year. Most of these funds result in outlays in the year after the year of appropriation.
- Government enterprises are occasionally given budget authority for standby reserves that will be used only in special circumstances.

As a result of these factors, a substantial amount of budget authority carries over from one year to the next. Most of this is earmarked for specific uses and is not available for new programs. A small part may never be obligated or spent, primarily the amount for contingencies that do not occur or reserves that never have to be used. Also, some budget authority results in an exchange of assets for which no corresponding net outlays are scored; budget authority backing the transfer of certain U.S. subscriptions to the International Monetary Fund is one example.

As shown in the following chart, $318 billion of the outlays in 2000 (18 percent of the total) will be made from budget authority enacted in previous years. At the same time, $336 billion of the new budget authority proposed for 2000 (19 percent of the total amount proposed) will not lead to outlays until future years. Thus, although outlays in 2000 are, coincidentally, very nearly equal to budget authority for that year (99 percent), this coincidence only occurs because the prior-year authority that will produce 2000 outlays ($318 billion) nearly equals the new 2000 authority that will not be spent until future years ($336 billion). In general, then, the total budget authority for a particular year is not directly indicative of that year's outlays, since it combines various types of budget authority that have different short-term and long-term implications for budget obligations and outlays.

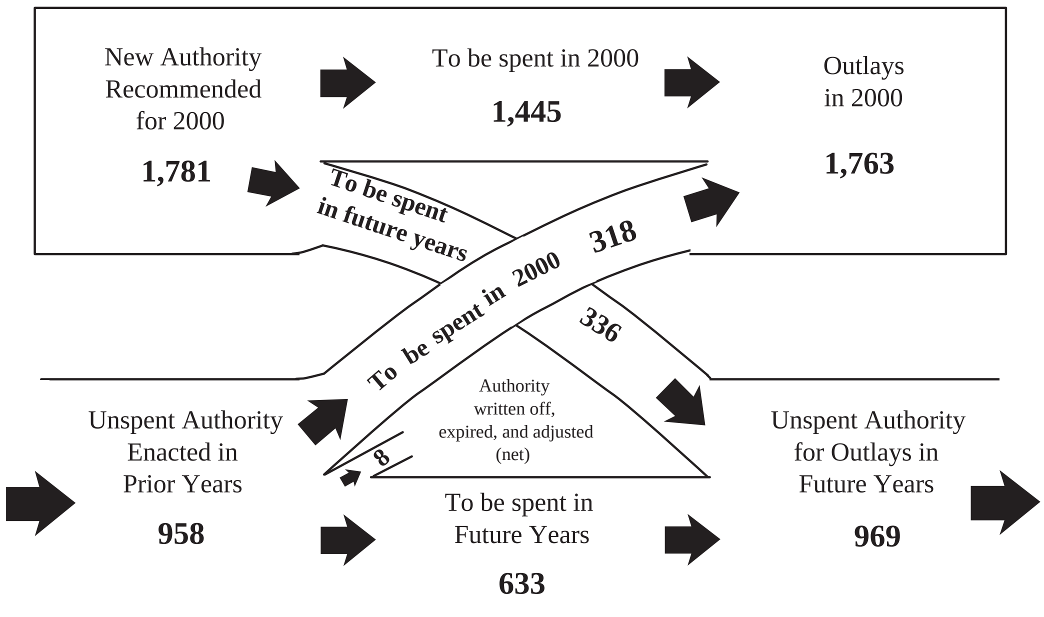
[1] For most budget accounts, the relationship of budget authority, obligations, and outlays is shown in a "program and financing" schedule in the budget *Appendix* volume. The concepts of budget authority, obligations, and outlays are discussed further in Chapter 23 of the present volume, "Budget System and Concepts and Glossary."

[2] In recent years, many of the 13 "regular" appropriation bills have sometimes been consolidated into a single act.

[3] This subject is also discussed in a separate OMB report, "Balances of Budget Authority," which can be purchased from the National Technical Information Service shortly after the budget is transmitted and is made available, with the other Budget documents, on the Internet.

Chart 18-1. RELATIONSHIP OF BUDGET AUTHORITY TO OUTLAYS FOR 2000

(Dollars in billions)



19. OFF-BUDGET FEDERAL ENTITIES AND NON-BUDGETARY ACTIVITIES

The budget does not include some activities of the Federal Government that result in spending similar to budget outlays. These activities nevertheless channel economic resources toward particular uses in ways that are similar or analogous to budget spending. The budget also does not include some activities that are related to the Government but are non-budgetary by their inherent nature, either because they are not activities of the Government itself or because the transactions are not costs to the Government. Nevertheless, many of these activities are discussed in the budget documents, and in some cases the amounts involved are presented together with budget data.

Off-budget Federal entities.—The Federal Government has used the unified budget concept as the foundation for its budgetary analysis and presentation since the 1969 budget. This concept was developed by the President's Commission on Budget Concepts in 1967. It calls for the budget to include all the Federal Government's programs and all the fiscal transactions of these programs with the public.

Every year since 1971, however, one or more Federal entities have been off-budget. Off-budget Federal entities are federally owned and controlled, but their transactions are excluded from the budget totals by law. When a Federal entity is off-budget, its receipts, outlays, and surplus or deficit are not included in budget receipts, budget outlays, or the budget surplus or deficit; and its budget authority is not included in the totals of budget authority for the budget. The off-budget Federal entities conduct programs of the same type as on-budget entities (i.e., Federal entities included in the budget totals). Most of the tables in the budget include the on-budget and off-budget amounts in combination, or add them together to arrive at the unified or consolidated Government totals, in order to show Federal outlays and receipts comprehensively.

TABLE 19–1. COMPARISON OF TOTAL, ON-BUDGET, AND OFF-BUDGET TRANSACTIONS [1]

(In billions of dollars)

Fiscal Year	Receipts			Outlays			Surplus or deficit (–)		
	Total	On-budget	Off-budget	Total	On-budget	Off-budget	Total	On-budget	Off-budget
1975	279.1	216.6	62.5	332.3	271.9	60.4	–53.2	–55.3	2.0
1976	298.1	231.7	66.4	371.8	302.2	69.6	–73.7	–70.5	–3.2
TQ	81.2	63.2	18.0	96.0	76.6	19.4	–14.7	–13.3	–1.4
1977	355.6	278.7	76.8	409.2	328.5	80.7	–53.7	–49.8	–3.9
1978	399.6	314.2	85.4	458.7	369.1	89.7	–59.2	–54.9	–4.3
1979	463.3	365.3	98.0	504.0	404.1	100.0	–40.7	–38.7	–2.0
1980	517.1	403.9	113.2	590.9	476.6	114.3	–73.8	–72.7	–1.1
1981	599.3	469.1	130.2	678.2	543.1	135.2	–79.0	–74.0	–5.0
1982	617.8	474.3	143.5	745.8	594.4	151.4	–128.0	–120.1	–7.9
1983	600.6	453.2	147.3	808.4	661.3	147.1	–207.8	–208.0	0.2
1984	666.5	500.4	166.1	851.9	686.1	165.8	–185.4	–185.7	0.3
1985	734.1	547.9	186.2	946.4	769.6	176.8	–212.3	–221.7	9.4
1986	769.2	569.0	200.2	990.5	807.0	183.5	–221.2	–238.0	16.7
1987	854.4	641.0	213.4	1,004.1	810.3	193.8	–149.8	–169.3	19.6
1988	909.3	667.8	241.5	1,064.5	861.8	202.7	–155.2	–194.0	38.8
1989	991.2	727.5	263.7	1,143.7	932.8	210.9	–152.5	–205.2	52.8
1990	1,032.0	750.3	281.7	1,253.2	1,028.1	225.1	–221.2	–277.8	56.6
1991	1,055.0	761.2	293.9	1,324.4	1,082.7	241.7	–269.4	–321.6	52.2
1992	1,091.3	788.9	302.4	1,381.7	1,129.3	252.3	–290.4	–340.5	50.1
1993	1,154.4	842.5	311.9	1,409.4	1,142.8	266.6	–255.0	–300.4	45.3
1994	1,258.6	923.6	335.0	1,461.7	1,182.4	279.4	–203.1	–258.8	55.7
1995	1,351.8	1,000.8	351.1	1,515.7	1,227.1	288.7	–163.9	–226.3	62.4
1996	1,453.1	1,085.6	367.5	1,560.5	1,259.6	300.9	–107.4	–174.0	66.6
1997	1,579.3	1,187.3	392.0	1,601.2	1,290.6	310.6	–21.9	–103.3	81.4
1998	1,721.8	1,306.0	415.8	1,652.6	1,335.9	316.6	69.2	–29.9	99.2
1999 estimate	1,806.3	1,362.3	444.0	1,727.1	1,404.0	323.1	79.3	–41.7	121.0
2000 estimate	1,883.0	1,417.7	465.3	1,765.7	1,429.8	335.9	117.3	–12.2	129.5
2001 estimate	1,933.3	1,450.7	482.6	1,799.2	1,450.5	348.7	134.1	0.2	133.9
2002 estimate	2,007.1	1,505.3	501.8	1,820.3	1,460.9	359.5	186.7	44.4	142.3
2003 estimate	2,075.0	1,552.8	522.2	1,893.0	1,521.4	371.6	182.0	31.4	150.7
2004 estimate	2,165.5	1,622.6	542.9	1,957.9	1,572.8	385.2	207.6	49.8	157.8

[1] Off-budget transactions consist of the social security trust funds for all years and the Postal Service fund as of 1989.

The off-budget Federal entities currently consist of the two social security trust funds, old-age and survivors insurance and disability insurance, and the Postal Service fund. Social security was removed from the budget in 1985 and the Postal Service fund in 1989. The Budget Enforcement Act of 1990 excludes these entities from the deficit targets and other enforcement calculations except for the administrative expenses of social security. A number of other entities were off-budget for different periods before 1986 but were moved onto the budget by subsequent law.

The preceding table compares the total Federal Government receipts, outlays, and surplus or deficit with the amounts that are on-budget and off-budget. The estimates do not reflect the President's proposed reform of the social security system. Social security is classified as off-budget for all years, in order to provide consistent comparison over time. The much smaller Postal Service transactions are classified as off-budget starting in 1989. Entities that were off-budget at one time but are now on-budget are classified as on-budget for all years.

In 2000 the off-budget receipts are an estimated 25 percent of total receipts, and the off-budget outlays are an estimated 19 percent of total outlays. The 2000 total surplus of $117 billion consists of an off-budget surplus of $129 billion and an on-budget deficit of $12 billion. The off-budget surplus consists almost entirely of social security. Social security had a small surplus or even a deficit in the 1970s and early 1980s, but the surplus then grew substantially to 1989. It has grown again since 1994 and is estimated to increase each year throughout the projection period.

Federal credit: budgetary and non-budgetary transactions.—The Federal Credit Reform Act of 1990 refined budget concepts by distinguishing between the costs of credit programs, which are budgetary in nature, and the other transactions of credit programs, which are not. For 1992 and subsequent years, the costs of direct loans and loan guarantees have been calculated as the present value of estimated cash outflows from the Government less the present value of estimated cash inflows to the Government. These costs are equivalent to the outlays of other Federal programs and are included in the budget as outlays of credit program accounts when the Federal Government makes a direct loan or guarantees a private loan. The cash transactions with the public—the disbursement and repayment of loans, the payment of default claims on guarantees, the collection of interest and fees, and so forth—are recorded in separate financing accounts. The transactions of the financing accounts are not costs to the Government above and beyond those costs that are already included in the credit program accounts. Therefore, they are non-budgetary in concept, and the Act excludes them from the budget.[1] Because the financing accounts are non-budgetary in concept, they are not classified as off-budget Federal entities.

The budget outlays of credit programs thus reflect only the cost of Government decisions, and they reflect this cost when the Federal credit assistance is provided. This enables the budget to better fulfill its purpose of being a financial plan for allocating resources among alternative uses: comparing the cost of a program with its benefits, comparing the cost of credit programs with the cost of other spending programs, and comparing the cost of one type of credit assistance with the cost of another type. Since the financing accounts do affect the Government's cash position, they change the amount of the Government's borrowing requirement or debt repayment as explained in chapter 12 of this volume, "Federal Borrowing and Debt."[2]

Credit programs are discussed in chapter 8 of this volume, "Underwriting Federal Credit and Insurance."

Federal insurance.—Insurance programs have economic effects and pose financial risks to the Government, but under present budgetary accounting they do not result in budget outlays until an insured event occurs and the Government pays a claim. In this respect their budgetary treatment is similar to the treatment of loan guarantees before the Credit Reform Act. Insurance programs are discussed in chapter 8, "Underwriting Federal Credit and Insurance."

Deposit funds.—Deposit funds are non-budgetary accounts that record amounts held by the Government temporarily until ownership is determined (such as earnest money paid by bidders for mineral leases) or held by the Government as an agent for others (such as State income taxes withheld from Federal employees' salaries and not yet paid to the States). The largest deposit fund is the Thrift Savings Fund, which holds stocks and bonds for Federal employees who participate in the Thrift Savings Plan, a defined contribution retirement plan. Because these assets are the property of the employees and are held by the Government in a fiduciary capacity, the transactions of the fund are not transactions of the Government itself and therefore are non-budgetary in concept. The administrative costs and the transactions of budgetary accounts with the fund are included in the budget.

Beginning in fiscal year 2000, the Federal budget will reclassify as deposit funds those trust funds that are owned by Indian tribes and held and managed in a fiduciary capacity by the Government on the tribes' behalf. These tribal trust funds, together with other trust funds, have been included in the budget totals since the unified budget concept was adopted for the

[1] See sec. 505(b).

[2] For more explanation of the budget concepts for direct loans and loan guarantees, see the section on Federal credit in chapter 23 of this volume, "Budget System and Concepts and Glossary." The structure of credit reform is further explained in chapter VIII.A of the *Budget, Fiscal Year 1992*, Part Two, pp. 223–26. The implementation of credit reform through 1995 is reviewed in chapter 8, "Underwriting Federal Credit and Insurance," *Analytical Perspectives, Budget of the United States Government, Fiscal Year 1997*, pp. 142–44. Refinements and simplifications enacted by the Balanced Budget Act of 1997 or provided by later OMB guidance are explained briefly in chapter 8, "Underwriting Federal Credit and Insurance," *Analytical Perspectives, Budget of the United States Government, Fiscal Year 1999*, p. 170.

1969 budget. However, most tribal trust funds are owned by the Indian tribes and therefore, like the Thrift Savings Fund, are non-budgetary in concept. Reclassification will not affect the ownership of the trust fund assets, the legal obligations of the Secretary of the Interior, or the Federal management of the funds as prescribed by current law. The change in classification is discussed in chapter 15, "Trust Funds and Federal Funds." Deposit funds as such are further discussed in a section of chapter 23, "Budget Systems and Concepts and Glossary."

Government-sponsored enterprises.—The Federal Government has established a number of Government-sponsored enterprises, such as the Federal National Mortgage Association, to provide financial intermediation for specified purposes. They are excluded from the budget on the grounds that they are privately owned and controlled. However, because of their close relationship to the Federal Government, detailed estimates of their activities are reported in a separate chapter of the budget appendix and an assessment is presented in chapter 8 of this volume, "Underwriting Federal Credit and Insurance."

Taxation and tax expenditures.—Taxation provides the Government with income, which is included in the budget as "receipts" and which withdraws purchasing power from the private sector in order to finance Government expenditure. In addition to this primary effect, taxation has important effects on the allocation of resources among private uses and the distribution of income among individuals. These effects are caused by the choice of taxes used to collect receipts and by the rates and other structural characteristics of each tax. These latter effects of taxation on resource allocation and income distribution are analogous to the effects of outlays, but they are not recorded as outlays nor are they measured by receipts. Some of these effects arise from revenue losses caused by special exclusions, exemptions, deductions, and other special provisions. Such revenue losses are defined as "tax expenditures" and are discussed in chapter 5 of this volume, "Tax Expenditures." Tax expenditures are also discussed in the individual chapters of Section VI of the Budget, "Investing in the Common Good: Program Performance in Federal Functions," in conjunction with the outlays and regulations that serve the same major purposes.

Regulation.—Some types of regulation have economic effects that are similar to budget outlays by requiring the private sector to make expenditures for specified purposes such as safety and pollution control. The regulatory planning process is described annually in *The Regulatory Plan and the Unified Agenda of Federal Regulatory and Deregulatory Actions.*[3] In 1996 the Office of Management and Budget published a report, *More Benefits, Fewer Burdens,* that documented efforts by this Administration to develop better new regulations, to change the face of existing regulations, and to change the culture of the regulatory system.[4]

In the fall of 1997 the Office of Management and Budget published a report on the costs and benefits of Federal regulation that discussed the development of the regulatory system and regulatory analysis, estimated the total annual costs and benefits of Federal regulatory programs, estimated the costs and benefits of recent major rules, and recommended ways to improve regulatory programs.[5] This report has recently been updated with new data and information.[6] Section VI of the Budget, "Investing in the Common Good: Program Performance in Federal Functions," has a separate chapter that summarizes the new estimates and conclusions in this revised report on the costs and benefits of Federal regulation. Information on regulation is also included in the other chapters of Section VI in conjunction with the outlays and tax expenditures that serve the same major purposes.

[3] The most recent publication was issued by the Regulatory Information Service Center in October 1998 (and printed in the *Federal Register* of November 9, 1998).

[4] Office of Information and Regulatory Affairs, Office of Management and Budget, *More Benefits, Fewer Burdens: Creating a Regulatory Systems that Works for the American People* (December 1996).

[5] Office of Information and Regulatory Affairs, Office of Management and Budget, *Report to Congress on the Costs and Benefits of Federal Regulation* (September 30, 1997).

[6] Office of Information and Regulatory Affairs, Office of Management and Budget, "Draft Report to Congress on Costs and Benefits of Federal Regulation," *Federal Register,* August 17, 1998.

UNNECESSARY OR WASTEFUL REPORTS TO CONGRESS

20. UNNECESSARY OR WASTEFUL REPORTS TO CONGRESS

Pursuant to Section 3003(b) of the Federal Reports Elimination and Sunset Act of 1995, and continuing on the progress made in the Congressional Reports Elimination Acts of 1980, 1982, and 1986, the President included in the 1997 Budget a list of over 400 unnecessary or wasteful reports (Table 23–1, Analytical Perspectives). In November of 1998, the President signed S. 1364, the Federal Reports Elimination Act of 1998, sponsored by Senators McCain and Levin, which eliminated or modified 131 reports to Congress required of Federal agencies. S. 1364 eliminated statutory requirements for 120 reports and modified 11 other reporting requirements (e.g. by reducing the frequency of reporting).

This initiative, which eliminated or modified nearly one-third of the reports listed in the 1997 Budget, carries forward the President's commitment to streamline government and reduce unnecessary and burdensome paperwork.

FEDERAL DRUG CONTROL FUNDING

21. FEDERAL DRUG CONTROL FUNDING

Table 21–1. FEDERAL DRUG CONTROL FUNDING

(Budget authority, in millions of dollars)

	1998 actual	1999 enacted	1999 Emergency Supplemental	2000 proposed	Change 1999–2000	
					Dollars	Percent
Agriculture:						
Agriculture Research Service	5	5	23	5	....	....
U.S. Forest Service	6	7	....	7	....	....
Women, Infants, Children (WIC)	16	16	....	17	1	5%
Total, Agriculture	26	27	23	28	1	3%
Corporation for National and Community Service	34	35	....	40	5	14%
Defense	832	895	42	955	60	7%
Intelligence Community Management Account	27	27	....	27	....	....
Education:						
Safe and Drug Free Schools and Communities	556	566	....	591	25	4%
Other	94	97	....	99	2	2%
Total, Education	650	663	....	690	27	4%
Health and Human Services:						
Administration for Children and Families	57	57	....	62	5	9%
Centers for Disease Control	91	143	....	172	29	20%
Food and Drug Administration	35	34	....	68	34	100%
Health Care Financing Administration	360	400	....	450	50	13%
Health Resources and Services Administration	48	53	....	56	4	7%
Indian Health Service	43	44	....	46	1	3%
National Institutes of Health (National Institute on Drug Abuse (NIDA)/National Institute on Alcohol Abuse and Alcoholism (NIAAA)/Office of AIDS Research (OAR))	571	648	....	665	17	3%
Substance Abuse and Mental Health Services Administration	1,319	1,481	....	1,537	56	4%
Total, Health and Human Services	2,523	2,859	....	3,055	196	7%
Housing and Urban Development	310	310	....	310	....	....
Interior:						
Bureau of Indian Affairs	21	18	....	18	*	2%
Bureau of Land Management	5	5	....	5	....	....
Fish and Wildlife Service	1	1	....	1	....	....
National Park Service	9	9	....	10	*	1%
Total, Interior	37	33	....	33	*	1%
Judiciary	612	647	....	731	84	13%
Justice:						
Assets Forfeiture Fund	434	523	....	433	–90	–17%
U.S. Attorneys	173	195	....	296	101	52%
Bureau of Prisons	1,957	2,056	....	2,352	296	14%
Community Oriented Policing Services (COPS)	540	472	....	421	–51	–11%
Criminal Division	28	30	....	36	6	18%
Drug Enforcement Administration	1,208	1,289	10	1,469	180	14%
Federal Bureau of Investigation	824	873	....	1,045	172	20%
Federal Prisoner Detention (Support of U.S. Prisoners)	246	258	....	335	76	29%
Immigration and Naturalization Service	372	415	2	451	35	9%
Interagency Crime and Drug Enforcement (ICDE) (formerly Organized Crime Drug Enforcement (OCDE) Task Forces)[1]	295	304	....	....	–304	–100%
INTERPOL	*	*	....	*	*	7%
U.S. Marshals Service	273	283	....	311	29	10%
Office of Justice Programs	987	997	....	746	–252	–25%
Tax Division	*	*	....	1	1	261%
Total, Justice	7,340	7,696	12	7,896	200	3%
Labor	75	78	....	78	*	*%

Table 21–1. FEDERAL DRUG CONTROL FUNDING—Continued

(Budget authority, in millions of dollars)

	1998 actual	1999 enacted	1999 Emergency Supplemental	2000 proposed	Change 1999–2000	
					Dollars	Percent
Office of National Drug Control Policy:						
Salaries and Expenses, Operations, Research	49	49	1	43	–6	–12%
High Intensity Drug Trafficking Areas	162	184	....	186	2	1%
Special Forfeiture Fund	217	215	2	225	11	5%
Total, Office of National Drug Control Policy	428	448	3	454	7	1%
Small Business Administration	0	4	....	0	–4	–100%
State:						
International Narcotics Control Program	210	236	233	265	29	12%
Emergencies in the Diplomatic and Consular Service	2	1	....	3	2	200%
Public Information and Education	8	8	....	9	*	5%
Total, State	220	245	233	277	31	13%
Transportation:						
U.S. Coast Guard	485	500	265	566	66	13%
Federal Aviation Administration	23	25	....	26	1	5%
National Highway Traffic Safety Administration	31	32	....	32	1	2%
Total, Transportation	539	557	265	625	68	12%
Treasury:						
Bureau of Alcohol, Tobacco and Firearms	213	227	....	248	21	9%
U.S. Customs Service	606	689	267	664	–25	–4%
Federal Law Enforcement Training Center	52	66	....	65	–1	–2%
Financial Crimes Enforcement Network	12	13	....	15	2	17%
Internal Revenue Service	72	73	....	75	2	3%
U.S. Secret Service	76	91	....	84	–7	–8%
Treasury Forfeiture Fund	241	158	....	228	70	44%
Bureau of Interagency Law Enforcement	74	76	....	76	....	....
Total, Treasury	1,346	1,393	267	1,454	62	4%
Veterans Affairs	1,098	1,126	....	1,126	....	....
Total, Drug Control Programs	**16,097**	**17,042**	**844**	**17,777**	**735**	**4%**

* Less than $500 thousand

[1] Beginning in FY 2000 the ICDE funds will be provided directly to individual bureaus.

INFORMATION TECHNOLOGY INVESTMENTS

22. PROGRAM PERFORMANCE BENEFITS FROM MAJOR INFORMATION TECHNOLOGY INVESTMENTS

Table 22–1. IT Performance Table

(Budget Authority, in Millions of Dollars)

Agency: Program or Project	1998 Actual	1999 Estimate	2000 Proposed	Mission Area of Agency Strategic Plan that is Supported by this Investment [1]	Program Performance Benefits
Agriculture: Common Computing Environment	**90**	**50**	**90**	Farm and Foreign Agricultural Service, Rural Development, and Natural Resources and Environment	Allows "one-stop service" for farmers at local Department offices.
Development, Modernization and Enhancement [2]	*90*	*50*	*90*		
Steady State [3]	*0*	*0*	*0*		
Agriculture: Field Automation and Information Management	**7.8**	**11.9**	**12.1**	Food Safety	Ensures that the nations food supply of meat, poultry and egg products is safe, wholesome, and correctly labeled and packaged.
Development, Modernization and Enhancement	*7.8*	*11.9*	*12.1*		
Steady State	*0*	*0*	*0*		
Agriculture: Integrated System Acquisition Project	**10.4**	**6.1**	**8.6**	Marketing and Regulatory Programs	Facilitates the development of safe and effective veterinary biologics, biotechnology-derived products, and other scientific methods for the benefit of agricultural producers and consumers and to protect the health of American agriculture.
Development, Modernization and Enhancement	*10.4*	*6.1*	*8.6*		
Steady State	*0*	*0*	*0*		
Agriculture: Forest Service Infrastructure Modernization	**113.6**	**100.1**	**101.9**	Natural Resources and the Environment	Ensuring an efficient and effective infrastructure that supports public and administrative uses of national forest system lands.
Development, Modernization and Enhancement	*65.3*	*67.7*	*30.6*		
Steady State	*48.3*	*32.4*	*71.3*		

Table 22–1. IT Performance Table—Continued

(Budget Authority, in Millions of Dollars)

Agency: Program or Project	1998 Actual	1999 Estimate	2000 Proposed	Mission Area of Agency Strategic Plan that is Supported by this Investment [1]	Program Performance Benefits
Commerce: Advanced Weather Interactive Processing System	**112**	**85**	**61**	Strengthen and safeguard the nation's economic infrastructure	Improve the speed and accuracy of weather warnings and forecasts and reduce the number of National Weather Service offices from over 300 to 121.
Development, Modernization and Enhancement	*107*	*73*	*23*		
Steady State	*5*	*12*	*38*		
Commerce: Census 2000	**148**	**148**	**280**	Economic Infrastructure and Science, Technology, and Information	Reduces errors, the number of temporary employees needed, and publication costs.
Development, Modernization and Enhancement	*148*	*148*	*280*		
Steady State	*0*	*0*	*0*		
Defense: Defense Message System	**89.1**	**110.9**	**111.7**	Supports the warfighter.	Provides timely, reliable, accountable, and secure messaging and electronic mail directory services to tactical, organizational, and individual users.
Development, Modernization and Enhancement	*89.1*	*110.9*	*111.7*		
Steady State	*0*	*0*	*0*		
Defense: Composite Health Care System II	**0.3**	**0.3**	**0.3**	Maintain combat readiness while seeking efficiencies and improved operating procedures.	Provides for integration and communication of critical medical information to deliver health care for the service members, retirees, and family members. Includes patient care management, computer based patient records, as well as other health and administrative requirements.
Development, Modernization and Enhancement	*.3*	*.3*	*.3*		
Steady State	*0*	*0*	*0*		
Defense: Global Command and Control System	**86.7**	**119.1**	**122.6**	Supports the warfighter.	Significantly improves the ability to manage and execute crisis and contingency operations. Provides a fused, real-time, true picture of the battlespace and delivers information when, where, and how it is needed.
Development, Modernization and Enhancement	*86.7*	*119.1*	*122.6*		
Steady State	*0*	*0*	*0*		

Table 22–1. IT Performance Table—Continued

(Budget Authority, in Millions of Dollars)

Agency: Program or Project	1998 Actual	1999 Estimate	2000 Proposed	Mission Area of Agency Strategic Plan that is Supported by this Investment [1]	Program Performance Benefits
Education: Direct Student Lending	**168**	**225.1**	**297.3**	Access to Higher Education	Supports loan origination and servicing of a portfolio that will grow to almost $60 billion in FY 2000.
Development, Modernization and Enhancement	*7.8*	*18.3*	*9.5*		
Steady State	*160.2*	*206.8*	*287.8*		
Education: National Student Loan Data System	**25.8**	**39.9**	**53**	Access to Higher Education	Improves the Government's collection of defaulted loans and integrity of participating institutions.
Development, Modernization and Enhancement	*6.4*	*5.9*	*4.7*		
Steady State	*19.4*	*34.0*	*48.3*		
Education: PELL Grant Systems	**5.5**	**9.9**	**8.4**	Access to Higher Education	Distributes grant funds to institutions and supports sound financial management.
Development, Modernization and Enhancement	*1.0*	*1.3*	*1.2*		
Steady State	*4.5*	*8.6*	*7.2*		
Education: Federal Family Education Loan Data System	**15**	**22.1**	**27.3**	Access to Higher Education	Improves the Government's collection of defaulted loans.
Development, Modernization and Enhancement	*2.6*	*7.2*	*12.9*		
Steady State	*12.4*	*14.9*	*14.4*		
Education: Student Aid Application System	**59**	**64.3**	**71.9**	Access to Higher Education	Assists institutions and students by providing a standardized way to determine financial aid eligibility.
Development, Modernization and Enhancement	*7.9*	*9.3*	*15.0*		
Steady State	*51.1*	*55.0*	*56.9*		
Education: Constituent Communications	**29.2**	**33.8**	**43.1**	Access to Higher Education	Facilitates transfer of information, program data, and funds transfers between the Department and parents, students and institutions.
Development, Modernization and Enhancement	*4.1*	*4.3*	*5.9*		
Steady State	*25.1*	*29.5*	*37.2*		
Education: Savings from Student Aid Delivery Modernization	**–9.8**	**–20.6**	**–48.4**	Access to Higher Education	Reflects net savings realized from investments across all student aid systems.

Table 22–1. IT Performance Table—Continued

(Budget Authority, in Millions of Dollars)

Agency: Program or Project	1998 Actual	1999 Estimate	2000 Proposed	Mission Area of Agency Strategic Plan that is Supported by this Investment [1]	Program Performance Benefits
Energy: Business Management Information System	*1*	3	16	Financial Management	This system will provide capabilities for enhanced data sharing, validity, and availability to meet the financial and business information needs for the Department's business areas.
Development, Modernization and Enhancement	*1*	*3*	*16*		
Steady State	*0*	*0*	*0*		
Energy: Replacement Telecommunication System	**33**	**31**	**28**	Infrastructure	This system provides hardware infrastructure to support site electronic communications requirements.
Development, Modernization and Enhancement	*0*	*0*	*0*		
Steady State	*33*	*31*	*28*		
Health and Human Services: FDA—Electronic Regulatory Submission and Review Program Level [4]	**24.9**	**33.0**	**33.1**	Pre-Market Drug Approval (Prescription Drug User Fee)	Develops and updates IT infrastructure to allow, by FY 2002, the paperless receipt and processing of Investigational new Drugs and New Drug Applications/Biologic License Applications.
Health and Human Services: NIH/National Library of Medicine Medline	**2.5**	**3.3**	**3.6**	Improve Access to Medical Information	Improves and delivers 24 hour public access to medical information, and assists researchers and health care professionals in locating up-to-date worldwide health information. By making Medline available via the Internet, the cost to users of performing a search has decreased from $3.00 per search to less than a penny.
Development, Modernization and Enhancement	*.9*	*1.5*	*1.6*		
Steady State	*1.6*	*1.8*	*2.0*		

Table 22–1. IT Performance Table—Continued

(Budget Authority, in Millions of Dollars)

Agency: Program or Project	1998 Actual	1999 Estimate	2000 Proposed	Mission Area of Agency Strategic Plan that is Supported by this Investment [1]	Program Performance Benefits
Health and Human Services: Federal Parent Locator Service (FPLS), including the National Directory of New Hires (NDNH) and the Federal Case Registry (FCR)	**29**	**28.9**	**30.6**	Expanded FPLS supports the agency mission of promoting parental responsibility by meeting Federal obligations under welfare reform.	Assists States in locating non-custodial parents in interstate child support cases by matching new hire, quarterly wage, and unemployment insurance claim records contained in the NDNH with child support case/order information contained in the FCR. This system is expected to increase child support collections by billions of dollars over the next ten years. Already, the expanded FPLS has returned location information to the States on 1.2 million non-custodial parents in interstate cases.
Development, Modernization and Enhancement	*25.1*	*21.2*	*19.8*		
Steady State	*3.9*	*7.7*	*10.8*		
Housing and Urban Development: Financial Management Support	**57.3**	**22.2**	**29.7**	Improve program integrity	Provides for further financial system integration and improved data quality and standardization of data and work processes.
Housing and Urban Development: Non-Financial HUD 2020 Initiatives	**20.8**	**2.9**	**17.1**	Improve program integrity	Provides for system design and development to establish the Enforcement Center, Real Estate Assessment Center, and other HUD Reform initiatives.
Housing and Urban Development: Other Key Information Projects	**58.4**	**20.5**	**23.3**	Improve customer service	Improve customer service by using the internet and electronic data interchange technology.
Interior: Automated Land Management Records System	**33**	**35**	**19**	Serve current and future citizens.	Improves the quality of, and access to, land, resources, and title information for public land managers and adjacent land owners.
Development, Modernization and Enhancement	*21*	*17*	*5*		
Steady State	*12*	*18*	*14*		

Table 22–1. IT Performance Table—Continued

(Budget Authority, in Millions of Dollars)

Agency: Program or Project	1998 Actual	1999 Estimate	2000 Proposed	Mission Area of Agency Strategic Plan that is Supported by this Investment [1]	Program Performance Benefits
Interior: Trust Fund Accounting System	**6.8**	**9.7**	**14.9**	Ensure proper and efficient discharge of the Secretary's Trust Fund responsibilities to Indian Tribes and individual Indians	Meets trust responsibility to American Indians by: Properly accounting for and investing all trust fund monies; preparing accurate and timely reports to all account holders concerning funds distribution; maintaining complete, accurate and timely data regarding funds disbursements to Individual Indian Money (IIM) account holders; and maximizing service delivery.
Development, Modernization and Enhancement	*6.8*	*9.7*	*16.4*		
Steady State	**0**	*0*	*0*		
Interior: Trust Asset Accounting and Management System (TAAMS)	**3.3**	**2.4**	**15.3**	Ensure proper and efficient discharge of the Secretary's Trust Assets responsibilities to Indian Tribes and individual Indians.	Meets responsibility to American Indians by: Properly accounting for all trust assets—land, resources, ownership. preparing accurate and timely reports to tribes and individual Native Americans concerning land ownership and resources management; and providing timely data regarding ownership and lease of Indian lands.
Development, Modernization and Enhancement	*3.3*	*2.4*	*15.3*		
Steady State	*0*	*0*	*0*		
Interior: Royalty Management Program Reengineering (RMP)	**1**	**5**	**15**	Provide timely, accurate, and cost—effective mineral royalty collection and disbursement services.	Ensures that all revenues from Federal and Indian oil and gas leases are accurately collected, accounted for, verified and disbursed in a timely manner back to the Office of the Special Trustee. Improves the oil companies compliance with lease terms, regulations, and laws.
Development, Modernization and Enhancement	*1*	*5*	*15*		
Steady State	*0*	*0*	*0*		
Justice: Integrated Automated Fingerprinting Identification System	**98**	**65**	**27**	Assistance to Tribal, State, and Local law enforcement agencies	Allows the FBI to process routine identification requests in 24 hours and urgent requests in two hours.
Development, Modernization and Enhancement	*91*	*61*	*0*		

Table 22–1. IT Performance Table—Continued

(Budget Authority, in Millions of Dollars)

Agency: Program or Project	1998 Actual	1999 Estimate	2000 Proposed	Mission Area of Agency Strategic Plan that is Supported by this Investment [1]	Program Performance Benefits
Steady State	*7*	*4*	*27*		
Justice: National Criminal Information Center 2000	**17**	**19**	**8**	Assistance to Tribal, State, and Local law enforcement agencies	Provides law enforcement agencies across the country real-time access to sophisticated databases on criminals and criminal activity.
Development, Modernization and Enhancement	*17*	*19*	*0*		
Steady State	*0*	*0*	*8*		
Justice: Information Sharing.	**5**	**62**	**65**	Investigation and Prosecution of Criminal Offenses	Promotes sharing of investigative data across the FBI.
Development, Modernization and Enhancement	*5*	*62*	*59*		
Steady State	*0*	*0*	*6*		
Labor: ERISA Filing Acceptance System.	**11**	**9**	**6**		Increases the speed, accuracy, and integrity of information that three agencies use to safeguard private pensions and health care.
Development, Modernization and Enhancement	*11*	*9*	*0*		
Steady State	*0*	*0*	*6*		
State: Diplomatic and Consular Systems Modernization.	**259.6**	**290**	**236**	Support embassies worldwide	Improves delivery and management of information required by diplomatic and consular officers overseas to support the Nation's foreign policy goals and ensure U.S. border security.
Development, Modernization and Enhancement	*181.6*	*207*	*148*		
Steady State	*78*	*83*	*88*		
Transportation: Display System Replacement [5]	**207**	**179**	**121.6**	Safety	Reduce the rate of operational errors and pilot deviations in 1999 from the 1994 base line. By 2007, reduce the number of fatal aviation accidents per 100,000 departures by 80%.
Development, Modernization and Enhancement	*203.3*	*173.6*	*85.7*		
Steady State	*3.7*	*5.4*	*35.9*		

Table 22–1. IT Performance Table—Continued

(Budget Authority, in Millions of Dollars)

Agency: Program or Project	1998 Actual	1999 Estimate	2000 Proposed	Mission Area of Agency Strategic Plan that is Supported by this Investment [1]	Program Performance Benefits
Transportation: Standard Terminal Automation Replacement System	**128.3**	**201.3**	**194.3**	Mobility	Increase system capacity attributable to airport infrastructure at the 50 busiest airports by .5% annually over the 1998 baseline.
Development, Modernization and Enhancement	*127.1*	*199.2*	*188.9*		
Steady State	*1.2*	*2.1*	*5.4*		
Transportation: Wide Area Augmentation System	**147.6**	**96.9**	**116.5**	Safety/Mobility	Reduce the rate of operational errors and pilot deviations in 1999 from the 1994 base line. By 2007, reduce the number of fatal aviation accidents per 100,000 departures by 80%. Increase the number of landing approaches using GPS technology by 500.
Development, Modernization and Enhancement	*146.7*	*95.7*	*114.4*		
Steady State	*.9*	*1.2*	*2.1*		
Treasury: Information Technology Investments	**295**	**211**	[6] **0**	Modernize IRS IT to increase timeliness and accuracy of processing.	Provides advanced funding for redesign of tax administration systems and operations, improving the timeliness and quality of taxpayer data, and thereby significantly enhancing customer service and collection activities. Increases automated calls answered from 16 million to 30 million.
Treasury: Treasury Communications System	**221**	**239**	**200**	Supports all mission areas	Provides secure data transmission and information services worldwide for Treasury bureaus.
Development, Modernization and Enhancement	*0*	*0*	*0*		
Steady State	*221*	*239*	*200*		
Treasury: Automated Commercial Environment	**15**	**8**	[7] **0**	Trade compliance	Supports business process redesign, systems architecture, development, and implementation for systems to replace Custom's Automated commercial systems.
Development, Modernization and Enhancement	*15*	*8*	*0*		
Steady State	*0*	*0*	*0*		

Table 22–1. IT Performance Table—Continued

(Budget Authority, in Millions of Dollars)

Agency: Program or Project	1998 Actual	1999 Estimate	2000 Proposed	Mission Area of Agency Strategic Plan that is Supported by this Investment [1]	Program Performance Benefits
Veterans Affairs: VA Medical Enrollment System	**16**	**10**	**13**	Medical	Allows automation of veterans' eligibility status and tracking of veteran demographics.
Development, Modernization and Enhancement	*3*	*10*	*1*		
Steady State	*13*	*0*	*12*		
Veterans Affairs: VISTA Clinical Medical Data System	**293**	**305**	**351**	Medical	Supports day-to-day computer operations at local healthcare facilities.
Development, Modernization and Enhancement	*117*	*122*	*140*		
Steady State	*176*	*183*	*211*		
Environmental Protection Agency: Toxic Release Inventory System	**8**	**8**	**8**	The Public's Right to Know	Helps to improve the environment by maintaining data related to certain toxic chemical uses. The data are available to EPA staff, State and local governments, educational institutions, industry, environmental and public interest groups, and the general public. This allows for search requests to be fulfilled within 48 hours 95 percent of the time.
Development, Modernization and Enhancement	*0*	*0*	*0*		
Steady State	*8*	*8*	*8*		
National Aeronautics and Space Administration: Earth Observing System Data Information System	**206.6**	**206.2**	**186.8**	Earth Science	Supports spacecraft control, science data processing, and Earth science data management, archiving, and distribution of data which is growing at a rate of 2100 gigabytes per day. The spaceflight missions and instruments will map the Earth and support detailed studies of geophysical processes.
Development, Modernization and Enhancement	*134.3*	*129.9*	*104.6*		
Steady State	*72.3*	*76.3*	*82.2*		

Table 22–1. IT Performance Table—Continued

(Budget Authority, in Millions of Dollars)

Agency: Program or Project	1998 Actual	1999 Estimate	2000 Proposed	Mission Area of Agency Strategic Plan that is Supported by this Investment [1]	Program Performance Benefits
General Services Administration: FTS2001 Program	**10**	**9**	**0**	Promote Responsible Asset Management and Excel at Customer Service. Meet U.S. Government Telecommunicatins needs into the 21st Century.	Beginning in 1999, this program will offer the Federal Government low-cost, state-of-the-art, integrated voice, data, and long-distance telecommunications. Replaces the FTS2000 contracts for similar services that expired in 1998. GSA expects to significantly increase the savings we've realized under FTS2000, which has the best prices in the business.
Development, Modernization and Enhancement	*0*	*0*	*0*		
Steady State	10	*9*	*0*		
General Services Administration:Pegasys (CFO Financial Management System)	**7**	**9**	**0**	Promote Responsible Asset Management, Excel at Customer Service, Anticipate future workforce needs.	Pegasys will replace the old GSA Financial Management System and its subsystems with an agencywide integrated financial management system.
Development, Modernization and Enhancement	*7*	*9*	*0*		
Steady State	*0*	*0*	*0*		
Nuclear Regulatory Commission: Agency Document Access and Management System	**7**	**3.7**	**2.2**	Management and Support	Implements workprocess improvement review and increases staff efficiency through improved information access and elimination of redundant data entry. Reduces maintenance costs by replacing aging legacy hardware and minimizing custom software.
Development, Modernization and Enhancement	*7*	*3.7*	*0*		
Steady State	*0*	*0*	*2.2*		
Nuclear Regulatory Commission: Reactor Program System	**1.4**	**1**	**1.1**	Nuclear Reactor Safety	Provides comprehensive, timely and accurate integration of inspection, licensing and other reactor regulation information, and the associated analytical capability to more effectively evaluate reactor program oversight and plant performance. Provides higher levels of efficiency and reduced longer-term costs by replacing ten legacy sytems.
Development, Modernization and Enhancement	*1.1*	*.6*	*.7*		

Table 22–1. IT Performance Table—Continued

(Budget Authority, in Millions of Dollars)

Agency: Program or Project	1998 Actual	1999 Estimate	2000 Proposed	Mission Area of Agency Strategic Plan that is Supported by this Investment [1]	Program Performance Benefits
Steady State	*.3*	*.4*	*.4*		
US Agency for International Development: IT Infrastructure and Office Automation	**58.3**	**36.7**	**42.3**	Support all AID mission areas	Supports world-wide bilateral development by expanding technical and managerial capacities.
Development, Modernization and Enhancement	*5.9*	*1.4*	*0*		
Steady State	*52.4*	*35.3*	*42.3*		
Interagency: Land Mobile Radio Narrowbanding [8]	**0**	**130**	**149.1**	Meet wireless communication needs of Federal Public Safety Community	Allows a 50-percent increase in number of radios that can operate in current spectrum, promoting interoperability among users.

[1] Mission areas should be consistent with the major functions and operations identified in the agency's strategy and annual performance plans.

[2] Development, Modernization, and Enhancement Costs include program costs for new systems, changes or modifications to existing systems that improve capability or performance, changes mandated by the Congress or agency leadership, personnel costs for project management, and direct support.

[3] Steady State Costs include the costs of maintenance and operations at current capability and performance levels including costs for personnel, maintenance of existing information systems, corrective software maintenance, voice and data communications maintenance, and replacement of broken IT equipment.

[4] User Fees from the Prescription Drug User Fee act account for the majority of dollars in each of the three years: FY 1998 User Fees $16.3 million and BA of $8.6 million, FY 1999 user Fees of $23.5 million and BA of $9.5 million, FY 2000 User Fees of $23.5 million and BA of $9.6 million.

[5] The expenditure for the FAA Air Traffic Control system Modernization for 1999 is approximately $1,342 million, of which $700 million is spent on radars, facilities construction and improvements, safety upgrades, and security measures. The system listed under Transportation in this table represent the three largest IT acquisitions related to the system modernization.

[6] FY 1998 and FY 1999 resources will cover program levels through FY 2000. The Administration is seeking an advanced appropriation of $325 million for FY 2001.

[7] The Administration is seeking an advanced appropriation of $163 million for FY 2001.

[8] Funds identified from Departments of Justice, Treasury, Transportation, and Interior.

BUDGET SYSTEM AND CONCEPTS AND GLOSSARY

23. BUDGET SYSTEM AND CONCEPTS AND GLOSSARY

The budget system of the United States Government provides the means for the President and Congress to decide how much money to spend, what to spend it on, and how to raise the money they have decided to spend. Through the budget system, they determine the allocation of resources among the Government's major functions—such as providing for the national defense, regulating commerce, and ensuring the availability of health care—and among individual programs, projects, and activities—such as building navy ships, issuing patents, and controlling diseases. The budget system focuses primarily on dollars, but it also allocates other resources, such as Federal employment. The decisions made in the budget process affect the nation as a whole, state and local governments, and individual Americans. Many budget decisions have worldwide significance. The Congress and the President enact budget decisions into law. The budget system ensures these laws are carried out.

This chapter provides an overview of the budget system and explains some of the more important budget concepts. It includes summary dollar amounts to illustrate major concepts. Other chapters of the budget documents discuss these amounts, and more detailed amounts, in greater depth. A glossary of budget terms appears at the end of the chapter.

Various laws, enacted to carry out requirements of the Constitution, govern the budget system. This chapter refers to the principal ones by title throughout the text and gives complete citations in the section just preceding the glossary.

THE BUDGET PROCESS

The budget process has three main phases, each of which is interrelated with the others:

(1) formulation of the President's budget;
(2) congressional action on the budget; and
(3) budget execution.

Formulation of the President's Budget

The Budget of the United States Government consists of several volumes that set forth the President's financial proposal with recommended priorities for the allocation of resources. The primary focus of the budget is on the budget year—the next fiscal year for which Congress needs to make appropriations. However, the budget may propose changes to funding levels already provided for the current year, in this case 1999, and it covers at least the four years following the budget year in order to reflect the effect of budget decisions over the longer term. The 2000 budget covers the fiscal years through 2004. The budget includes data on the most recently completed fiscal year, in this case 1998, so that the reader can compare budget estimates to actual accounting data.

The President begins the process of formulating the budget by establishing general budget and fiscal policy guidelines. This occurs not later than the spring of each year, at least nine months before the President transmits the budget to Congress and at least 18 months before the fiscal year begins. (See the Budget Calendar below.) Based on these guidelines, the Office of Management and Budget (OMB) works with the Federal agencies to establish specific policy directions and planning levels for the agencies, both for the budget year and for the following four years, at least, to guide the preparation of their budget requests.

During the formulation of the budget, the President, the Director of OMB, and other officials in the Executive Office of the President continually exchange information, proposals, and evaluations bearing on policy decisions with the Secretaries of the departments and the heads of the other Government agencies. Decisions reflected in previously enacted budgets, including the one for the fiscal year in progress, and reactions to the last proposed budget (which Congress is considering when the process of preparing the upcoming budget begins) influence decisions concerning the upcoming budget. So do projections of the economic outlook, prepared jointly by the Council of Economic Advisers, OMB, and the Treasury Department.

In early fall, agencies submit budget requests to OMB, where analysts review them and identify issues that OMB officials need to discuss with the agencies. OMB and the agencies resolve many issues themselves. Others require the involvement of the President and White House policy officials. This decision-making process is usually completed by late December. At that time, the final stage of developing detailed budget data and the preparation of the budget documents begins.

The decision-makers must consider the effects of economic and technical assumptions on the budget estimates. Interest rates, economic growth, the rate of inflation, the unemployment rate, and the number of people eligible for various benefit programs, among other things, affect Government spending and receipts. Small changes in these assumptions can affect budget estimates by billions of dollars. Chapter 1, "Economic Assumptions," in the *Analytical Perspectives* volume of the 2000 budget provides more information on this subject.

Statutory limitations on changes in receipts and outlays through 2002 also influence budget decisions (see Budget Enforcement below).

Thus, the budget formulation process involves the simultaneous consideration of the resource needs of individual programs, the allocation of resources among the functions of the Government, the total outlays and receipts that are appropriate in relation to current and prospective economic conditions, and statutory constraints.

The law governing the President's budget specifies that the President is to transmit the budget to Congress on or after the first Monday in January but not later than the first Monday in February of each year for the following fiscal year, which begins on October 1. This gives Congress eight to nine months before the fiscal year begins to act on the budget.

For various reasons, some parts or all of the budget documents have been transmitted after the specified date. One reason is that the current law does not require an outgoing President to transmit a budget, and it is impractical for an incoming President to complete a budget within a few days of taking office on January 20th. President Clinton, the first President subject to the current requirement, submitted a report to Congress on February 17, 1993, describing the comprehensive economic plan he proposed for the Nation and containing summary budget information. He transmitted the Budget of the United States for 1994 on April 8, 1993.[1]

In some years, the late or pending enactment of appropriations acts, other spending legislation, and tax laws considered in the previous budget cycle have delayed preparation and transmittal of complete budgets. For this reason, for example, President Reagan submitted his budget for 1988 forty-five days after the date specified in law. In other years, Presidents have submitted abbreviated budget documents on the due date, sending the more detailed documents weeks later. For example, President Clinton transmitted an abbreviated budget document to Congress on February 5, 1996, because of uncertainty over 1996 appropriations as well as possible changes in mandatory programs and tax policy. He transmitted a Budget Supplement and other budget volumes in March 1996.

Congressional Action[2]

Congress considers the President's budget proposals and approves, modifies, or disapproves them. It can change funding levels, eliminate programs, or add programs not requested by the President. It can add or eliminate taxes and other sources of receipts, or make other changes that affect the amount of receipts collected.

Congress does not enact a budget as such. Through the process of adopting a budget resolution (described below), it agrees on levels for total spending and receipts, the size of the deficit or surplus, and the debt limit. The budget resolution then provides the framework within which congressional committees prepare appropriations bills and other spending and receipts legislation. Congress provides spending authority for specified purposes in several regular appropriations acts each year (usually thirteen). It also enacts changes each year in permanent laws that affect spending and receipts.

In making appropriations, Congress does not vote on the level of outlays (spending) directly, but rather on budget authority, which is the authority to incur legally binding obligations of the Government that will result in immediate or future outlays. In a separate process, prior to making appropriations, Congress usually enacts legislation that authorizes an agency to carry out particular programs and, in some cases, limits the amount that can be appropriated for the programs. Some authorizing legislation expires after one year, some expires after a specified number of years, and some does not expire. Congress may enact appropriations for a program even though there is no specific authorization for it.

Congress begins its budget process shortly after it receives the President's budget. Under the procedures established by the Congressional Budget Act of 1974, Congress decides on budget totals before completing action on individual appropriations. The Act requires each standing committee of the House and Senate to recommend budget levels and report legislative plans concerning matters within the committee's jurisdiction to the Budget Committee in each body. The Budget Committees then initiate the concurrent resolution on the budget. The budget resolution sets levels for total receipts and for budget authority and outlays, in total and by functional category (see Functional Classification below). It also sets levels for the budget deficit or surplus and debt. The statutory limitations on changes in receipts and outlays through 2002 that apply to the President's budget also apply to the budget resolution.

In the report on the budget resolution, the Budget Committees allocate amounts of budget authority and outlays within the functional category totals to the House and Senate Appropriations Committees and other committees that have jurisdiction over the programs in the functions. The Appropriations Committees are required, in turn, to allocate amounts of budget authority and outlays among their respective subcommittees. The subcommittees may not exceed their allocations in drafting spending bills. Other committees with jurisdiction over spending and receipts may make allocations among their subcommittees but are not required to. There is no allocation at the program level. However, the Budget Committees' report may discuss assumptions about the level of funding for major programs. While these assumptions do not bind the committees and subcommittees with jurisdiction over the programs, they may influence decisions about a pro-

[1] The transmittal date was changed in 1990 from the first Monday after January 3rd. The report submitted on February 17, 1993, was entitled, "A Vision of Change for America."

[2] For a fuller discussion of the congressional budget process, see Robert Keith and Allen Schick, *Manual on the Federal Budget Process* (Congressional Research Service Report 98–720 GOV, August 28, 1998, 184 p.).

gram. The budget resolution may contain "reconciliation directives," which are discussed below.

The congressional timetable calls for the whole Congress to adopt the budget resolution by April 15 of each year, but Congress regularly misses this deadline. Once Congress passes a budget resolution, a member of Congress can raise a point of order to block a bill that would cause a committee's allocation to be exceeded.

Budget resolutions are not laws and, therefore, do not require the President's approval. However, Congress considers the President's views in preparing budget resolutions, because legislation developed to meet congressional budget allocations does require the President's approval. In some years, the President and the joint leadership of Congress have formally agreed on plans to reduce the deficit or balance the budget. These agreements were reflected in the budget resolution and legislation passed for those years.

Appropriations bills are initiated in the House. They provide the budget authority for the majority of Federal programs. The Appropriations Committee in each body has jurisdiction over annual appropriations. These committees are divided into subcommittees that hold hearings and review detailed budget justification materials prepared by the agencies within the subcommittee's jurisdiction. After a bill has been drafted by a subcommittee, the committee and the whole House, in turn, must approve the bill, usually with amendments to the original version. The House then forwards the bill to the Senate, where a similar review follows. If the Senate disagrees with the House on particular matters in the bill, which is often the case, the two bodies form a conference committee (consisting of Members of both bodies) to resolve the differences. The conference committee revises the bill and returns it to both bodies for approval. When the revised bill is agreed to, first in the House and then in the Senate, Congress sends it to the President for approval or veto.[3]

If Congress does not complete action on one or more appropriations bills by the beginning of the fiscal year, it enacts a joint resolution, which is similar to an appropriations bill, to provide authority for the affected agencies to continue operations at some specified level up to a specific date or until their regular appropriations are enacted. In some years, a continuing resolution has funded a portion or all of the Government for the entire year. Congress must present these resolutions to the President for approval or veto. In some cases, the President has rejected continuing resolutions because they contained unacceptable provisions. Left without funds, Government agencies were required by law to shut down operations—with exceptions for some activities—until Congress passed a continuing resolution the President would approve. Shutdowns have lasted for periods of a day to several weeks.

[3] In 1996, Congress enacted the Line Item Veto Act, granting the President limited authority to cancel new spending and limited tax benefits when he signs laws enacted by the Congress. However, in 1998, the Supreme Court declared the authority provided by the Act to be unconstitutional. As a result of the Court's decision, the spending and limited tax benefits that had been canceled were restored (prior to the Court's decision, Congress had passed legislation overriding a number of the spending cancellations.)

Congress also provides budget authority in permanent laws, ones that do not need to be enacted each year. In fact, while annual appropriations acts provide the budget authority for the majority of Federal programs, permanent laws provide a majority of the total budget authority available in a year. This is because permanent laws provide the budget authority for interest on the public debt ($364 billion in 1998) and a few programs with large amounts of spending each year, such as social security ($371 billion in 1998).

The outlays from permanent budget authority, together with the outlays from budget authority provided in appropriations acts for previous years, account for over half of the outlay total for any year. This means that less than half of outlays in a year are controlled through the appropriations acts for that year. This chapter discusses the types of budget authority, their control by Congress, and the relation of outlays to budget authority in greater detail under BUDGET AUTHORITY AND OTHER BUDGETARY RESOURCES, OBLIGATIONS, AND OUTLAYS.

Almost all taxes and most other receipts result from permanent laws. The House initiates tax bills, specifically in the Ways and Means Committee. In the Senate, the Finance Committee has jurisdiction over tax laws.

The budget resolution often includes reconciliation directives, which require authorizing committees to change permanent laws that affect receipts and outlays. They direct each designated committee to report amendments to the laws under the committee's jurisdiction that will change the levels of receipts and spending controlled by the laws. The directives specify the dollar amount of changes that each designated committee is expected to achieve, but do not specify the laws to be changed or the changes to be made. However, the Budget Committees' report on the budget resolution may discuss assumptions about how the laws would be changed. Like other assumptions in the report, they do not bind the committees of jurisdiction but may influence decisions.

The committees subject to reconciliation directives draft the implementing legislation. Such legislation may, for example, change the tax code, revise benefit formulas or eligibility requirements for benefit programs, or authorize Government agencies to charge fees to cover some of their costs. In some years, Congress has enacted an omnibus budget reconciliation act, which combines the amendments to implement reconciliation directives in a single act. These acts, together with appropriations acts for the year, often implement agreements between the President and the Congress. They may include other matters, such as laws providing the means for enforcing these agreements, as described below.

Budget Enforcement

The Budget Enforcement Act (BEA), first enacted in 1990 and extended in 1993 and 1997, significantly amended the laws pertaining to the budget process, including the Congressional Budget Act, the Balanced

Budget and Emergency Deficit Control Act, and the law pertaining to the President's budget (see PRINCIPAL BUDGET LAWS, later in the chapter). The BEA constrains legislation enacted through 2002 that would increase spending or decrease receipts.

The BEA divides spending into two types—***discretionary spending*** and ***direct spending.*** Discretionary spending is controlled through annual appropriations acts. Funding for salaries and other operating expenses of Government agencies, for example, is usually discretionary because it is usually provided by appropriations acts. Direct spending is more commonly called mandatory spending. Mandatory spending is controlled by permanent laws. Medicare and medicaid payments, unemployment insurance benefits, and farm price supports are examples of mandatory spending, because permanent laws authorize payments for those purposes. The BEA specifically defines funding for the Food Stamp program as mandatory spending, even though appropriations acts provide the funding. The BEA includes receipts under the same rules that apply to mandatory spending, because permanent laws generally control receipts. The BEA constrains discretionary spending differently from mandatory spending and receipts, as explained in the following paragraphs.

The BEA defines categories of discretionary spending and limits ("caps") the spending in each category by specifying dollar amounts for both budget authority and outlays for each fiscal year through 2002. The following table lists the categories, which vary from year to year, and their caps. The BEA requires OMB to adjust the caps up or down for certain reasons, such as to reflect conceptual changes or the enactment of emergency appropriations. The Transportation Equity Act for the 21st Century (TEA-21) (Public Law 105–178, which was enacted in 1998) amended the BEA to add the highways and mass transit categories. The caps on these categories, which apply to outlays only, were based on estimates at the time TEA-21 was drafted of gasoline excise taxes and other receipts credited to the Highway Trust Fund each year. The TEA-21 amendments require OMB to adjust these caps up or down for the difference in the amount of receipts actually collected in the past year and for reestimates of the amount the Government expects to collect in the budget year. The table shows the adjusted caps. The Preview Report (described above) explains other cap adjustments proposed in this budget.

If the amount of budget authority provided in appropriations acts for the year exceeds the cap on budget authority for a category, or the amount of outlays for the year estimated to result from this budget authority exceeds the cap on outlays for a category, the BEA requires a procedure, called sequestration, for reducing the spending in that category. A sequestration reduces spending for most programs in the category by a uniform percentage. The BEA specifies special rules for reducing some programs and exempts some programs from sequestration.

DISCRETIONARY SPENDING LIMITS

(In billions of dollars)

	1999	2000	2001	2002
Defense				
Budget authority	276	NA	NA	NA
Outlays	270	NA	NA	NA
Nondefense, excluding special categories:				
Budget authority	285	NA	NA	NA
Outlays	274	NA	NA	NA
Violent crime reduction:				
Budget authority	6	5	NA	NA
Outlays	5	6	NA	NA
Highways:				
Budget authority	NA	NA	NA	NA
Outlays	22	25	26	27
Mass transit:				
Budget authority	NA	NA	NA	NA
Outlays	4	4	5	5
Other discretionary:				
Budget authority	NA	532	541	550
Outlays	NA	537	540	535
Total discretionary:				
Budget authority	566	536	541	550
Outlays	576	571	571	567

The BEA does not cap mandatory spending or require a certain level of receipts. Instead, it requires that all laws enacted through 2002 that affect mandatory spending or receipts must be enacted on a ***"pay-as-you-go" (PAYGO)*** basis. This means that if a law increases the deficit in the budget year or any of the four following years, another law must be enacted with an offsetting reduction in spending or increase in receipts for each year that is affected. Legislated increases in benefit payments, for example, would have to be offset by legislated reductions in other mandatory spending or increases in receipts. Otherwise, a sequestration would be triggered at the end of the session of Congress in the fiscal year in which the deficit would be increased. The BEA sequestration procedures require a uniform reduction of mandatory spending programs that are neither exempt nor subject to special rules. The BEA exempts social security, interest on the public debt, Federal employee retirement, Medicaid, most means-tested entitlements, deposit insurance, other prior legal obligations, and most unemployment benefits. A special rule limits the sequestration of Medicare spending to no more than four percent, and special rules for some other programs limit the size of a sequestration for those programs. As a result of exemptions and special rules, only about three percent of all mandatory spending is subject to sequestration, including the maximum amounts allowed under special rules.

The PAYGO rules do not apply to increases in mandatory spending or decreases in receipts that are not the result of new laws. For example, mandatory spending for benefit programs, such as unemployment insurance, rises when the population of eligible beneficiaries rises, and many benefit payments are automatically increased for inflation under existing laws. Likewise, tax receipts decrease when the profits of private businesses decline as the result of economic conditions.

The BEA requires OMB to make the estimates and calculations that determine whether there is to be a sequestration and report them to the President and Congress. It requires the Congressional Budget Office (CBO) to make the same estimates and calculations, and the Director of OMB to explain any differences between the OMB and CBO estimates. The BEA requires the President to issue a sequestration order without changing any of the particulars of the OMB report. It requires the General Accounting Office to prepare compliance reports.

The BEA requires OMB and CBO to publish three sequestration reports—a "preview" report at the time the President submits the budget, an "update" report in August, and a "final" report at the end of a session of Congress (usually in the fall of each year). The preview report discusses the status of discretionary and PAYGO sequestration, based on current law. This report also explains the adjustments that are required by law to the discretionary caps and publishes the revised caps. (See Chapter 13, "Preview Report," in the *Analytical Perspectives* volume of the 2000 budget.) The update and final reports revise the preview report estimates to reflect the effects of newly enacted discretionary and PAYGO laws. The BEA requires OMB and CBO to estimate the effects of appropriations acts and PAYGO laws immediately after each one is enacted and to include these estimates, without change, in the update and final reports. OMB's final report estimates trigger a sequestration if the appropriations enacted for the current year exceed the caps or if the cumulative effect of PAYGO legislation is estimated to increase a deficit. In addition, CBO estimates the effects of bills as they move through Congress for the purpose of the Budget Committees' enforcement of the budget resolution within Congress. OMB provides advisory estimates on bills that might have significant consequences as they move through Congress.

From the end of a session of Congress through the following June 30th, discretionary sequestrations take place whenever an appropriations act for the current fiscal year causes a cap to be exceeded. Because a sequestration in the last quarter of a fiscal year might be too disruptive, the BEA specifies that a sequestration that otherwise would be required then is to be accomplished by reducing the cap for the next fiscal year. These requirements ensure that supplemental appropriations enacted during the fiscal year are subject to the budget enforcement provisions.

Budget Execution

Government agencies may not spend more than Congress has appropriated, and they may use funds only for purposes specified in law. The Antideficiency Act prohibits them from spending or obligating the Government to spend in advance of an appropriation, unless specific authority to do so has been provided in law. Additionally, the Act requires the President to apportion the funds available to most executive branch agencies. The President has delegated this authority to OMB, which usually apportions by time periods (usually by quarter of the fiscal year) and sometimes by activities. Agencies may request OMB to reapportion funds during the year to accommodate changing circumstances. This system helps to ensure that funds are available to cover operations for the entire year.

If changes in laws or other factors make it necessary, Congress may enact ***supplemental appropriations.*** For example, a supplemental appropriation might be required to respond to an unusually severe natural disaster.

The President cannot impound funds appropriated by Congress by simply failing to spend them. On the other hand, changing circumstances may reduce the need for certain spending for which funds have been appropriated. The President may withhold appropriated amounts from obligation only under certain limited circumstances—to provide for contingencies, to achieve

Budget Calendar

The following timetable highlights the scheduled dates for significant budget events during the year.

Between the 1st Monday in January and the 1st Monday in February	President transmits the budget, including a sequestration preview report.
Six weeks later	Congressional committees report budget estimates to Budget Committees.
April 15	Action to be completed on congressional budget resolution.
May 15	House consideration of annual appropriations bills may begin.
June 15	Action to be completed on reconciliation.
June 30	Action on appropriations to be completed by House.
July 15	President transmits Mid-Session Review of the budget.
August 20	OMB updates the sequestration preview.
October 1	Fiscal year begins.
15 days after the end of a session of Congress	OMB issues final sequestration report, and the President issues a sequestration order, if necessary.

savings made possible through changes in requirements or greater efficiency of operations, or as otherwise specifically provided in law. The Impoundment Control Act of 1974 specifies the procedures that must be followed if funds are withheld. ***Deferrals,*** which are temporary withholdings, take effect immediately unless overturned by an act of Congress. In 1998, the President proposed a total of $4.8 billion in deferrals, and Congress overturned none. ***Rescissions,*** which permanently cancel budget authority, take effect only if Congress passes a law approving them. If Congress does not pass such a law within 45 days of continuous session, the President must make the funds available for spending. In total, Congress has rescinded about one-third of the amount of funds that Presidents have proposed for rescission since enactment of the Impoundment Control Act. In 1998, the President proposed rescissions totaling $25 million, and Congress rescinded a total of $17 million.

COVERAGE OF THE BUDGET

Federal Government and Budget Totals

The budget documents provide information on all Federal agencies and programs. However, because the laws governing social security (the Federal Old-Age and Survivors Insurance and the Federal Disability Insurance trust funds) and the Postal Service Fund exclude the receipts and outlays for those activities from the budget totals and from the calculation of the deficit for Budget Enforcement Act purposes, the budget presents on-budget and off-budget totals. The off-budget totals include the transactions excluded by law from the budget totals. The on-budget and off-budget amounts are added together to derive the totals for the Federal Government. These are sometimes referred to as the unified or consolidated budget totals.

TOTALS FOR THE BUDGET AND THE FEDERAL GOVERNMENT

(In billions of dollars)

	1998 actual	1999 estimate	2000 estimate
On-budget:			
Budget authority	1,368	1,444	1,442
Outlays	1,336	1,404	1,430
Receipts	1,306	1,362	1,418
Deficit	–30	–42	–12
Off-budget:			
Budget authority	324	326	339
Outlays	317	323	336
Receipts	416	444	465
Surplus	99	121	129
Federal Government:			
Budget authority	1,692	1,770	1,781
Outlays	1,653	1,727	1,766
Receipts	1,722	1,806	1,883
Surplus	69	79	117

Neither the on-budget nor the off-budget totals include transactions of Government-sponsored enterprises, such as the Federal National Mortgage Association (Fannie Mae). Federal laws established these enterprises for public policy purposes, but they are privately owned and operated corporations. Because of their close relationship to the Government, the budget discusses them and reports their financial data in the budget *Appendix* and in some detailed tables.

The *Appendix* includes a presentation for the Board of Governors of the Federal Reserve System for information only. The amounts are not included in either the on-budget or off-budget totals because of the independent status of the System. However, the Federal Reserve System transfers its net earnings to the Treasury, and the budget records them as receipts.

Functional Classification

The functional classification arrays budget authority, outlays, and other budget data according to the major purpose served—such as agriculture, income security, and national defense. There are nineteen major functions, most of which are divided into subfunctions. For example, the ***Agriculture*** function comprises the subfunctions ***Farm Income Stabilization*** and ***Agricultural Research and Services.*** The functional classification is an integral part of the congressional budget process, and the functional array meets the Congressional Budget Act requirement for a presentation in the budget by national needs and agency missions and programs.

The following criteria are used in the establishment of functional categories and the assignment of activities to them:

- A function encompasses activities with similar purposes, emphasizing what the Federal Government seeks to accomplish rather than the means of accomplishment, the objects purchased, or the clientele or geographic area served.
- A function must be of continuing national importance, and the amounts attributable to it must be significant.
- Each basic unit being classified (generally the appropriation or fund account) usually is classified according to its predominant purpose and assigned to only one subfunction. However, some large accounts that serve more than one major purpose are subdivided into two or more subfunctions.
- Activities and programs are normally classified according to their primary purpose (or function) regardless of which agencies conduct the activities.

Section VI, "Investing in the Common Good: Program Performance in Federal Functions," in the main Budget volume of the 2000 budget provides information on government activities by function and subfunction.

Agencies, Accounts, Programs, Projects, and Activities

Various summary tables in the *Analytical Perspectives* volume of the 2000 budget provide information on budget authority, outlays, and receipts arrayed by Federal agency. Chapter 25 of that volume, "Federal Programs by Agency and Account," consists of a table that lists budget authority and outlays by budget account within each agency and the totals for each agency of budget authority, outlays, and receipts that offset the agency spending totals. The *Appendix to the Budget of the United States Government* provides budgetary, financial, and descriptive information about programs, projects, and activities by account within each agency. The *Appendix* also presents the most recently enacted appropriation language for an account and any changes that are proposed to be made for the budget year.

Types of Funds

Agency activities are financed through Federal funds and trust funds.

Federal funds comprise several types of funds. Receipt accounts of the ***general fund,*** which is the greater part of the budget, record receipts not earmarked by law for a specific purpose, such as almost all income tax receipts. The general fund also includes the proceeds of general borrowing. General fund appropriation accounts record general fund expenditures. General fund appropriations draw from general fund receipts collectively and, therefore, are not specifically linked to receipt accounts. ***Special funds*** consist of receipt accounts for Federal fund receipts that laws have earmarked for specific purposes and associated appropriation accounts for the expenditure of the earmarked receipts. ***Public enterprise funds*** are revolving funds used for programs authorized by law to conduct a cycle of business-type operations, primarily with the public, in which outlays generate collections. ***Intragovernmental*** funds are revolving funds that conduct business-type operations primarily within and between Government agencies. The budget records the collections and the outlays of revolving funds in the same account.

Trust funds account for the receipt and expenditure of monies by the Government for carrying out specific purposes and programs in accordance with the terms of a statute that designates the fund as a trust fund (such as the Highway Trust Fund) or for carrying out the stipulations of a trust agreement where the Nation is the beneficiary (such as any of several trust funds for gifts and donations for specific purposes). ***Trust revolving funds*** are trust funds credited with collections earmarked by law to carry out a cycle of business-type operations.

The Federal budget meaning of the term "trust," as applied to trust fund accounts, differs significantly from its private sector usage. In the private sector, the beneficiary of a trust usually owns the trust's assets, which are managed by a trustee who must follow the stipulations of the trust. In contrast, the Federal Government owns the assets of most Federal trust funds, and it can raise or lower future trust fund collections and payments, or change the purposes for which the collections are used, by changing existing laws. There is no substantive difference between a trust fund and a special fund or between a trust revolving fund and a public enterprise revolving fund. The Government does act as a true trustee for some funds. For example, it maintains accounts on behalf of individual Federal employees in the Thrift Savings Fund, investing them as directed by the individual employee. The Government accounts for such funds in ***deposit funds,*** which are not included in the budget. Chapter 15, "Trust Funds and Federal Funds," in the *Analytical Perspectives* volume of the 2000 budget provides more information on this subject.

Current Operating Expenditures and Capital Investment

The budget includes all types of spending, including both current operating expenditures and capital investment. Capital investment includes direct purchases of land, structures, and equipment. It also includes subsidies for capital investment provided by direct loans and loan guarantees; purchases of other financial assets; grants to state and local governments for purchases of physical assets; and the conduct of research, development, education, and training. Chapter 6, "Federal Investment Spending and Capital Budgeting," in the Analytical Perspectives volume of the 2000 budget provides more information on capital investment.

COLLECTIONS

In General

The budget classifies money collected by the Government into two major categories:

- ***Governmental receipts,*** which are compared in total to outlays (net of offsetting collections) in calculating the surplus or deficit.
- ***Offsetting collections,*** which are deducted from gross outlays to produce net outlay figures.

Governmental Receipts

These are collections from the public that result primarily from the exercise of the Government's sovereign or governmental powers. They consist mostly of individual and corporation income taxes and social insurance taxes, but also include excise taxes, compulsory user charges, customs duties, court fines, certain license fees, and deposits of earnings by the Federal Reserve System. They also include gifts and donations. Total receipts for the Federal Government include both on-budget and off-budget receipts (see the table, "Totals for the Budget and Federal Government," which appears earlier in this chapter.) Chapter 3, "Federal Receipts," in the *Analytical Perspectives* volume of the 2000 budget provides more information on governmental receipts.

Offsetting Collections

Offsetting collections result from two kinds of transactions:

- ***Business-like or market-oriented activities with the public.*** The budget records the proceeds from the sale of postage stamps, the fees charged for admittance to recreation areas, and the proceeds from the sale of Government-owned land, for example, as offsetting collections. Such collections are deducted from gross budget authority and outlays, rather than added to governmental receipts. This treatment produces budget totals for receipts, budget authority, and outlays that represent governmental rather than market activity.
- ***Intragovernmental transactions.*** The budget also records collections by one Government account from another as offsetting collections. For example, the General Services Administration records payments it receives from other Government agencies for the rent of office space as offsetting collections in the Federal Buildings Fund. Intragovernmental offsetting collections are deducted from gross budget authority and outlays so that the budget totals measure the transactions of the Government with the public.

Some offsetting collections are credited to expenditure accounts and some are credited to receipt accounts. The following sections explain the differences in accounting for such collections.

Offsetting Collections Credited to Expenditure Accounts

Some laws authorize agencies to credit collections directly to the account from which they will be spent and, usually, to be spent for the purpose of the account without further action by Congress. Most revolving funds operate with such authority. For example, a permanent law authorizes the Postal Service to use collections from the sale of stamps to finance its operations without a requirement for annual appropriations. The budget records these collections in the Postal Service Fund (a revolving fund) and records budget authority in an amount equal to the collections. Some intragovernmental collections may be recorded in this manner. For example, the budget records the intragovernmental collections of the Federal Buildings Fund (mentioned earlier) in the same manner as the Postal Service Fund. Some agencies are authorized to defray a portion of costs mostly financed by appropriations from the general fund. In such cases, the budget records the offsetting collections and resulting budget authority in the general fund expenditure account.

Where accounts have offsetting collections, the budget shows the budget authority and outlays of the account both gross (before deducting offsetting collections) and net (after deducting offsetting collections). Totals for the agency, subfunction, and budget are net of offsetting collections.

While most offsetting collections credited to expenditure accounts result from business-like activity or are collected from other Government accounts, some are governmental in nature but are required by law to be treated as offsetting. These are labeled "offsetting governmental collections."

Offsetting Receipts

Offsetting collections that are not authorized to be credited to expenditure accounts are credited to general fund, special fund, or trust fund receipt accounts and are called offsetting receipts. Offsetting receipts are deducted from budget authority and outlays in arriving at total budget authority and outlays. However, unlike offsetting collections credited to expenditure accounts, offsetting receipts do not offset budget authority and outlays at the account level. In most cases, such deductions are made at the subfunction and agency levels. Offsetting receipts are subdivided into three categories, as follows:

- ***Proprietary receipts from the public.***—These are collections from the public, deposited in receipt accounts, that arise from the business-type or market-oriented activities of the Government. Most proprietary receipts are deducted from the budget authority and outlay totals of the agency that conducts the activity generating the receipt and of the subfunction to which the activity is assigned. For example, fees for using National Parks are deducted from the totals for the Department of Interior, which has responsibility for the parks, and the Recreational Resources subfunction. Proprietary receipts from a few sources, however, are not offset against any specific agency or function and are classified as undistributed offsetting receipts. They are deducted from the Government-wide totals for budget authority and outlays. For example, the collections of rents and royalties from outer continental shelf lands are undistributed because the amounts are large and for the most part are not related to the spending of the agency that administers the transactions and the subfunction that records the administrative expenses.
- ***Intragovernmental transactions.***—These are collections from expenditure accounts that are deposited into receipt accounts. Most intragovernmental transactions are deducted from the budget authority and outlays of the agency that conducts the activity generating the receipts and of the subfunction to which the activity is assigned. In two cases, however, intragovernmental transactions

appear as special deductions in computing total budget authority and outlays for the Government rather than as offsets at the agency level—agencies' payments as employers into employee retirement trust funds and interest received by trust funds. The special treatment for these receipts is necessary because the amounts are large and would distort the agency totals, as measures of the agency's activities, if they were attributed to the agency.

- ***Offsetting governmental receipts.***—These are collections that are governmental in nature but are required by law to be treated as offsetting and are not authorized to be credited to expenditure accounts.

User Fee

In the budget, the term "user fee" refers to fees, charges, and assessments levied on a class directly benefiting from, or subject to regulation by, government programs or activity, to be utilized solely to support the program or activity. It does not refer to a separate budget category for collections. The budget records user fees as governmental receipts or offsetting collections, depending on whether the fee results primarily from the exercise of governmental powers or from business-like activity. Chapter 4, "User Fees and Other Collections," in the *Analytical Perspectives* volume of the 2000 budget discusses user fees in greater detail.

BUDGET AUTHORITY AND OTHER BUDGETARY RESOURCES, OBLIGATIONS, AND OUTLAYS

Budget Authority and Other Budgetary Resources

Budget authority is the authority provided in law to enter into obligations that will result in immediate or future outlays of Government funds. Government officials may obligate the Government to make outlays only to the extent they have been granted budget authority. The budget records budget authority as a dollar amount in the year when it first becomes available. Under circumstances described below, unobligated balances of budget authority may be carried over into the next year. The budget does not record these balances as budget authority again. They do, however, constitute a budgetary resource that is available for obligation. In some cases, a provision of law such as a limitation on obligations or a benefit formula (for example, the formula for unemployment insurance benefits), precludes the obligation of funds that would otherwise be available for obligation. In such cases, the budget records budget authority equal to the amount of obligations that can be incurred.

In deciding the amount of budget authority to request for a program, project, or activity, agency officials estimate the total amount of obligations they will need to incur to achieve desired goals and subtract the amounts of unobligated balances available for these purposes. The amount of budget authority requested is influenced by the nature of the programs, projects, or activities being financed. For current operating expenditures, the amount requested usually covers needs for the year. For major procurement programs and construction projects, the Government generally applies a full funding policy. Under this policy, agencies must request an amount to be appropriated in the first year that they estimate will be adequate to complete an economically useful segment of a procurement or project, even though it may be obligated over several years. This policy is intended to ensure that the decision-makers take into account all costs and benefits fully at the time decisions are made to provide resources. It also avoids sinking money into a procurement or project without being certain if or when future funding will be available to complete the procurement or project.

Budget authority takes several forms:

- ***appropriations,*** provided in annual appropriations acts or permanent laws, permit agencies to incur obligations and make payment;
- ***authority to borrow,*** usually provided in permanent laws, permits agencies to incur obligations but requires them to borrow funds, usually from the general fund of the Treasury, to make payment;
- ***contract authority,*** usually provided in permanent law, permits agencies to incur obligations in advance of a separate appropriation of the cash for payment or in anticipation of the collection of receipts that can be used for payment; and
- ***spending authority from offsetting collections,*** usually provided in permanent law, permits agencies to credit offsetting collections to an expenditure account, incur obligations, and make payment using the offsetting collections.

Because offsetting collections (offsetting receipts and offsetting collections credited to expenditure accounts) are deducted from gross budget authority, they are referred to as negative budget authority for some purposes, such as Congressional Budget Act provisions that pertain to budget authority.

Authorizing statutes usually determine the form of budget authority for a program. The authorizing statute may authorize a particular type of budget authority to be provided in annual appropriations acts, or it may provide one of the forms of budget authority directly, without the need for further appropriations. Most programs are funded by appropriations. An appropriation may make funds available from the general fund, special funds, trust funds, or authorize the spending of offsetting collections credited to expenditure accounts, including revolving funds. Borrowing authority is usually authorized for business-like activities where the activity being financed is expected to produce income over time with which to repay the borrowing with interest. Contract authority is a traditional form of budget authority for certain programs, particularly transportation programs.

Annual appropriations acts generally make budget authority available for obligation only during the fiscal year to which the act applies. However, they specify many exceptions, allowing budget authority for a particular purpose to remain available for obligation for a longer period or indefinitely (that is, until expended or until the program objectives have been attained). Typically, appropriations acts make budget authority for current operations available for only one year, and budget authority for construction and some research projects available for a specified number of years or indefinitely. Many appropriations of trust fund receipts make the budget authority available indefinitely. Only another law can extend a limited period of availability (see Reappropriation below). Budget authority provided in authorizing statutes usually remains available until expended.

Budget authority that is available for more than one year and that is not obligated in the year it becomes available is carried forward for obligation in a following year. In some cases, an account may have carried forward unobligated budget authority from more than one year. The sum of such amounts constitutes an account's ***unobligated balance.*** Budget authority that has been obligated but not paid constitutes the account's ***obligated balance.*** For example, in the case of salaries and wages, one to three weeks elapse between the time of obligation and the time of payment. In the case of major procurement and construction, payments may occur over a period of several years after the obligation is made. Obligated balances of budget authority are carried forward until the obligations are paid or the balances are canceled. (A general law cancels the obligated balances of budget authority that was made available for a definite period five years after the end of the period, and then other resources must be used to pay the obligations.) Due to such flows, a change in the amount of budget authority available in any one year may change the level of obligations and outlays for several years to come. Conversely, a change in the amount of obligations incurred from one year to the next does not necessarily result from an equal change in the amount of budget authority available for that year and will not necessarily result in a change in the level of outlays in that year. [4]

Congress usually makes budget authority available on the first day of the fiscal year for which the appropriations act is passed. Occasionally, the appropriations language specifies a different timing. The language may provide an ***advance appropriation***—budget authority that does not become available until one year or more beyond the fiscal year for which the appropriations act is passed. ***Forward*** funding refers to budget authority that is made available for obligation beginning in the last quarter of the fiscal year (beginning on July 1st) for the financing of ongoing grant programs during the next fiscal year. This kind of funding is used mostly for education programs, so that obligations for grants can be made prior to the beginning of the next school year. For certain benefit programs funded by annual appropriations, the appropriation provides for ***advance funding***—budget authority that is to be charged to the appropriation in the succeeding year but which authorizes obligations to be incurred in the last quarter of the current fiscal year if necessary to meet benefit payments in excess of the specific amount appropriated for the year.

Provisions of law that extend the availability of unobligated amounts that have expired or would otherwise expire are called ***reappropriations.*** Reappropriations count as new budget authority in the fiscal year in which the balances become newly available. For example, if a 2000 appropriations act extends the availability of unobligated budget authority that otherwise would expire at the end of 1999, new budget authority would be recorded for 2000.

The budget classifies budget authority as ***current*** or ***permanent.*** Generally, budget authority is current if an annual appropriations act provides it and permanent if authorizing legislation provides it. Advance appropriations of budget authority are classified as permanent, even though they are provided in annual appropriations acts, because they become available a year or more following the year to which the act pertains.

Obligations and outlays resulting from permanent budget authority account for more than half of the budget totals. Put another way, annual appropriations acts control less than half of the obligations and outlays in the budget. Most permanent budget authority, other than the authority to spend offsetting collections, arises from the authority to spend trust fund receipts and the authority to pay interest on the public debt. Most authority to spend offsetting collections is provided to public enterprise revolving funds.

For purposes of the Budget Enforcement Act (discussed earlier under "Budget Enforcement"), the budget classifies budget authority as ***discretionary*** or ***mandatory.*** Generally, budget authority is discretionary if an annual appropriations act provides it and mandatory if authorizing legislation provides it. This classification is nearly the same as the one for current and permanent budget authority. It differs in a few cases, because the BEA requires the budget authority (and resulting outlays) provided in annual appropriations acts for certain specifically identified programs to be treated as mandatory. The BEA requires this because the authorizing legislation in these cases entitles beneficiaries to receive payment or otherwise obligates the Government to make payment, even though the payments are funded by a subsequent appropriation. Since the authorizing legislation effectively determines the amount of budget authority required, the BEA classifies it as mandatory.

The budget also classifies budget authority as ***definite*** or ***indefinite.*** It is definite if the legislation that

[4] A separate report, "Balances of Budget Authority," provides additional information on balances. The National Technical Information Service, Department of Commerce, makes the report available shortly after the budget is transmitted.

provides it specifies a dollar amount (which may be an amount not to be exceeded). It is indefinite if, instead of specifying an amount, the legislation that provides it permits the amount to be determined by subsequent circumstances. For example, indefinite budget authority is provided for interest on the public debt, payment of claims and judgments awarded by the courts against the U.S., and many entitlement programs. Many of the laws that authorize collections to be credited to revolving, special, and trust funds make all of the collections available for expenditure for the authorized purposes of the fund, and such authority is considered to be indefinite budget authority.

Obligations Incurred

Following the enactment of budget authority and the completion of required apportionment action, Government agencies incur obligations to make payments. Agencies must record obligations when they enter into binding agreements that will result in outlays, immediately or in the future. Such obligations include the current liabilities for salaries, wages, and interest; and contracts for the purchase of supplies and equipment, construction, and the acquisition of office space, buildings, and land. For Federal credit programs, obligations are recorded in an amount equal to the estimated subsidy cost of direct loans and loan guarantees (see FEDERAL CREDIT below).

Outlays

Outlays are the measure of Government spending. The budget records outlays for payments that liquidate obligations (other than the repayment of debt), net of refunds and offsetting collections. They are recorded when obligations are paid, in the amount that is paid. The Government usually makes outlays in the form of cash (currency, checks, or electronic fund transfers). However, in some cases agencies pay obligations without disbursing cash and the budget records outlays nevertheless. For example, the budget records outlays for the full amount of Federal employees' salaries, even though the cash disbursed to employees is net of Federal and state income taxes, retirement contributions, life and health insurance premiums, and other deductions. (The budget also records receipts for the deductions of Federal income taxes and other payments to the Government.) The budget records outlays when debt instruments (bonds, debentures, notes, or monetary credits) are used to pay obligations and an increase in debt. For example, the budget records the acquisition of physical assets through certain types of lease-purchase arrangements as though an outlay were made for an outright purchase. Because no cash is paid up front to the nominal owner of the asset, the transaction creates a Government debt. In such cases, the cash lease payments are treated as repayments of principal and interest.

The measurement of interest varies. The budget records outlays for the interest on the public issues of Treasury debt securities as the interest accrues, not when the cash is paid. Treasury issues a kind of security that features monthly adjustments to principal for inflation and semiannual payments of interest on the inflation-adjusted principal. As with fixed-rate securities, the budget records the interest payments on these securities as outlays as the interest accrues. The monthly adjustment to principal is recorded, simultaneously, as an increase in debt outstanding and an outlay of interest. The budget normally states the interest on special issues of the debt securities held by trust funds and other Government accounts on a cash basis. When a Government account is invested in Federal debt securities, the purchase price is usually close or identical to the par (face) value of the security. The budget records the investment at par value and adjusts the interest paid by Treasury and collected by the account by the difference between purchase price and par, if any. However, two trust funds in the Department of Defense, the Military Retirement Trust Fund and the Education Benefits Trust Fund, routinely have relatively large differences between purchase price and par. For these funds, the budget records the holdings of debt at par but records the differences between purchase price and par as adjustments to the assets of the funds that are amortized over the life of the security. The budget records interest as the amortization occurs.

For Federal credit programs, outlays are equal to the subsidy cost of direct loans and loan guarantees and are recorded as the underlying loans are disbursed (see FEDERAL CREDIT below).

The budget records refunds of receipts that result from overpayments (such as income taxes withheld in excess of tax liabilities) as reductions of receipts, rather than as outlays. The budget records payments to tax payers for tax credits (such as earned income tax credits) that exceed the tax payer's tax liability as outlays.

Outlays during a fiscal year may liquidate obligations incurred in the same year or in prior years. Obligations, in turn, may be incurred against budget authority provided in the same year or against unobligated balances of budget authority provided in prior years. Outlays, therefore, flow in part in part from budget authority provided for the year in which the money is spent and in part from budget authority provided in prior years. The ratio of the outlays resulting from budget authority enacted in any year to the amount of that budget authority is referred to as the spendout rate for that year.

Outlays for an account are stated both gross and net of offsetting collections, but function, agency, and Government-wide outlay totals are only stated net. Total outlays for the Federal Government include both on-budget and off-budget outlays. (See the table, "Totals for the Budget and Federal Government" above.)

FEDERAL CREDIT

Some laws authorize Government agencies to make ***direct loans*** or loan guarantees. A direct loan is a disbursement of funds by the Government to a non-Federal borrower under a contract that requires the repayment of such funds with or without interest. The term includes equivalent transactions such as selling a property on credit terms in lieu of receiving cash up front. A ***loan guarantee*** is any guarantee, insurance, or other pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender. The Federal Credit Reform Act prescribes the budget treatment for Federal credit programs. This treatment is designed to measure the subsidy cost of direct loans and loan guarantees in the budget, when the loans are disbursed, rather than the cash flows over the term of the loan, so direct loans and loan guarantees can be compared to each other and to other methods of delivering benefits, such as grants, on an equivalent basis.

The budget records the estimated long-term cost to the Government arising from direct loans and loan guarantees in ***credit program accounts.*** The cost is estimated as the present value of expected disbursements over the term of the loan less the present value of expected collections.[5] For most credit programs, as with most other kinds of programs, agencies can incur costs only if Congress has appropriated funds sufficient to cover the costs in annual appropriations acts.

When an agency disburses a direct loan or when a non-federal lender disburses a loan guaranteed by an agency, the program account outlays an amount equal to the cost to a non-budgetary ***credit financing account.*** For a few programs, the computed cost is negative, because the present value of expected collections over the term of the loan exceeds that of expected disbursements. In such cases, the financing account makes a payment to the Treasury general fund where it is recorded as an offsetting receipt in an account identified to the program. In a few cases, the receipts are earmarked in a special fund established for the program and are available for appropriation for the program.

The agencies responsible for credit programs must reestimate the cost of the outstanding direct loans and loan guarantees, normally each year. If an agency estimates the cost to have increased, the agency must make an additional outlay from the program account to the financing account. The Federal Credit Reform Act provides a permanent indefinite appropriation to pay the increased costs resulting from reestimates. If the agency estimates the cost to have decreased, the agency must make a payment from the financing account to the program's receipt account, where it is recorded as an offsetting receipt.

If the Government modifies the terms of an outstanding direct loan or loan guarantee in a way that increases the cost, as the result of a law or the exercise of administrative discretion under existing law, the agency must record an obligation in the program account for an additional amount equal to the increased cost and outlay the amount to the financing account. As with the original costs, agencies may incur modification costs only if Congress has appropriated funds to cover them. The Government may reduce costs by modifications, in which case the agency makes a payment from the financing account the program's receipt account.

Credit financing accounts record all cash flows to and from the Government arising from direct loan obligations and loan guarantee commitments. These cash flows consist mainly of direct loan disbursements and repayments, loan guarantee default payments, fees, and amounts recovered from disposing assets acquired as a result of defaults. Separate financing accounts record the cash flows of direct loans and of loan guarantees for programs that do both. The budget totals exclude the transactions of financing accounts because they are not a cost to the Government. Financing account transactions affect the means of financing a budget surplus or deficit (see **Credit Financing Accounts** in the next section). The budget documents display the transactions of the financing accounts, together with the related program accounts, for information and analytical purposes.

The budget continues to account for the transactions associated with direct loan obligations and loan guarantee commitments made prior to 1992 on a cash flow basis. The budget records these transactions in ***credit liquidating accounts,*** which, in most cases, are the accounts that were used for the programs prior to the enactment of the Credit Reform Act.

BUDGET DEFICIT OR SURPLUS AND MEANS OF FINANCING

When outlays exceed receipts, the difference is a deficit. The Government finances deficits by borrowing and, to a limited extent, with the other items discussed under this heading. The Government's debt (debt held by the public) is the cumulative amount of borrowing to finance deficits, less repayments. When receipts exceed outlays, the difference is a surplus. The Government uses surpluses to reduce debt and applies it to the other items.

Borrowing and Debt Repayment

The budget treats borrowing and debt repayment as a means of financing, not as receipts and outlays. (If borrowing were defined as receipts and debt repayment as outlays, the budget would be virtually balanced by

[5] Present value is a standard financial concept that allows for the time value of money, that is, for the fact that a given sum of money is worth more at present than in the future because interest can be earned on it.

definition.) This rule applies both to borrowing in the form of Treasury securities and to specialized borrowing in the form of agency securities (including the issuance of debt securities to liquidate an obligation and the sale of certificates representing participation in a pool of loans). In 1998, the Government repaid $51 billion of debt held by the public. This was the result of a $69 billion surplus in that year. The rest of the surplus was needed to finance direct loans disbursed in credit financing accounts, which are discussed below, and for smaller changes in the other means of financing. At the end of 1998, the debt held by the public was $3,720 billion. In addition to selling debt to the public, the Treasury Department issues debt to Government accounts, primarily trust funds that are required by law to invest in Treasury securities. Issuing and redeeming this debt does not affect the means of financing, because these transactions occur between one Government account and another, and they do not raise or use any cash for the Government as a whole. Chapter 12, "Federal Borrowing and Debt," in the *Analytical Perspectives* volume of the 2000 budget provides a fuller discussion of this topic.

Exercise of Monetary Power

Seigniorage is the profit from coining money. It is the difference between the value of coins as money and their cost of production. Seigniorage adds to the Government's cash balance, but unlike the payment of taxes or other receipts, it does not involve a transfer of financial assets from the public. Instead, it arises from the exercise of the Government's power to create money. Therefore, the budget excludes seigniorage from receipts and treats it as a means of financing. The budget treats profits resulting from the sale of gold as a means of financing, since the value of gold is determined by its value as a monetary asset rather than as a commodity.

Credit Financing Accounts

The budget records the net cash flows of credit programs in credit financing accounts, which are excluded from the budget totals and are called net financing disbursements. (See FEDERAL CREDIT above.) Net financing disbursements are defined in the same way as the outlays of a budgetary account and are therefore a means of financing. Like outlays, they may be either positive or negative.

The net financing disbursements result partly from intragovernmental transactions with budgetary accounts (the receipt of subsidy payments and the receipt or payment of interest) and partly from transactions with the public (disbursement and repayment of loans, receipt of interest and fees, payment of default claims, etc.). An intragovernmental transaction affects the deficit or surplus and the means of financing in equal amounts but with opposite signs, so they have no combined effect on Treasury borrowing from the public. On the other hand, financing account disbursements to the public increase the requirement for Treasury borrowing in the same way as an increase in budget outlays. Financing account receipts from the public can be used to finance the payment of the Government's obligations and therefore reduce the requirement for Treasury borrowing from the public in the same way as an increase in budget receipts.

Deposit Fund Account Balances

The Treasury uses deposit funds, which are nonbudgetary accounts, to record amounts held temporarily until ownership is determined (for example, earnest money paid by bidders for mineral leases) or held by the Government as agent for others (for example, State and local income taxes withheld from Federal employees' salaries and not yet paid to the State or local government). Deposit fund balances may be held in the form of either invested or uninvested balances. Changes in deposit fund balances affect the Treasury's cash balances, even though the transactions are not a part of the budget. To the extent that deposit fund balances are not invested, changes in the balances are a means of financing. To the extent that the balances are invested in Federal debt, changes in the balances are reflected as borrowing from the public if the deposit fund investments are classified as held by the public, and as a means of financing if the investments are classified as held by Government accounts.

Exchange of Cash

The budget treats the Government's deposits with the International Monetary Fund (IMF) as monetary assets (like bank deposits). Therefore, the movement of money between the IMF and the Treasury is not considered in itself a receipt or an outlay, borrowing, or lending. However, the budget records interest paid by the IMF on U.S. deposits as an offsetting collection. Similarly, the budget treats the holdings of foreign currency by the Exchange Stabilization Fund as cash assets. The budget records outlays for changes in these holdings only to the extent there is a realized loss of dollars on the exchange and offsetting collections only to the extent there is a realized dollar profit.

FEDERAL EMPLOYMENT

The budget includes information on civilian and military employment and personnel compensation and benefits. It also compares the Federal workforce, State and local government workforces, and the United States population. The budget provides two different measures of Federal employment levels—actual positions filled and full-time equivalents (FTE). One FTE equals one work year or 2,080 hours. For most purposes, the FTE measure is more meaningful, because it takes into account part-time employment, temporary employment, and vacancies during the year. For example, one full-time employee and two half-time employees would count as two FTE's but three positions. Chapter 10, "Federal Employment and Compensation," in the *Analytical Perspectives* volume of the 2000 budget provides more information on this subject.

TOTAL FEDERAL EMPLOYMENT

	1998 actual	1999 estimated	2000 estimated	Percent change 1998 to 2000
Total FTE's	4,145,814	4,133,431	4,153,582	0.2
Federal Executive Branch civilian employees per 1000 U.S. population	9.7	9.7	9.7	0.0

BASIS FOR BUDGET FIGURES

Data for the Past Year

The past year column (1998) generally presents the actual transactions and balances as recorded in agency accounts and as summarized in the central financial reports prepared by the Treasury Department for the most recently completed fiscal year. Occasionally the budget reports corrections to data reported erroneously to Treasury but not discovered in time to be reflected in Treasury's published data. The budget usually notes the sources of such differences.

Data for the Current Year

The current year column (1999) includes estimates of transactions and balances based on the amounts of budgetary resources that were available when the budget was transmitted, including amounts appropriated for the year. This column also reflects any supplemental appropriations or rescissions proposed in the budget.

Data for the Budget Year

The budget year column (2000) includes estimates of transactions and balances based on the amounts of budgetary resources that are estimated to be available, including new budget authority requested under current authorizing legislation, and amounts estimated to result from changes in authorizing legislation and tax laws. The budget *Appendix* generally includes the appropriations language for the amounts proposed to be appropriated under current authorizing legislation. In a few cases, the language is transmitted later because the exact requirements are unknown when the budget is transmitted. The *Appendix* generally does not include appropriations language for the amounts that will be requested under proposed legislation; that language is usually transmitted later, after the legislation is enacted. Some tables in the budget identify the items for later transmittal and the related outlays separately. Estimates of the total requirements for the budget year include both the amounts requested with the transmittal of the budget and the amounts planned for later transmittal.

Data for the Outyears

The budget presents estimates for each of the four years beyond the budget year (2001 through 2004) in order to reflect the effect of budget decisions on longer term objectives and plans.

Allowances

The budget may include lump-sum allowances to cover certain transactions that are expected to increase or decrease budget authority, outlays, or receipts but are not, for various reasons, reflected in the program details. For example, the budget might include an allowance to show the effect on the budget totals of a proposal that would actually affect many accounts by relatively small amounts, in order to avoid unnecessary detail in the presentations for the individual accounts. Congress does not enact the allowances as such.

Baseline

The budget baseline is an estimate of the receipts, outlays, and deficits or surplus that would result from continuing current law through the period covered by the budget. The baseline assumes that receipts and mandatory spending, which generally are authorized on a permanent basis, will continue in the future as required by current law. The baseline assumes that the future funding for discretionary programs, which generally are funded annually, will equal the most recently enacted appropriation, adjusted for inflation. The baseline represents the amount of real resources that would be used by the Government over the period covered by the budget on the basis of laws currently enacted.

The baseline serves several useful for purposes:

- It warns of future problems, either for Government fiscal policy as a whole or for individual tax and spending programs.
- It provides a starting point for formulating the President's budget.
- It provides a "policy-neutral" benchmark against which the President's budget and alternative proposals can be compared to assess the magnitude of proposed changes.
- OMB uses it, under the BEA, to determine how much will be sequestered from each account and the level of funding remaining after sequestration.

Chapter 14, "Current Services Estimates," in the Analytical Perspectives volume of the 2000 budget provides more information on the baseline.

PRINCIPAL BUDGET LAWS

The following basic laws govern the Federal budget process:

- ***Article 1, section 8, clause 1 of the Constitution,*** which empowers the Congress to collect taxes.
- ***Article 1, section 9, clause 7 of the Constitution,*** which requires appropriations in law before money may be spent from the Treasury.
- ***Antideficiency Act (codified in Chapters 13 and 15 of Title 31, United States Code),*** which prescribes rules and procedures for budget execution.
- ***Chapter 11 of Title 31, United States Code,*** which prescribes procedures for submission of the President's budget and information to be contained in it.
- ***Congressional Budget and Impoundment Control Act of 1974 (Public Law 93–344),*** as amended. This Act comprises the:
  —Congressional Budget Act of 1974, as amended, which prescribes the congressional budget process; and
  —Impoundment Control Act of 1974, which controls certain aspects of budget execution.
- ***Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99–177),*** as amended, which prescribes rules and procedures (including "sequestration") designed to eliminate excess spending.
- ***Budget Enforcement Act of 1990 (Title XIII, Public Law 101–508)*** significantly amended key laws pertaining to the budget process, including the Congressional Budget Act and the Balanced Budget and Emergency Deficit Control Act. The Budget Enforcement Act of 1997 (Title X, Public Law 105–33) extended the BEA requirements through 2002 (2006 in part) and altered some of the requirements. The requirements generally referred to as BEA requirements (discretionary spending limits, pay-as-you-go, sequestration, etc.) are part of the Balanced Budget and Emergency Deficit Control Act.
- ***Federal Credit Reform Act of 1990 (as amended by the Budget Enforcement Act of 1997),*** a part of the Budget Enforcement Act of 1990, which amended the Congressional Budget Act to prescribe the budget treatment for Federal credit programs.
- ***Government Performance and Results Act of 1993,*** which emphasizes managing for results. It requires agencies to prepare strategic plans, annual performance plans, and annual performance reports.

GLOSSARY OF BUDGET TERMS

Balances of budget authority—These are amounts of budget authority provided in previous years that have not been outlayed.

Baseline—An estimate of the receipts, outlays, and deficit or surplus that would result from continuing current law through the period covered by the budget.

Breach—A breach is the amount by which new budget authority or outlays within a category of discretionary appropriations for a fiscal year is above the cap on new budget authority or outlays for that category for that year.

Budget—The Budget of the United States Government sets forth the President's comprehensive financial plan for allocating resources and indicates the President's priorities for the Federal Government.

Budget authority (BA)—Budget authority is the authority becoming available during the year to enter into obligations that will result in immediate or future outlays of Government funds. (For a description of the several forms of budget authority, see Budget Authority and Other Budgetary Resources earlier in this chapter.).

Budgetary resources—Budgetary resources consist of new budget authority and unobligated balances of budget authority provided in previous years.

Budget totals—The budget includes totals for budget authority, outlays, and receipts. Some presentations in the budget distinguish on-budget totals from off-budget totals. On-budget totals reflect the transactions of all Federal Government entities except those excluded from the budget totals by law. The off-budget totals reflect the transactions of Government entities that are excluded from the on-budget totals by law. Under current law, the off-budget totals include the social security trust funds (Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds) and the Postal Service Fund. The budget combines the on- and off-budget totals to derive unified or consolidated totals for Federal activity.

Cap—This is the term commonly used to refer to legal limits on the budget authority and outlays for each fiscal year provided by discretionary appropriations.

Credit program account—A credit program account receives an appropriation for the subsidy cost of a direct loan or loan guarantee program and disburses such cost to a financing account for the program when the direct loan or guaranteed loan is disbursed.

Deficit—A deficit is the amount by which outlays exceed receipts.

Direct loan—A direct loan is a disbursement of funds by the Government to a non-Federal borrower under a contract that requires the repayment of such funds with or without interest. The term includes the purchase of, or participation in, a loan made by another lender. The term also includes the sale of a Government asset on credit terms of more than 90 days duration as well as financing arrangements for other transactions that defer payment for more than 90 days. It also includes loans financed by the Federal Financing Bank (FFB) pursuant to agency loan guarantee authority. The term does not include the acquisition of a federally guaranteed loan in satisfaction of default or other guarantee claims or the price support loans of the Commodity Credit Corporation. (Cf. *loan guarantee.*)

Direct spending—Direct spending, more commonly called mandatory spending, is a category of outlays from budget authority provided in law other than appropriations acts, entitlement authority, and the budget authority for the food stamp program. (Cf. *discretionary appropriations.*)

Discretionary appropriations—Discretionary appropriations is a category of budget authority that comprises budgetary resources (except those provided to fund direct spending programs) provided in appropriations acts. (Cf. *direct spending.*)

Emergency spending—Emergency spending is spending that the President and the Congress have designated as an emergency requirement. Such spending is not subject to the limits on discretionary spending, if it is discretionary spending, or the pay-as-you-go rules, if it is direct spending.

Federal funds—Federal funds are the moneys collected and spent by the Government other than those designated as trust funds. Federal funds include general, special, public enterprise, and intragovernmental funds. (Cf. *trust funds.*)

Financing account—A financing account receives the cost payments from a credit program account and includes all cash flows to and from the Government resulting from direct loan obligations or loan guarantee commitments made on or after October 1, 1991. At least one financing account is associated with each credit program account. For programs that make both direct loans and loan guarantees, there are separate financing accounts for the direct loans and the loan guarantees. The transactions of the financing accounts are nonbudgetary and not included in the budget totals. (Cf. *liquidating account.*)

Fiscal year—The fiscal year is the Government's accounting period. It begins on October 1st and ends on September 30th, and is designated by the calendar year in which it ends. Before 1976, the fiscal year began on July 1 and ended on June 30.

General fund—The general fund consists of accounts for receipts not earmarked by law for a specific purpose, the proceeds of general borrowing, and the expenditure of these moneys.

Governmental receipts—These are collections from the public that result primarily from the exercise of the Government's sovereign or governmental powers. Governmental receipts consist mostly of individual and corporation income taxes and social insurance taxes, but also include excise taxes, compulsory user charges, customs duties, court fines, certain license fees, and deposits of earnings by the Federal Reserve System. Gifts and donations are also counted as governmental receipts. They are compared to outlays in calculating a surplus or deficit. (Cf. *offsetting collections.*)

Liquidating account—A liquidating account includes all cash flows to and from the Government resulting from direct loan obligations and loan guarantee commitments made prior to October 1, 1991. (Cf. *financing account.*)

Loan guarantee—A loan guarantee is any guarantee, insurance, or other pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender. The term does not include the insurance of deposits, shares, or other withdrawable accounts in financial institutions. (Cf. direct loan.)

Mandatory spending—See *direct spending.*

Intragovernmental funds—These funds are accounts for business-type or market-oriented activities conducted primarily within and between Government agencies and financed by offsetting collections that are credited directly to the fund.

Obligations—Obligations are binding agreements that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.

Obligated balances—These are amounts of budget authority that have been obligated but not yet outlayed. Unobligated balances are amounts that have not been obligated and that remain available for obligation under law.

Off-budget—See *budget totals.*

Offsetting collections—Offsetting collections are collections from the public that result from business-type or market-oriented activities and collections from other Government accounts. These collections are deducted from gross disbursements in calculating outlays, rather than counted in Governmental receipt totals. Some offsetting collections are credited directly to expenditure accounts; others, called offsetting receipts, are credited to receipt accounts. The authority to spend offsetting collections is a form of budget authority. (Cf. *governmental receipts.*)

Offsetting receipts—See *offsetting collections.*

On-budget—See *budget totals.*

Outlays—Outlays are the measure of Government spending. They are payments to liquidate obligations (other than the repayment of debt), net of refunds and offsetting collections. Outlays generally are recorded on a cash basis, but also include cash-equivalent transactions, the subsidy cost of direct loans and loan guarantees, and interest accrued on public issues of Treasury debt.

Pay-as-you-go (PAYGO)—This term refers to requirements in law that result in a sequestration if the estimated combined result of legislation affecting direct spending or receipts is an increase in the deficit for a fiscal year.

Outyear estimates—This term refers to estimates presented in the budget for years beyond the budget year (usually four).

Public enterprise funds—These funds are revolving accounts for business or market-oriented activities conducted primarily with the public and financed by offsetting collections that are credited directly to the fund.

Receipts—See *governmental receipts and offsetting collections.*

Scorekeeping—This term refers to measuring the budget effects of legislation, generally in terms of budget authority, receipts, and outlays for purposes of the Budget Enforcement Act.

Sequestration—A sequestration is the cancellation of budgetary resources provided by discretionary appropriations or direct spending legislation, following various procedures prescribed in law. A sequestration may occur in response to a discretionary appropriation that causes a breach or in response to increases in the deficit resulting from the combined result of legislation affecting direct spending or receipts (referred to as a "pay-as-you-go" sequestration).

Special funds—These are Federal fund accounts for receipts earmarked for specific purposes and the associated expenditure of those receipts. (Cf. *trust funds.*)

Subsidy—This term means the same as cost when it is used in connection with Federal credit programs.

Surplus—A surplus is the amount by which receipts exceed outlays.

Supplemental appropriation—A supplemental appropriation is one enacted subsequent to a regular annual appropriations act when the need for funds is too urgent to be postponed until the next regular annual appropriations act.

Trust funds—These are accounts, designated by law as trust funds, for receipts earmarked for specific purposes and the associated expenditure of those receipts. (Cf. *special funds.*)

User fee—This term refers to fees, charges, and assessments levied on a class directly benefiting from, or subject to regulation by, government programs or activity, to be utilized solely to support the program or activity.

OUTLAYS TO THE PUBLIC

24. OUTLAYS TO THE PUBLIC

Table 24–1. TOTAL OUTLAYS, INCLUDING THOSE OFFSET BY COLLECTIONS FROM THE PUBLIC, BY AGENCY, 1998–2000

(In millions of dollars)

Department or other unit	1998				1999				2000			
	Net Outlays	Offsetting Collections from the Public in:		Outlays Gross of Collections from the Public	Net Outlays	Offsetting Collections from the Public in:		Outlays Gross of Collections from the Public	Net Outlays	Offsetting Collections from the Public in:		Outlays Gross of Collections from the Public
		Expenditure Accounts	Receipt Accounts			Expenditure Accounts	Receipt Accounts			Expenditure Accounts	Receipt Accounts	
Legislative Branch	2,600	162	4	2,766	2,850	183	11	3,044	3,120	189	11	3,320
Judicial Branch	3,467	44	11	3,522	3,913	45	11	3,969	4,133	45	11	4,189
Agriculture	53,947	15,676	969	70,592	63,412	19,505	1,081	83,998	55,167	22,005	816	77,988
Commerce	4,046	955	135	5,136	4,767	1,043	7	5,817	6,647	1,183	7	7,837
Defense—Military	256,122	8,544	2,321	266,987	263,556	8,426	1,740	273,722	260,834	8,707	1,550	271,091
Education	31,463	960	....	32,423	34,360	1,245	192	35,797	34,971	1,171	941	37,083
Energy	14,438	4,080	1,602	20,120	15,544	4,445	1,322	21,311	15,756	4,434	1,277	21,467
Health and Human Services	350,568	993	21,815	373,376	375,532	1,077	22,301	398,910	400,327	1,300	23,921	425,548
Housing and Urban Development	30,227	5,323	3,045	38,595	32,324	6,609	6,648	45,581	32,533	5,592	916	39,041
Interior	7,218	538	2,109	9,865	8,426	627	2,410	11,463	8,470	570	2,134	11,174
Justice	16,168	870	1,074	18,112	16,458	500	1,371	18,329	19,794	516	1,474	21,784
Labor	30,007	2,160	3	32,170	34,923	1,957	4	36,884	38,652	2,306	4	40,962
State	5,382	309	2	5,693	6,791	522	1	7,314	6,959	530	1	7,490
Transportation	39,463	126	134	39,723	41,873	189	219	42,281	45,503	349	148	46,000
Treasury	390,140	2,388	10,093	402,621	385,976	2,651	11,133	399,760	377,916	3,199	12,371	393,486
Veteran Affairs	41,773	1,930	1,152	44,855	43,474	1,834	1,455	46,763	43,953	2,068	1,140	47,161
Corps of Engineers	3,845	17	307	4,169	4,209	16	324	4,549	3,065	23	1,260	4,348
Other Department of Defense—Civil	31,216	....	12	31,228	32,311	....	16	32,327	33,220	....	17	33,237
Environmental Protection Agency	6,284	63	329	6,676	6,667	80	261	7,008	7,346	81	256	7,683
Executive Office of the President	237	2	....	239	374	2	....	376	263	3	....	266
Federal Emergency Management Agency	2,096	1,284	12	3,392	2,668	1,401	....	4,069	2,744	1,500	....	4,244
General Services Administration	1,091	231	63	1,385	328	204	26	558	429	229	29	687
International Assistance Programs	8,974	1,732	14,867	25,573	10,130	1,196	13,783	25,109	10,401	1,466	12,720	24,587
National Aeronautics and Space Administration	14,206	761	....	14,967	14,043	939	....	14,982	13,357	903	....	14,260
National Science Foundation	3,188	62	....	3,250	3,259	....	....	3,259	3,629	....	....	3,629
Office of Personnel Management	46,305	5,829	....	52,134	48,266	6,177	....	54,443	50,531	6,952	....	57,483
Small Business Adminstration	–77	809	843	1,575	–866	655	841	630	287	812	1	1,100
Social Security Administration	408,202	3,041	1,381	412,624	422,438	3,214	1,435	427,087	439,015	3,219	1,491	443,725
Federal Deposit Insurance Corporation	–4,124	3,802	....	–322	–4,788	4,335	....	–453	–2,049	1,615	....	–434
Postal Service	303	59,757	....	60,060	964	62,639	....	63,603	1,997	65,036	....	67,033
Other Independent Agencies	14,811	10,924	614	26,349	10,165	9,221	3,878	23,264	14,854	8,985	725	24,564
Allowances	....	....	....	....	3,118	....	....	3,118	2,631	....	....	2,631
Undistributed offsetting receipts	–161,034	....	12,325	–148,709	–160,394	....	5,834	–154,560	–170,768	....	8,130	–162,638
Total outlays	**1,652,552**	**133,372**	**75,222**	**1,861,146**	**1,727,071**	**140,937**	**76,304**	**1,944,312**	**1,765,687**	**144,988**	**71,351**	**1,982,026**

25. FEDERAL PROGRAMS BY AGENCY AND ACCOUNT

EXPLANATORY NOTE

This section includes a detailed tabulation containing information on budget authority (BA), outlays (O), and subfunctional code number(s) for each appropriation and fund account. Budget authority amounts reflect transfers of budget authority between appropriations. All budget authority items are definite appropriations except where otherwise indicated.

Congressional action on appropriations occasionally results in the establishment of a limitation on the use of a trust fund or other fund, or an appropriation to liquidate contract authority. Amounts for these and other such items, which do not affect budget authority, are included here in parentheses and identified in the stub column, but are not included in the totals.

25. FEDERAL PROGRAMS BY AGENCY AND ACCOUNT

LEGISLATIVE BRANCH

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Senate									
Federal funds									
General and Special Funds:									
Compensation of members, Senate:									
Appropriation, permanent	801	BA	**17**	**18**	**18**	**18**	**18**	**18**	**18**
Outlays		O	17	18	18	18	18	18	18
Salaries, officers and employees:									
Appropriation, current	801	BA	**72**	**87**	**92**	**92**	**92**	**92**	**92**
Outlays		O	66	87	92	92	92	92	92
Office of the Legislative Counsel of the Senate:									
Appropriation, current	801	BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	3	4	4	4	4	4	4
Inquiries and investigations:									
Appropriation, current	801	BA	**76**	**67**	**72**	**72**	**72**	**72**	**72**
Outlays		O	66	67	72	72	72	72	72
Miscellaneous items:									
Appropriation, current	801	BA	**8**	**9**	**9**	**9**	**9**	**9**	**9**
Outlays		O	4	9	9	9	9	9	9
Senators' official personnel and office expense account:									
Appropriation, current	801	BA	**229**	**239**	**257**	**257**	**257**	**257**	**257**
Outlays		O	221	239	257	257	257	257	257
Secretary of the Senate:									
Appropriation, current	801	BA	**5**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	5	2	2	2	2	2	2
Sergeant at Arms and Doorkeeper of the Senate:									
Appropriation, current	801	BA	**68**	**67**	**80**	**80**	**80**	**80**	**80**
Outlays		O	66	67	80	80	80	80	80
Congressional use of foreign currency, Senate:									
Appropriation, permanent	801	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
Senate items:									
Appropriation, current	801	BA	**2**	**2**	**2**	**1**	**1**	**1**	**1**
Outlays		O	1	2	2	1	1	1	1
Public Enterprise Funds:									
Senate revolving funds:									
Spending authority from offsetting collections	801	BA	....	....	....	**2**	**2**	**2**	**2**
Outlays		O	....	....	....	2	2	2	2
Senate revolving funds (gross)		BA	....	....	....	**2**	**2**	**2**	**2**
		O	....	....	....	2	2	2	2
Total, offsetting collections			....	....	....	–2	–2	–2	–2
Total Senate revolving funds (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....
Total Federal funds Senate		BA	**482**	**496**	**537**	**536**	**536**	**536**	**536**
		O	450	496	537	536	536	536	536
House of Representatives									
Federal funds									
General and Special Funds:									
Compensation of Members and related administrative expenses:									
Appropriation, permanent	801	BA	**74**	**76**	**75**	**75**	**75**	**75**	**75**
Outlays		O	74	76	75	75	75	75	75
Salaries and expenses:									
Appropriation, current	801	BA	**709**	**740**	**785**	**814**	**840**	**866**	**893**
Outlays		O	707	736	783	812	839	865	892
Congressional use of foreign currency, House of Representatives:									
Appropriation, permanent	801	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**

LEGISLATIVE BRANCH—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	2	2	2	2	2	2	2
Total Federal funds House of Representatives		BA	**785**	**818**	**862**	**891**	**917**	**943**	**970**
		O	783	814	860	889	916	942	969

Joint Items

Federal funds

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
General and Special Funds:									
Capitol guide service and special services office:									
Appropriation, current	801	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	2	2	2	2	2	2	2
Joint Economic Committee:									
Appropriation, current	801	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	3	3	3	3	3	3	3
Joint Committee on Printing:									
Appropriation, current	801	BA	**1**						
Outlays		O	1						
Joint Committee on Taxation:									
Appropriation, current	801	BA	**6**	**6**	**6**	**6**	**6**	**6**	**7**
Outlays		O	6	6	6	6	6	6	7
Office of the Attending Physician:									
Appropriation, current	801	BA	**1**	**1**	**2**	**2**	**2**	**2**	**2**
Outlays		O	1	1	2	2	2	2	2
General expenses, Capitol police:									
Appropriation, current	801	BA	**3**	**6**	**9**	**8**	**8**	**8**	**8**
Outlays		O	4	7	9	8	8	8	8
Security enhancements:									
Appropriation, current	801	BA		**107**					
Outlays		O		48	59				
Salaries, Capitol Police:									
Appropriation, current	801	BA	**71**	**77**	**81**	**76**	**76**	**78**	**80**
Outlays		O	71	75	81	76	76	78	80
United States capitol police memorial fund:									
Appropriation, permanent	801	BA		**1**					
Outlays		O		1					
Total Federal funds Joint Items		BA	**87**	**203**	**103**	**97**	**97**	**99**	**102**
		O	88	143	162	97	97	99	102

Office of Compliance

Federal funds

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	801	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	2	2	2	2	2	2	2

Congressional Budget Office

Federal funds

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	801	BA	**25**	**26**	**27**	**28**	**29**	**30**	**31**
Outlays		O	23	26	27	28	29	30	31

Architect of the Capitol

Federal funds

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
General and Special Funds:									
Capitol buildings, salaries, and expenses:									
Appropriation, current	801	BA	**44**	**44**	**88**	**88**	**88**	**88**	**88**
Outlays		O	35	58	67	88	88	88	88
Capitol grounds:									
Appropriation, current	801	BA	**25**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	4	5	13	6	6	6	6
Congressional cemetery:									
Appropriation, current	801	BA		**1**					

LEGISLATIVE BRANCH—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Senate office buildings:									
Appropriation, current	801	BA	**52**	**54**	**71**	**71**	**54**	**54**	**54**
Outlays		O	40	61	57	71	61	54	54
House office buildings:									
Appropriation, current	801	BA	**37**	**42**	**53**	**53**	**53**	**54**	**54**
Outlays		O	34	43	52	53	53	54	54
Capitol power plant:									
Appropriation, current	801	BA	**34**	**38**	**45**	**45**	**45**	**45**	**45**
Spending authority from offsetting collections		BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	38	43	42	51	49	49	49
Capitol power plant (gross)		BA	**38**	**42**	**49**	**49**	**49**	**49**	**49**
		O	38	43	42	51	49	49	49
Total, offsetting collections			–4	–4	–4	–4	–4	–4	–4
Total Capitol power plant (net)		BA	**34**	**38**	**45**	**45**	**45**	**45**	**45**
		O	34	39	38	47	45	45	45
Library buildings and grounds, structural and mechanical care:									
Appropriation, current	801	BA	**12**	**13**	**20**	**20**	**20**	**20**	**20**
Outlays		O	14	17	20	20	20	20	20
Capitol visitor center:									
Appropriation, current	801	BA	....	**100**	....	....	....	....	....
Outlays		O	....	2	4	2	12	40	40
Intragovernmental Funds:									
Judiciary office building development and operations fund:									
Spending authority from offsetting collections	801	BA	**21**	**21**	**21**	**21**	**21**	**21**	**21**
Outlays		O	21	21	21	21	21	21	21
Judiciary office building development and operations fund (gross)		BA	**21**	**21**	**21**	**21**	**21**	**21**	**21**
		O	21	21	21	21	21	21	21
Total, offsetting collections			–23	–23	–23	–23	–24	–24	–24
Total Judiciary office building development and operations fund (net)		BA	**–2**	**–2**	**–2**	**–2**	**–3**	**–3**	**–3**
		O	–2	–2	–2	–2	–3	–3	–3
Trust funds									
Gifts and donations:									
Appropriation, permanent	801	BA	....	....	....	....	**1**	**3**	....
Outlays		O	....	....	....	....	1	3	....
Total Federal funds Architect of the Capitol		BA	**202**	**296**	**281**	**281**	**263**	**264**	**264**
		O	159	223	249	285	282	304	304
Total Trust funds Architect of the Capitol		BA	....	....	....	....	**1**	**3**	....
		O	....	....	....	....	1	3	....

Botanic Garden

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	801	BA	**3**	**3**	**4**	**4**	**4**	**4**	**4**
Outlays		O	3	13	28	4	4	4	4
Trust funds									
Gifts and donations:									
Appropriation, permanent	801	BA	....	**2**	**6**	....	....	....	....
Outlays		O	....	2	6	....	....	....	....

Library of Congress

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	503	BA	**219**	**232**	**247**	**257**	**264**	**272**	**282**
Spending authority from offsetting collections		BA	**69**	**97**	**92**	**97**	**98**	**100**	**102**

LEGISLATIVE BRANCH—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	281	303	356	402	414	428	441
Salaries and expenses (gross)		BA	**288**	**329**	**339**	**354**	**362**	**372**	**384**
		O	281	303	356	402	414	428	441
Change in orders on hand from Federal sources		BA	**–1**	**–4**	**1**	....	....	....	....
Total, offsetting collections			–68	–93	–93	–97	–98	–100	–102
Total Salaries and expenses (net)		BA	**219**	**232**	**247**	**257**	**264**	**272**	**282**
		O	213	210	263	305	316	328	339
Copyright Office: Salaries and expenses:									
Appropriation, current	376	BA	**12**	**14**	**11**	**12**	**12**	**12**	**13**
Spending authority from offsetting collections		BA	**18**	**21**	**26**	**26**	**26**	**26**	**26**
Outlays		O	29	35	39	38	38	38	39
Copyright Office (gross)		BA	**30**	**35**	**37**	**38**	**38**	**38**	**39**
		O	29	35	39	38	38	38	39
Total, offsetting collections			–18	–21	–26	–26	–26	–26	–26
Total Copyright Office (net)		BA	**12**	**14**	**11**	**12**	**12**	**12**	**13**
		O	11	14	13	12	12	12	13
Congressional Research Service: Salaries and expenses:									
Appropriation, current	801	BA	**64**	**67**	**71**	**74**	**77**	**80**	**82**
Outlays		O	64	67	70	73	76	79	81
Books for the blind and physically handicapped: Salaries and expenses:									
Appropriation, current	503	BA	**46**	**47**	**48**	**49**	**50**	**51**	**52**
Outlays		O	45	49	48	46	46	47	48
Furniture and furnishings:									
Appropriation, current	503	BA	**4**	**4**	**6**	**6**	**6**	**6**	**6**
Outlays		O	7	5	8	8	9	9	9
Payments to copyright owners:									
Appropriation, permanent	376	BA	**250**	**260**	**282**	**300**	**311**	**327**	**343**
Outlays		O	275	307	275	220	220	220	220
Public Enterprise Funds:									
Cooperative acquisitions program revolving fund:									
Spending authority from offsetting collections	503	BA	**4**	**1**	**2**	**2**	**2**	**2**	**2**
Outlays		O	1	1	3	3	3	2	2
Cooperative acquisitions program revolving fund (gross)		BA	**4**	**1**	**2**	**2**	**2**	**2**	**2**
		O	1	1	3	3	3	2	2
Total, offsetting collections			–4	–1	–2	–2	–2	–2	–2
Total Cooperative acquisitions program revolving fund (net)		BA	....	....	....	....	....	....	....
		O	–3	....	1	1	1	....	....
Trust funds									
Gift and trust fund accounts:									
Appropriation, permanent	503	BA	**29**	**41**	**42**	**30**	**28**	**28**	**28**
Outlays		O	26	32	31	27	28	28	28
Total Federal funds Library of Congress		BA	**595**	**624**	**665**	**698**	**720**	**748**	**778**
		O	612	652	678	665	680	695	710
Total Trust funds Library of Congress		BA	**29**	**41**	**42**	**30**	**28**	**28**	**28**
		O	26	32	31	27	28	28	28

Government Printing Office

Federal funds

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
General and Special Funds:									
Congressional printing and binding:									
Appropriation, current	801	BA	**74**	**74**	**82**	**82**	**90**	**92**	**94**
Outlays		O	81	73	84	85	91	91	93
Office of Superintendent of Documents: Salaries and expenses:									
Appropriation, current	808	BA	**29**	**29**	**31**	**31**	**33**	**33**	**34**
Outlays		O	32	30	31	31	34	34	34

LEGISLATIVE BRANCH—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Intragovernmental Funds:									
Government Printing Office revolving fund:									
Appropriation, current	808	BA	**–4**		**15**				
Spending authority from offsetting collections		BA	**710**	**804**	**796**	**826**	**842**	**859**	**876**
Outlays		O	697	770	822	838	840	837	870
Government Printing Office revolving fund (gross)		BA	**706**	**804**	**811**	**826**	**842**	**859**	**876**
		O	697	770	822	838	840	837	870
Change in orders on hand from Federal sources		BA	**–8**	**–16**	**–3**	**–5**	**10**	**–14**	**–9**
Total, offsetting collections			–702	–788	–793	–832	–852	–845	–867
Total Government Printing Office revolving fund (net)		BA	**–4**		**15**	**–11**			
		O	–5	–18	29	6	–12	–8	3
Total Federal funds Government Printing Office		BA	**99**	**103**	**128**	**102**	**123**	**125**	**128**
		O	108	85	144	122	113	117	130

General Accounting Office

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	801	BA	**341**	**355**	**387**	**387**	**387**	**387**	**387**
Spending authority from offsetting collections		BA	**17**	**3**	**2**	**2**	**2**	**2**	**2**
Outlays		O	362	352	395	389	389	389	389
Salaries and expenses (gross)		BA	**358**	**358**	**389**	**389**	**389**	**389**	**389**
		O	362	352	395	389	389	389	389
Total, offsetting collections			–17	–3	–2	–2	–2	–2	–2
Total Salaries and expenses (net)		BA	**341**	**355**	**387**	**387**	**387**	**387**	**387**
		O	345	349	393	387	387	387	387
Information technology systems and related expenses:									
Appropriation, current	808	BA		**5**					
Outlays		O		5					
Total Federal funds General Accounting Office		BA	**341**	**360**	**387**	**387**	**387**	**387**	**387**
		O	345	354	393	387	387	387	387

United States Tax Court

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	752	BA	**34**	**33**	**36**	**48**	**50**	**52**	**53**
Outlays		O	33	33	36	47	50	52	53

Other Legislative Branch Agencies

Legislative Branch Boards and Commissions

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
National Bipartisan Commission on the Future of Medicare:									
Spending authority from offsetting collections	571	BA	**1**	**1**					
Outlays		O	1	1					
National Bipartisan Commission on the Future of Medicare (gross)		BA	**1**	**1**					
		O	1	1					
Total, offsetting collections			–1	–1					
Total National Bipartisan Commission on the Future of Medicare (net)		BA							
		O							
Medicare Payment Advisory Commission (Health care services):									
(Outlays)	551	O	1						

LEGISLATIVE BRANCH—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
(Medicare):									
(Spending authority from offsetting collections)	571	BA	7	7	7	7	7	7	7
(Outlays)		O	5	9	7	7	7	7	7
Medicare Payment Advisory Commission (gross)		BA	7	7	7	7	7	7	7
		O	6	9	7	7	7	7	7
Total, offsetting collections			–7	–7	–7	–7	–7	–7	–7
Total (Medicare) (net)		BA	....	....	....	....	....	....	....
		O	–2	2	....	....	....	....	....
Total Medicare Payment Advisory Commission		BA	....	....	....	....	....	....	....
		O	–1	2	....	....	....	....	....
Census monitoring board:									
Appropriation, current	376	BA	4	4	4	4	....	....	....
Outlays		O	....	6	5	5	1	....	....
Gambling Impact Study Commission:									
Appropriation, current	801	BA	1	....	....	....	....	....	....
Outlays		O	1	3	....	....	....	....	....
Other Legislative Branch Boards and Commissions									
(Higher education):									
(Outlays)	502	O	1	....	....	....	....	....	....
(Federal law enforcement activities):									
(Outlays)	751	O	....	1	....	....	....	....	....
(Legislative functions):									
(Appropriation, current)	801	BA	2	1	1	1	1	1	1
(Outlays)		O	3	1	1	1	1	1	1
(Other general government):									
(Appropriation, current)	808	BA	....	3	....	....	....	....	....
(Outlays)		O	....	....	3	....	....	....	....
Total Other Legislative Branch Boards and Commissions		BA	2	4	1	1	1	1	1
		O	4	2	4	1	1	1	1
Trust funds									
U.S. Capitol preservation commission:									
Appropriation, permanent	801	BA	1	1	1	1	1	1	1
Outlays		O	....	1	1	1	1	1	1
John C. Stennis Center for Public Service Development trust fund:									
Appropriation, permanent	801	BA	1	1	1	1	1	1	1
Outlays		O	1	1	1	1	1	1	1
Total Federal funds Legislative Branch Boards and Commissions		BA	7	8	5	5	1	1	1
		O	4	13	9	6	2	1	1
Total Trust funds Legislative Branch Boards and Commissions		BA	2	2	2	2	2	2	2
		O	1	2	2	2	2	2	2
Summary									
Federal funds:									
(As shown in detail above)		BA	2,662	2,972	3,037	3,079	3,129	3,191	3,256
		O	2,610	2,854	3,125	3,068	3,098	3,169	3,229
Deductions for offsetting receipts:									
Intrafund transactions	908	BA/O	*–33*	*–29*	*–33*	*–37*	*–34*	*–35*	*–35*
Proprietary receipts from the public	801	BA/O	*4*	....	....	....	....	....	....
Total Federal funds		BA	2,633	2,943	3,004	3,042	3,095	3,156	3,221
		O	2,581	2,825	3,092	3,031	3,064	3,134	3,194
Trust funds:									
(As shown in detail above)		BA	31	45	50	32	31	33	30
		O	27	36	39	29	31	33	30
Deductions for offsetting receipts:									
Proprietary receipts from the public	503	BA/O	*–8*	*–11*	*–11*	*–11*	*–11*	*–11*	*–11*
Total Trust funds		BA	23	34	39	21	20	22	19
		O	19	25	28	18	20	22	19
Total Legislative Branch		BA	2,656	2,977	3,043	3,063	3,115	3,178	3,240
		O	2,600	2,850	3,120	3,049	3,084	3,156	3,213

JUDICIAL BRANCH

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Supreme Court of the United States									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	752	BA	**29**	**31**	**36**	**32**	**33**	**34**	**35**
				A 1					
Outlays		O	27	29	34	30	32	34	36
				A 1					
Total Salaries and expenses		BA	**29**	**32**	**36**	**32**	**33**	**34**	**35**
		O	27	30	34	30	32	34	36
Care of the buildings and grounds:									
Appropriation, current	752	BA	**3**	**5**	**23**	**23**	**23**	**24**	**24**
Outlays		O	3	5	14	23	23	24	24
Total Federal funds Supreme Court of the United States		BA	**32**	**37**	**59**	**55**	**56**	**58**	**59**
		O	30	35	48	53	55	58	60
United States Court of Appeals for the Federal Circuit									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	752	BA	**16**	**16**	**18**	**18**	**18**	**18**	**19**
Outlays		O	14	18	19	18	18	18	19
United States Court of International Trade									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	752	BA	**11**	**12**	**12**	**13**	**13**	**14**	**14**
Outlays		O	11	12	12	13	13	14	14
Courts of Appeals, District Courts, and other Judicial Services									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	752	BA	**2,687**	**2,822**	**3,220**	**3,230**	**3,239**	**3,250**	**3,260**
Spending authority from offsetting collections		BA	**176**	**323**	**206**	**206**	**206**	**206**	**206**
Outlays		O	2,904	3,014	3,273	3,436	3,445	3,456	3,466
Salaries and expenses (gross)		BA	**2,863**	**3,145**	**3,426**	**3,436**	**3,445**	**3,456**	**3,466**
		O	2,904	3,014	3,273	3,436	3,445	3,456	3,466
Total, offsetting collections			–176	–323	–206	–206	–206	–206	–206
Total Salaries and expenses (net)		BA	**2,687**	**2,822**	**3,220**	**3,230**	**3,239**	**3,250**	**3,260**
		O	2,728	2,691	3,067	3,230	3,239	3,250	3,260
Defender services:									
Appropriation, current	752	BA	**330**	**361**	**375**	**375**	**439**	**469**	**499**
Spending authority from offsetting collections		BA	**30**	**31**	**36**	**36**	**36**	**36**	**36**
Outlays		O	346	387	430	411	474	505	535
Defender services (gross)		BA	**360**	**392**	**411**	**411**	**475**	**505**	**535**
		O	346	387	430	411	474	505	535
Total, offsetting collections			–30	–31	–36	–36	–36	–36	–36
Total Defender services (net)		BA	**330**	**361**	**375**	**375**	**439**	**469**	**499**
		O	316	356	394	375	438	469	499
Fees of jurors and commissioners:									
Appropriation, current	752	BA	**64**	**67**	**70**	**70**	**70**	**70**	**70**
Outlays		O	63	68	72	70	70	70	70
Court security:									
Appropriation, current	752	BA	**167**	**178**	**206**	**206**	**206**	**206**	**206**

JUDICIAL BRANCH—Continued

(In millions of dollars)

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
Spending authority from offsetting collections		BA	**1**						
Outlays		O	144	167	198	206	206	206	206
Court security (gross)		BA	**168**	**178**	**206**	**206**	**206**	**206**	**206**
		O	144	167	198	206	206	206	206
Total, offsetting collections			–1						
Total Court security (net)		BA	**167**	**178**	**206**	**206**	**206**	**206**	**206**
		O	143	167	198	206	206	206	206
Judiciary filing fees:									
Appropriation, permanent	752	BA	**66**	**97**	**96**	**96**	**96**	**96**	**96**
Outlays		O	8	368	119	96	96	96	96
Registry administration:									
Appropriation, permanent	752	BA	**2**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	6	6	6	6	6	6	6
Judiciary information technology fund:									
Appropriation, current	752	BA		**10**					
Appropriation, permanent		BA	**207**	**179**	**193**	**197**	**201**	**205**	**209**
Outlays		O	214	219	206	212	201	205	209
Total Judiciary information technology fund		BA	**207**	**189**	**193**	**197**	**201**	**205**	**209**
		O	214	219	206	212	201	205	209
Total Federal funds Courts of Appeals, District Courts, and other Judicial Services		BA	**3,523**	**3,720**	**4,166**	**4,180**	**4,257**	**4,302**	**4,346**
		O	3,478	3,875	4,062	4,195	4,256	4,302	4,346

Administrative Office of the United States Courts

Federal funds

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	752	BA	**52**	**55**	**58**	**58**	**58**	**58**	**58**
Spending authority from offsetting collections		BA	**38**	**38**	**42**	**42**	**42**	**42**	**42**
Outlays		O	85	93	100	100	100	100	100
Salaries and expenses (gross)		BA	**90**	**93**	**100**	**100**	**100**	**100**	**100**
		O	85	93	100	100	100	100	100
Total, offsetting collections			–38	–38	–42	–42	–42	–42	–42
Total Salaries and expenses (net)		BA	**52**	**55**	**58**	**58**	**58**	**58**	**58**
		O	47	55	58	58	58	58	58

Federal Judicial Center

Federal funds

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	752	BA	**18**	**18**	**19**	**20**	**20**	**21**	**22**
Outlays		O	18	18	19	20	20	21	22
Trust funds									
Gifts and donations, Federal Judicial Center Foundation:									
Appropriation, permanent	752	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1

Judicial Retirement Funds

Federal funds

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
General and Special Funds:									
Payment to judiciary trust funds:									
Appropriation, current	752	BA	**34**	**38**	**40**	**41**	**43**	**45**	**47**
Outlays		O	34	38	40	41	43	45	47
Trust funds									
Judicial officers' retirement fund:									
Appropriation, permanent	602	BA	**31**	**34**	**37**	**39**	**42**	**44**	**47**
Outlays		O	15	16	17	18	18	19	20
Judicial survivors' annuities fund:									
Appropriation, permanent	602	BA	**23**	**33**	**35**	**37**	**39**	**42**	**44**

JUDICIAL BRANCH—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	10	11	12	12	13	13	14
Claims court judges retirement fund:									
Appropriation, permanent	602	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	1	1	1	1	1	1	1
Total Federal funds Judicial Retirement Funds		BA	**34**	**38**	**40**	**41**	**43**	**45**	**47**
		O	34	38	40	41	43	45	47
Total Trust funds Judicial Retirement Funds		BA	**56**	**69**	**74**	**78**	**83**	**88**	**93**
		O	26	28	30	31	32	33	35

United States Sentencing Commission

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	752	BA	**9**	**9**	**11**	**11**	**11**	**11**	**12**
Outlays		O	9	9	11	11	11	11	12

Violent Crime Reduction Programs

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Violent crime reduction programs:									
Appropriation, current	752	BA	**40**	**41**	**66**	**66**	**65**	**65**	**65**
Outlays		O	40	41	66	66	65	65	65

Summary

Account			1998 actual	1999	2000	2001	2002	2003	2004
Federal funds:									
(As shown in detail above)		BA	**3,735**	**3,946**	**4,449**	**4,462**	**4,541**	**4,592**	**4,642**
		O	3,681	4,101	4,335	4,475	4,539	4,592	4,643
Deductions for offsetting receipts:									
Intrafund transactions	752	BA/O	*–196*	*–168*	*–182*	*–186*	*–190*	*–194*	*–197*
Proprietary receipts from the public	752	BA/O	*–11*	*–11*	*–11*	*–11*	*–11*	*–11*	*–12*
Total Federal funds		BA	**3,528**	**3,767**	**4,256**	**4,265**	**4,340**	**4,387**	**4,433**
		O	3,474	3,922	4,142	4,278	4,338	4,387	4,434
Trust funds:									
(As shown in detail above)		BA	**57**	**70**	**75**	**79**	**84**	**89**	**94**
		O	27	29	31	32	33	34	36
Interfund transactions	752	BA/O	*–34*	*–38*	*–40*	*–41*	*–43*	*–46*	*–48*
Total Judicial Branch		BA	**3,551**	**3,799**	**4,291**	**4,303**	**4,381**	**4,430**	**4,479**
		O	3,467	3,913	4,133	4,269	4,328	4,375	4,422

DEPARTMENT OF AGRICULTURE

(In millions of dollars)

Office of the Secretary

Federal funds

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
General and Special Funds:									
Office of the Secretary:									
Appropriation, current	352	BA	**11**	**11**	**13**	**13**	**13**	**13**	**13**
Outlays		O	12	15	14	13	13	13	13
Fund for rural America									
(Agricultural research and services):									
(Appropriation, permanent)	352	BA	....	**30**	....	....	....	....	....
						B **8**	*B* **8**	*B* **8**	*B* **8**

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
(Outlays)		O	6	12	9	6	3		–3
						[B]1	[B]3	[B]5	[B]6
Total (Agricultural research and services)		BA		**30**		**8**	**8**	**8**	**8**
		O	6	12	9	7	6	5	3
(Mortgage credit):									
(Outlays)	371	O	3						
(Area and regional development):									
(Appropriation, permanent)	452	BA		**30**					
						[B]7	**[B]7**	**[B]7**	**[B]7**
(Outlays)		O			30				
						[B]7	[B]7	[B]7	[B]7
Total (Area and regional development)		BA		**30**		**7**	**7**	**7**	**7**
		O			30	7	7	7	7
Total Fund for rural America		BA		**60**		**15**	**15**	**15**	**15**
		O	9	12	39	14	13	12	10
Trust funds									
Gifts and bequests:									
Appropriation, permanent	352	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
Total Federal funds Office of the Secretary		BA	**11**	**71**	**13**	**28**	**28**	**28**	**28**
		O	21	27	53	27	26	25	23
Total Trust funds Office of the Secretary		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
		O	1	1	1	1	1	1	1

Executive Operations

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Executive operations:									
Appropriation, current	352	BA	**23**	**24**	**26**	**26**	**26**	**26**	**26**
Spending authority from offsetting collections		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	22	24	27	27	27	27	27
Executive operations (gross)		BA	**24**	**25**	**27**	**27**	**27**	**27**	**27**
		O	22	24	27	27	27	27	27
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total Executive operations (net)		BA	**23**	**24**	**26**	**26**	**26**	**26**	**26**
		O	21	23	26	26	26	26	26
Chief financial officer:									
Appropriation, current	352	BA	**4**	**4**	**6**	**6**	**6**	**6**	**6**
Spending authority from offsetting collections		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	6	6	8	8	8	8	8
Chief financial officer (gross)		BA	**6**	**6**	**8**	**8**	**8**	**8**	**8**
		O	6	6	8	8	8	8	8
Change in orders on hand from Federal sources		BA	**–1**						
Total, offsetting collections			–1	–2	–2	–2	–2	–2	–2
Total Chief financial officer (net)		BA	**4**	**4**	**6**	**6**	**6**	**6**	**6**
		O	5	4	6	6	6	6	6
Office of the chief information officer:									
Appropriation, current	352	BA	**6**	**35**	**8**	**8**	**8**	**8**	**8**
Spending authority from offsetting collections		BA	**7**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	5	34	13	10	10	10	10
Office of the chief information officer (gross)		BA	**13**	**37**	**10**	**10**	**10**	**10**	**10**
		O	5	34	13	10	10	10	10
Change in orders on hand from Federal sources		BA	**–6**	**4**					
Adjustment to orders on hand from Federal sources		BA		**–4**					

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–1	–2	–2	–2	–2	–2	–2
Total Office of the chief information officer (net)		BA	**6**	**35**	**8**	**8**	**8**	**8**	**8**
		O	4	32	11	8	8	8	8
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	352	BA	**244**	**249**	**263**	**263**	**263**	**263**	**263**
Outlays		O	242	249	263	263	263	263	263
Working capital fund (gross)		BA	**244**	**249**	**263**	**263**	**263**	**263**	**263**
		O	242	249	263	263	263	263	263
Total, offsetting collections			–244	–249	–263	–263	–263	–263	–263
Total Working capital fund (net)		BA	....	....	....	....	....	....	....
		O	–2	....	....	....	....	....	....
Total Federal funds Executive Operations		BA	**33**	**63**	**40**	**40**	**40**	**40**	**40**
		O	28	59	43	40	40	40	40

Departmental Administration

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Departmental administration:									
Appropriation, current	352	BA	**28**	**32**	**36**	**36**	**36**	**36**	**36**
Spending authority from offsetting collections		BA	**20**	**15**	**14**	**14**	**14**	**14**	**14**
Outlays		O	43	45	48	50	50	50	50
Departmental administration (gross)		BA	**48**	**47**	**50**	**50**	**50**	**50**	**50**
		O	43	45	48	50	50	50	50
Change in orders on hand from Federal sources		BA	**–20**	**40**	....	....	**13**	....	....
Adjustment to orders on hand from Federal sources		BA	**13**	**–40**	....	....	....	....	....
Total, offsetting collections			–13	–15	–14	–14	–14	–14	–14
Total Departmental administration (net)		BA	**28**	**32**	**36**	**36**	**49**	**36**	**36**
		O	30	30	34	36	36	36	36
Hazardous waste management:									
Appropriation, current	304	BA	**16**	**16**	**23**	**23**	**23**	**23**	**23**
Outlays		O	15	21	22	26	28	28	27
Agriculture buildings and facilities and rental payments:									
Appropriation, current	352	BA	**131**	**137**	**166**	**166**	**166**	**166**	**166**
Spending authority from offsetting collections		BA	**4**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	144	146	167	171	171	171	171
Agriculture buildings and facilities and rental payments (gross)		BA	**135**	**142**	**171**	**171**	**171**	**171**	**171**
		O	144	146	167	171	171	171	171
Total, offsetting collections			–4	–5	–5	–5	–5	–5	–5
Total Agriculture buildings and facilities and rental payments (net)		BA	**131**	**137**	**166**	**166**	**166**	**166**	**166**
		O	140	141	162	166	166	166	166
Outreach for socially disadvantaged farmers:									
Appropriation, current	351	BA	**3**	**3**	**10**	**10**	**10**	**10**	**10**
Spending authority from offsetting collections		BA	**5**	**5**	....	....	....	....	....
Outlays		O	4	14	10	10	10	10	10
Outreach for socially disadvantaged farmers (gross)		BA	**8**	**8**	**10**	**10**	**10**	**10**	**10**
		O	4	14	10	10	10	10	10
Change in orders on hand from Federal sources		BA	**–3**	**3**	....	....	....	....	....
Adjustment to orders on hand from Federal sources		BA	**1**	**–3**	....	....	....	....	....

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–3	–5	....	....	....	....	....
Total Outreach for socially disadvantaged farmers (net)		BA	**3**	**3**	**10**	**10**	**10**	**10**	**10**
		O	1	9	10	10	10	10	10
Total Federal funds Departmental Administration		BA	**178**	**188**	**235**	**235**	**248**	**235**	**235**
		O	186	201	228	238	240	240	239
Office of Communications									
Federal funds									
General and Special Funds:									
Office of Communications:									
Appropriation, current	352	BA	**8**	**8**	**9**	**9**	**9**	**9**	**9**
Spending authority from offsetting collections		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	8	9	10	10	10	10	10
Office of Communications (gross)		BA	**9**	**9**	**10**	**10**	**10**	**10**	**10**
		O	8	9	10	10	10	10	10
Change in orders on hand from Federal sources		BA	**–1**	....	....	....	....	....	....
Total, offsetting collections			....	–1	–1	–1	–1	–1	–1
Total Office of Communications (net)		BA	**8**	**8**	**9**	**9**	**9**	**9**	**9**
		O	8	8	9	9	9	9	9
Office of the Inspector General									
Federal funds									
General and Special Funds:									
Office of the Inspector General:									
Appropriation, current	352	BA	**63**	**65**	**68**	**68**	**68**	**68**	**68**
Spending authority from offsetting collections		BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	66	68	71	71	71	71	71
Office of the Inspector General (gross)		BA	**66**	**68**	**71**	**71**	**71**	**71**	**71**
		O	66	68	71	71	71	71	71
Total, offsetting collections			–3	–3	–3	–3	–3	–3	–3
Total Office of the Inspector General (net)		BA	**63**	**65**	**68**	**68**	**68**	**68**	**68**
		O	63	65	68	68	68	68	68
Office of the General Counsel									
Federal funds									
General and Special Funds:									
Office of the General Counsel:									
Appropriation, current	352	BA	**29**	**29**	**33**	**33**	**33**	**33**	**33**
Spending authority from offsetting collections		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	29	28	34	34	34	34	34
Office of the General Counsel (gross)		BA	**30**	**30**	**34**	**34**	**34**	**34**	**34**
		O	29	28	34	34	34	34	34
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total Office of the General Counsel (net)		BA	**29**	**29**	**33**	**33**	**33**	**33**	**33**
		O	28	27	33	33	33	33	33
Economic Research Service									
Federal funds									
General and Special Funds:									
Economic research service:									
Appropriation, current	352	BA	**72**	**63**	**56**	**56**	**56**	**56**	**56**
Spending authority from offsetting collections		BA	**6**	**6**	**6**	**6**	**6**	**6**	**6**

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	61	61	63	62	62	62	62
Economic research service (gross)		BA	**78**	**69**	**62**	**62**	**62**	**62**	**62**
		O	61	61	63	62	62	62	62
Total, offsetting collections			–6	–6	–6	–6	–6	–6	–6
Total Economic research service (net)		BA	**72**	**63**	**56**	**56**	**56**	**56**	**56**
		O	55	55	57	56	56	56	56

National Agricultural Statistics Service

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
National agricultural statistics service:									
Appropriation, current	352	BA	**118**	**104**	**101**	**101**	**101**	**101**	**101**
Spending authority from offsetting collections		BA	**9**	**10**	**10**	**10**	**10**	**10**	**10**
Outlays		O	133	112	111	111	111	111	111
National agricultural statistics service (gross)		BA	**127**	**114**	**111**	**111**	**111**	**111**	**111**
		O	133	112	111	111	111	111	111
Total, offsetting collections			–9	–10	–10	–10	–10	–10	–10
Total National agricultural statistics service (net)		BA	**118**	**104**	**101**	**101**	**101**	**101**	**101**
		O	124	102	101	101	101	101	101

Agricultural Research Service

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Agricultural Research Service:									
Appropriation, current	352	BA	**745**	**814**	**837**	**837**	**837**	**837**	**837**
Spending authority from offsetting collections		BA	**38**	**50**	**50**	**50**	**50**	**50**	**50**
Outlays		O	750	849	883	887	887	887	887
Agricultural Research Service (gross)		BA	**783**	**864**	**887**	**887**	**887**	**887**	**887**
		O	750	849	883	887	887	887	887
Total, offsetting collections			–38	–50	–50	–50	–50	–50	–50
Total Agricultural Research Service (net)		BA	**745**	**814**	**837**	**837**	**837**	**837**	**837**
		O	712	799	833	837	837	837	837
Buildings and facilities:									
Appropriation, current	352	BA	**81**	**56**	**44**	**44**	**44**	**44**	**44**
Outlays		O	56	75	70	38	44	45	44
Trust funds									
Miscellaneous contributed funds:									
Appropriation, permanent	352	BA	**20**	**20**	**20**	**20**	**20**	**20**	**20**
Outlays		O	14	17	20	20	20	20	20
Total Federal funds Agricultural Research Service		BA	**826**	**870**	**881**	**881**	**881**	**881**	**881**
		O	768	874	903	875	881	882	881
Total Trust funds Agricultural Research Service		BA	**20**	**20**	**20**	**20**	**20**	**20**	**20**
		O	14	17	20	20	20	20	20

Cooperative State Research, Education, and Extension Service

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Integrated activities:									
Appropriation, current	352	BA	....	....	**73**	**73**	**73**	**73**	**73**
Outlays		O	....	....	7	40	73	73	73
Research and education activities:									
Appropriation, current	352	BA	**436**	**487**	**475**	**475**	**475**	**475**	**475**
Appropriation, permanent		BA	....	**120**	....	....	....	....	....
						[B] **30**	[B] **30**	[B] **30**	[B] **30**
Spending authority from offsetting collections		BA	**15**	**16**	**16**	**16**	**16**	**16**	**16**

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	445	474	476	491	514	501	491
						[B] 3	[B] 17	[B] 30	[B] 30
Research and education activities (gross)		BA	**451**	**623**	**491**	**521**	**521**	**521**	**521**
		O	445	474	476	494	531	531	521
Total, offsetting collections			–15	–16	–16	–16	–16	–16	–16
Total Research and education activities (net)		BA	**436**	**607**	**475**	**505**	**505**	**505**	**505**
		O	430	458	460	478	515	515	505
Buildings and facilities:									
Outlays	352	O	61	40	25				
Extension activities:									
Appropriation, current	352	BA	**423**	**438**	**402**	**402**	**402**	**402**	**402**
Spending authority from offsetting collections		BA	**23**	**25**	**25**	**25**	**25**	**25**	**25**
Outlays		O	436	455	449	429	427	427	427
Extension activities (gross)		BA	**446**	**463**	**427**	**427**	**427**	**427**	**427**
		O	436	455	449	429	427	427	427
Total, offsetting collections			–23	–25	–25	–25	–25	–25	–25
Total Extension activities (net)		BA	**423**	**438**	**402**	**402**	**402**	**402**	**402**
		O	413	430	424	404	402	402	402
Total Federal funds Cooperative State Research, Education, and Extension Service		BA	**859**	**1,045**	**950**	**980**	**980**	**980**	**980**
		O	904	928	916	922	990	990	980

Animal and Plant Health Inspection Service

Federal funds

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	352	BA	**427**	**425**	**435**	**435**	**435**	**435**	**435**
					[J] **–9**	[J] **–9**	[J] **–9**	[J] **–9**	[J] **–9**
Appropriation, permanent		BA	**50**	**59**	**119**	**132**	**139**	**246**	**253**
Spending authority from offsetting collections		BA	**54**	**55**	**55**	**55**	**55**	**55**	**55**
					[J] **9**	[J] **9**	[J] **9**	[J] **9**	[J] **9**
Outlays		O	559	563	608	622	629	736	743
Salaries and expenses (gross)		BA	**531**	**539**	**609**	**622**	**629**	**736**	**743**
		O	559	563	608	622	629	736	743
Total, offsetting collections			–54	–55	–55	–55	–55	–55	–55
					[J] –9	[J] –9	[J] –9	[J] –9	[J] –9
Total Salaries and expenses (net)		BA	**477**	**484**	**545**	**558**	**565**	**672**	**679**
		O	505	508	544	558	565	672	679
Buildings and facilities:									
Appropriation, current	352	BA	**4**	**8**	**7**	**7**	**7**	**7**	**7**
Outlays		O	7	15	15	11	7	7	7
Trust funds									
Miscellaneous trust funds:									
Appropriation, permanent	352	BA	**14**	**7**	**7**	**7**	**7**	**7**	**7**
Outlays		O	14	7	7	7	7	7	7
Total Federal funds Animal and Plant Health Inspection Service		BA	**481**	**492**	**552**	**565**	**572**	**679**	**686**
		O	512	523	559	569	572	679	686
Total Trust funds Animal and Plant Health Inspection Service		BA	**14**	**7**	**7**	**7**	**7**	**7**	**7**
		O	14	7	7	7	7	7	7

Food Safety and Inspection Service

Federal funds

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	554	BA	**589**	**617**	**653**	**653**	**653**	**653**	**653**
					[J] **–504**	[J] **–504**	[J] **–504**	[J] **–504**	[J] **–504**

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Spending authority from offsetting collections		BA	**85**	**85**	**85**	**85**	**85**	**85**	**85**
					[J] 504	**[J] 504**	**[J] 504**	**[J] 504**	**[J] 504**
Outlays		O	677	702	736	738	738	738	738
Salaries and expenses (gross)		BA	**674**	**702**	**738**	**738**	**738**	**738**	**738**
		O	677	702	736	738	738	738	738
Total, offsetting collections			–85	–85	–85	–85	–85	–85	–85
					[J] –504	[J] –504	[J] –504	[J] –504	[J] –504
Total Salaries and expenses (net)		BA	**589**	**617**	**149**	**149**	**149**	**149**	**149**
		O	592	617	147	149	149	149	149
Trust funds									
Expenses and refunds, inspection and grading of farm products:									
Appropriation, permanent	352	BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	4	4	4	4	4	4	4

Grain Inspection, Packers and Stockyards Administration

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	352	BA	**24**	**27**	**26**	**26**	**26**	**26**	**26**
					[J] –15	**[J] –15**	**[J] –15**	**[J] –15**	**[J] –15**
Spending authority from offsetting collections		BA			**[J] 19**	**[J] 19**	**[J] 19**	**[J] 19**	**[J] 19**
Outlays		O	24	27	26	26	26	26	26
					[J] 4	[J] 4	[J] 4	[J] 4	[J] 4
Salaries and expenses (gross)		BA	**24**	**27**	**30**	**30**	**30**	**30**	**30**
		O	24	27	30	30	30	30	30
Total, offsetting collections					[J] –19	[J] –19	[J] –19	[J] –19	[J] –19
Total Salaries and expenses (net)		BA	**24**	**27**	**11**	**11**	**11**	**11**	**11**
		O	24	27	11	11	11	11	11
Public Enterprise Funds:									
Inspection and weighing services:									
Spending authority from offsetting collections	352	BA	**32**	**43**	**43**	**39**	**39**	**39**	**39**
Outlays		O	32	43	43	39	39	39	39
Inspection and weighing services (gross)		BA	**32**	**43**	**43**	**39**	**39**	**39**	**39**
		O	32	43	43	39	39	39	39
Total, offsetting collections			–32	–43	–43	–39	–39	–39	–39
Total Inspection and weighing services (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....
Total Federal funds Grain Inspection, Packers and Stockyards Administration		BA	**24**	**27**	**11**	**11**	**11**	**11**	**11**
		O	24	27	11	11	11	11	11

Agricultural Marketing Service

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Marketing services:									
Appropriation, current	352	BA	**47**	**49**	**60**	**60**	**60**	**60**	**60**
Spending authority from offsetting collections		BA	**58**	**64**	**64**	**64**	**64**	**64**	**64**
Outlays		O	99	107	123	124	124	124	124
Limitation on administrative level			(60)	(61)	(61)	(61)	(61)	(61)	(61)
Marketing services (gross)		BA	**105**	**113**	**124**	**124**	**124**	**124**	**124**
		O	99	107	123	124	124	124	124
Total, offsetting collections			–58	–64	–64	–64	–64	–64	–64
Total Marketing services (net)		BA	**47**	**49**	**60**	**60**	**60**	**60**	**60**
		O	41	43	59	60	60	60	60

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Payments to States and possessions:									
Appropriation, current	352	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
Perishable Agricultural Commodities Act fund:									
Appropriation, permanent	352	BA	**8**	**7**	**7**	**7**	**7**	**7**	**7**
Outlays		O	9	8	8	8	7	7	7
Funds for strengthening markets, income, and supply (section 32):									
Appropriation, permanent	605	BA	**513**	**587**	**669**	**536**	**548**	**548**	**548**
Spending authority from offsetting collections		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	513	552	536	536	536	536	536
Funds for strengthening markets, income, and supply (section 32) (gross)		BA	**514**	**588**	**670**	**537**	**549**	**549**	**549**
		O	513	552	536	536	536	536	536
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total Funds for strengthening markets, income, and supply (section 32) (net)		BA	**513**	**587**	**669**	**536**	**548**	**548**	**548**
		O	512	551	535	535	535	535	535
Trust funds									
Miscellaneous trust funds:									
Appropriation, permanent	352	BA	**100**	**106**	**106**	**106**	**106**	**106**	**106**
Outlays		O	102	106	106	106	106	106	106
Milk market orders assessment fund:									
Spending authority from offsetting collections	351	BA	**37**	**39**	**42**	**42**	**42**	**42**	**42**
Outlays		O	37	39	42	42	42	42	42
Milk market orders assessment fund (gross)		BA	**37**	**39**	**42**	**42**	**42**	**42**	**42**
		O	37	39	42	42	42	42	42
Total, offsetting collections			–37	–39	–42	–42	–42	–42	–42
Total Milk market orders assessment fund (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....
Total Federal funds Agricultural Marketing Service		BA	**569**	**644**	**737**	**604**	**616**	**616**	**616**
		O	563	603	603	604	603	603	603
Total Trust funds Agricultural Marketing Service		BA	**100**	**106**	**106**	**106**	**106**	**106**	**106**
		O	102	106	106	106	106	106	106

Risk Management Agency

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Administrative and operating expenses:									
Appropriation, current	351	BA	**253**	**64**	**71**	**71**	**71**	**71**	**71**
Outlays		O	243	70	70	71	71	71	71
Public Enterprise Funds:									
Federal crop insurance corporation fund:									
Appropriation, current	351	BA	**700**	**1,550**	**997**	**1,671**	**1,733**	**1,805**	**1,889**
Spending authority from offsetting collections		BA	**527**	**835**	**876**	**919**	**951**	**989**	**1,032**
Outlays		O	1,557	2,137	2,478	2,604	2,539	2,641	2,759
Federal crop insurance corporation fund (gross)		BA	**1,227**	**2,385**	**1,873**	**2,590**	**2,684**	**2,794**	**2,921**
		O	1,557	2,137	2,478	2,604	2,539	2,641	2,759
Total, offsetting collections			–527	–835	–876	–919	–951	–989	–1,032
Total Federal crop insurance corporation fund (net)		BA	**700**	**1,550**	**997**	**1,671**	**1,733**	**1,805**	**1,889**
		O	1,030	1,302	1,602	1,685	1,588	1,652	1,727
Total Federal funds Risk Management Agency		BA	**953**	**1,614**	**1,068**	**1,742**	**1,804**	**1,876**	**1,960**
		O	1,273	1,372	1,672	1,756	1,659	1,723	1,798

Department of Agriculture Service Centers

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
Intragovernmental Funds:									
Administrative salaries and expenses:									
Appropriation, current	352	BA	....	....	**74**	**74**	**74**	**74**	**74**

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O			14	69	77	74	74

Farm Service Agency

Federal funds

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	351	BA	**700**	**755**	**795**	**795**	**795**	**795**	**795**
Spending authority from offsetting collections		BA	**294**	**288**	**294**	**294**	**294**	**294**	**294**
Outlays		O	1,008	966	1,084	1,089	1,089	1,089	1,089
Salaries and expenses (gross)		BA	**994**	**1,043**	**1,089**	**1,089**	**1,089**	**1,089**	**1,089**
		O	1,008	966	1,084	1,089	1,089	1,089	1,089
Total, offsetting collections			–294	–288	–294	–294	–294	–294	–294
Total Salaries and expenses (net)		BA	**700**	**755**	**795**	**795**	**795**	**795**	**795**
		O	714	678	790	795	795	795	795
State mediation grants:									
Appropriation, current	351	BA	**2**	**2**	**4**	**4**	**4**	**4**	**4**
Outlays		O	2	1	3	4	4	4	4
Tree assistance program:									
Appropriation, current	351	BA	**14**						
Reappropriation		BA		**3**					
Outlays		O	3	8	8				
Total Tree assistance program		BA	**14**	**3**					
		O	3	8	8				
Conservation reserve program:									
Outlays	302	O	38	73					
Agricultural conservation program:									
Outlays	302	O	23	16	15	11			
Emergency conservation program:									
Appropriation, current	453	BA	**34**						
Outlays		O	26	55	28	32			
Public Enterprise Funds:									
Commodity credit corporation fund									
(Conservation and land management):									
(Authority to borrow, permanent)	302	BA	**2,147**	**1,830**	**2,016**	**1,973**	**2,061**	**2,114**	**2,122**
					[B] **90**	[B] **90**	[B] **90**	[B] **90**	[B] **90**
(Outlays)		O	1,890	1,817	1,944	2,013	2,014	2,072	2,096
					[B] 18	[B] 31	[B] 52	[B] 66	[B] 72
Total (Conservation and land management)		BA	**2,147**	**1,830**	**2,106**	**2,063**	**2,151**	**2,204**	**2,212**
		O	1,890	1,817	1,962	2,044	2,066	2,138	2,168
(Farm income stabilization):									
(Appropriation, permanent)	351	BA			[B] **–10**	[B] **–10**	[B] **–10**	[B] **–10**	[B] **–10**
(Authority to borrow, permanent)		BA	**8,452**	**19,135**	**9,375**	**6,945**	**4,939**	**4,831**	**4,960**
					[B] **–20**	[B] **–41**	[B] **–53**	[B] **–65**	[B] **–74**
(Spending authority from offsetting collections)		BA	**7,948**	**11,069**	**12,060**	**12,605**	**10,931**	**9,514**	**8,742**
(Outlays)		O	16,214	27,253	22,238	20,584	17,542	14,725	13,962
					[B] –20	[B] –41	[B] –53	[B] –65	[B] –74
Commodity credit corporation fund (gross)		BA	**18,547**	**32,034**	**23,511**	**21,562**	**17,958**	**16,474**	**15,830**
		O	18,104	29,070	24,180	22,587	19,555	16,798	16,056
Total, offsetting collections			–7,948	–11,069	–12,060	–12,605	–10,931	–9,514	–8,742
Total (Farm income stabilization) (net)		BA	**8,452**	**19,135**	**9,345**	**6,894**	**4,876**	**4,756**	**4,876**
		O	8,266	16,184	10,158	7,938	6,558	5,146	5,146
Total Commodity credit corporation fund		BA	**10,599**	**20,965**	**11,451**	**8,957**	**7,027**	**6,960**	**7,088**
		O	10,156	18,001	12,120	9,982	8,624	7,284	7,314
Credit Accounts:									
Agricultural credit insurance fund program account:									
Appropriation, current	351	BA	**347**	**341**	**291**	**291**	**291**	**291**	**291**
Appropriation, permanent		BA	**291**						
Outlays		O	638	353	299	303	300	300	300

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
Limitation on direct loan activity			(803)	(946)	(782)	(782)	(782)	(782)	(782)
Limitation on guarantee commitments			(1,653)	(1,880)	(2,227)	(2,227)	(2,227)	(2,227)	(2,227)
Total Agricultural credit insurance fund program account		BA	**638**	**341**	**291**	**291**	**291**	**291**	**291**
		O	638	353	299	303	300	300	300
Agricultural credit insurance fund liquidating account:									
Spending authority from offsetting collections	351	BA	**49**	**42**	**45**	**50**	**45**	**45**	**40**
Outlays		O	33	42	44	44	43	43	40
Agricultural credit insurance fund liquidating account (gross)		BA	**49**	**42**	**45**	**50**	**45**	**45**	**40**
		O	33	42	44	44	43	43	40
Total, offsetting collections			–1,199	–1,186	–1,155	–1,135	–1,114	–1,093	–1,068
Total Agricultural credit insurance fund liquidating account (net)		BA	**–1,150**	**–1,144**	**–1,110**	**–1,085**	**–1,069**	**–1,048**	**–1,028**
		O	–1,166	–1,144	–1,111	–1,091	–1,071	–1,050	–1,028
Commodity Credit Corporation export loans program account:									
Appropriation, current	351	BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
Appropriation, permanent		BA	**200**	**327**	**440**	**491**	**491**	**491**	**491**
Outlays		O	263	449	483	485	495	495	495
Total Commodity Credit Corporation export loans program account		BA	**204**	**331**	**444**	**495**	**495**	**495**	**495**
		O	263	449	483	485	495	495	495
Commodity credit corporation guaranteed loans liquidating account:									
Spending authority from offsetting collections	351	BA	**283**	**246**	**240**	**415**	**441**	**455**	**447**
Outlays		O	6						
Commodity credit corporation guaranteed loans liquidating account (gross)		BA	**283**	**246**	**240**	**415**	**441**	**455**	**447**
		O	6						
Total, offsetting collections			–283	–246	–240	–415	–441	–455	–447
Total Commodity credit corporation guaranteed loans liquidating account (net)		BA							
		O	–277	–246	–240	–415	–441	–455	–447
Total Federal funds Farm Service Agency		BA	**11,041**	**21,253**	**11,875**	**9,457**	**7,543**	**7,497**	**7,645**
		O	10,420	18,244	12,395	10,106	8,706	7,373	7,433

Natural Resources Conservation Service

Federal funds

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
General and Special Funds:									
Conservation operations:									
Appropriation, current	302	BA	**633**	**641**	**681**	**681**	**681**	**681**	**681**
Spending authority from offsetting collections		BA	**132**	**135**	**198**	**198**	**198**	**198**	**198**
Outlays		O	728	815	878	889	879	879	879
Conservation operations (gross)		BA	**765**	**776**	**879**	**879**	**879**	**879**	**879**
		O	728	815	878	889	879	879	879
Total, offsetting collections			–132	–135	–198	–198	–198	–198	–198
Total Conservation operations (net)		BA	**633**	**641**	**681**	**681**	**681**	**681**	**681**
		O	596	680	680	691	681	681	681
Watershed surveys and planning:									
Appropriation, current	301	BA	**11**	**11**	**12**	**12**	**12**	**12**	**12**
Spending authority from offsetting collections		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	11	12	13	13	13	13	13
Watershed surveys and planning (gross)		BA	**12**	**12**	**13**	**13**	**13**	**13**	**13**
		O	11	12	13	13	13	13	13
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total Watershed surveys and planning (net)		BA	**11**	**11**	**12**	**12**	**12**	**12**	**12**
		O	10	11	12	12	12	12	12
Watershed and flood prevention operations:									
Appropriation, current	301	BA	**181**	**99**	**83**	**83**	**83**	**83**	**83**

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Spending authority from offsetting collections		BA	**18**	**25**	**25**	**25**	**25**	**25**	**25**
Outlays		O	239	304	201	135	108	108	108
Watershed and flood prevention operations (gross)		BA	**199**	**124**	**108**	**108**	**108**	**108**	**108**
		O	239	304	201	135	108	108	108
Total, offsetting collections			–18	–25	–25	–25	–25	–25	–25
Total Watershed and flood prevention operations (net)		BA	**181**	**99**	**83**	**83**	**83**	**83**	**83**
		O	221	279	176	110	83	83	83
Resource conservation and development:									
Appropriation, current	302	BA	**34**	**35**	**35**	**35**	**35**	**35**	**35**
Spending authority from offsetting collections		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	33	37	36	37	38	36	37
Resource conservation and development (gross)		BA	**35**	**36**	**36**	**36**	**36**	**36**	**36**
		O	33	37	36	37	38	36	37
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total Resource conservation and development (net)		BA	**34**	**35**	**35**	**35**	**35**	**35**	**35**
		O	32	36	35	36	37	35	36
Debt for nature:									
Appropriation, current	302	BA			[J] **5**	[J] **5**	[J] **5**	[J] **5**	[J] **5**
Outlays		O			[J] 3	[J] 4	[J] 5	[J] 5	[J] 5
Great plains conservation program:									
Outlays	302	O	4	3	3	3	2	1	1
Forestry incentives program:									
Appropriation, current	302	BA	**6**	**16**					
Outlays		O	6	11	8	4	3		
Water bank program:									
Outlays	302	O	8	6	6	6	4		
Colorado river basin salinity control program:									
Outlays	304	O	1	1	1	1	1	1	
Wetlands reserve program:									
Outlays	302	O	33	29	2				
Wildlife habitat incentive program:									
Appropriation, permanent	302	BA			[B] **10**	[B] **10**	[B] **10**	[B] **10**	[B] **10**
Outlays		O	5	14	10	7	5	3	2
					[B] 3	[B] 5	[B] 7	[B] 8	[B] 8
Total Wildlife habitat incentive program		BA			**10**	**10**	**10**	**10**	**10**
		O	5	14	13	12	12	11	10
Rural clean water program:									
Outlays	304	O		1	1				
Farmland protection program:									
Appropriation, current	302	BA			**50**	**50**	**50**	**50**	**50**
Outlays		O			2	13	33	46	50
Trust funds									
Miscellaneous contributed funds:									
Outlays	302	O	1	10	4	4			
Total Federal funds Natural Resources Conservation Service		BA	**865**	**802**	**876**	**876**	**876**	**876**	**876**
		O	916	1,071	942	892	873	875	878
Total Trust funds Natural Resources Conservation Service		O	**1**	**10**	**4**	**4**			

Rural Development

Federal funds

Credit Accounts:

Account			1998 actual	1999	2000	2001	2002	2003	2004
Rural community advancement program:									
Appropriation, current	452	BA	**652**	**723**	**670**	**670**	**670**	**670**	**670**
Appropriation, permanent		BA		**91**					
Spending authority from offsetting collections		BA	**1**						
Outlays		O	581	759	683	688	690	696	664
Limitation on direct loan activity			(1,008)	(943)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Limitation on loan guarantee commitments			(1,372)	(1,285)	(1,285)	(1,285)	(1,285)	(1,285)	(1,285)
Rural community advancement program (gross)		BA	**653**	**814**	**670**	**670**	**670**	**670**	**670**
		O	581	759	683	688	690	696	664
Total, offsetting collections			–1						
Total Rural community advancement program (net)		BA	**652**	**814**	**670**	**670**	**670**	**670**	**670**
		O	580	759	683	688	690	696	664

Rural Housing Service

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	452	BA	**58**	**61**	**62**	**62**	**62**	**62**	**62**
Spending authority from offsetting collections		BA	**412**	**415**	**437**	**437**	**437**	**437**	**437**
Outlays		O	470	479	494	493	499	499	499
Salaries and expenses (gross)		BA	**470**	**476**	**499**	**499**	**499**	**499**	**499**
		O	470	479	494	493	499	499	499
Total, offsetting collections			–412	–415	–437	–437	–437	–437	–437
Total Salaries and expenses (net)		BA	**58**	**61**	**62**	**62**	**62**	**62**	**62**
		O	58	64	57	56	62	62	62
Salaries and expenses (Farmers Home Administration):									
Outlays	452	O	2						
Rural housing assistance grants:									
Appropriation, current	604	BA	**46**	**41**	**54**	**54**	**54**	**54**	**54**
Outlays		O	48	60	57	54	54	54	54
Rental assistance program:									
Appropriation, current	604	BA	**541**	**583**	**440**	**640**	**640**	**640**	**640**
Advance appropriation		BA				**200**			
Outlays		O	533	561	583	588	603	617	638
Total Rental assistance program		BA	**541**	**583**	**440**	**840**	**640**	**640**	**640**
		O	533	561	583	588	603	617	638
Mutual and self-help housing grants:									
Appropriation, current	604	BA	**26**	**26**	**30**	**30**	**30**	**30**	**30**
Outlays		O	18	26	27	29	29	29	30
Rural community fire protection grants:									
Appropriation, current	452	BA	**2**						
Outlays		O	2						
Credit Accounts:									
Rural housing insurance fund program account:									
Appropriation, current	371	BA	**581**	**558**	**560**	**560**	**560**	**560**	**560**
Appropriation, permanent		BA		**239**					
Outlays		O	576	842	588	568	557	561	558
Limitation on direct loan activity			(1,223)	(1,158)	(1,275)	(1,275)	(1,275)	(1,275)	(1,275)
Limitation on guarantee commitments			(3,040)	(3,075)	(3,300)	(3,300)	(3,300)	(3,300)	(3,300)
Total Rural housing insurance fund program account		BA	**581**	**797**	**560**	**560**	**560**	**560**	**560**
		O	576	842	588	568	557	561	558
Rural housing insurance fund liquidating account:									
Appropriation, permanent	371	BA	**1,375**	**943**	**125**				
Spending authority from offsetting collections		BA			**511**	**507**	**498**	**494**	**481**
Outlays		O	1,515	1,056	736	541	498	494	490
Rural housing insurance fund liquidating account (gross)		BA	**1,375**	**943**	**636**	**507**	**498**	**494**	**481**
		O	1,515	1,056	736	541	498	494	490

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–2,273	–2,215	–2,096	–1,976	–1,860	–1,746	–1,636
Total Rural housing insurance fund liquidating account (net)		BA	**–898**	**–1,272**	**–1,460**	**–1,469**	**–1,362**	**–1,252**	**–1,155**
		O	–758	–1,159	–1,360	–1,435	–1,362	–1,252	–1,146
Total Federal funds Rural Housing Service		BA	**356**	**236**	**–314**	**77**	**–16**	**94**	**191**
		O	479	394	–48	–140	–57	71	196
Rural Business — Cooperative Service									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	452	BA	**26**	**26**	**25**	**25**	**25**	**25**	**25**
Spending authority from offsetting collections		BA	**11**	**8**	**8**	**8**	**8**	**8**	**8**
Outlays		O	33	35	35	35	33	33	33
Salaries and expenses (gross)		BA	**37**	**34**	**33**	**33**	**33**	**33**	**33**
		O	33	35	35	35	33	33	33
Total, offsetting collections			–11	–8	–8	–8	–8	–8	–8
Total Salaries and expenses (net)		BA	**26**	**26**	**25**	**25**	**25**	**25**	**25**
		O	22	27	27	27	25	25	25
Rural empowerment zones/enterprise community grants:									
Appropriation, current	452	BA	....	**15**	....	....	....	....	....
Appropriation, permanent		BA			[B] **15**	[B] **15**	[B] **15**	[B] **15**	[B] **15**
Outlays		O	....	....	5	7	2	....	1
						[B] 5	[B] 12	[B] 14	[B] 14
Total Rural empowerment zones/enterprise community grants		BA	....	**15**	**15**	**15**	**15**	**15**	**15**
		O	....	....	5	12	14	14	15
Salaries and expenses (Rural Development Administration):									
Outlays	452	O	1	2	....	....	....	....	....
Rural cooperative development grants:									
Appropriation, current	452	BA	**3**	**3**	**9**	**9**	**9**	**9**	**9**
Outlays		O	2	3	4	7	8	9	9
Rural economic development grants:									
Spending authority from offsetting collections	452	BA	**2**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	11	13	9	7	5	3	3
Rural economic development grants (gross)		BA	**2**	**3**	**3**	**3**	**3**	**3**	**3**
		O	11	13	9	7	5	3	3
Change in orders on hand from Federal sources		BA	**–1**	**–1**	....	....	....	....	....
Total, offsetting collections			–1	–2	–3	–3	–3	–3	–3
Total Rural economic development grants (net)		BA	....	....	....	....	....	....	....
		O	10	11	6	4	2	....	....
Public Enterprise Funds:									
Alternative agricultural research and commercialization corporation revolving fund:									
Appropriation, current	352	BA	**7**	**4**	**10**	**10**	**10**	**10**	**10**
Outlays		O	8	6	9	10	10	10	10
National sheep industry improvement center revolving fund:									
Outlays	452	O	....	....	1	....	....	....	....
Credit Accounts:									
Rural development loan fund program account:									
Appropriation, current	452	BA	**20**	**20**	**26**	**26**	**26**	**26**	**26**
Appropriation, permanent		BA	....	**1**	....	....	....	....	....
Spending authority from offsetting collections		BA	....	....	**10**	**10**	**10**	**10**	**10**
Outlays		O	24	28	24	27	28	30	31
Limitation on direct loan activity			(35)	(33)	(102)	(102)	(102)	(102)	(102)
Rural development loan fund program account (gross)		BA	**20**	**21**	**36**	**36**	**36**	**36**	**36**
		O	24	28	24	27	28	30	31

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections					–10	–10	–10	–10	–10
Total Rural development loan fund program account (net)		BA	**20**	**21**	**26**	**26**	**26**	**26**	**26**
		O	24	28	14	17	18	20	21
Rural development loan fund liquidating account:									
Spending authority from offsetting collections	452	BA					**1**	**1**	**1**
Outlays		O	1	1	1				
Rural development loan fund liquidating account (gross)		BA					**1**	**1**	**1**
		O	1	1	1				
Total, offsetting collections			–5	–5	–4	–4	–4	–4	–3
Total Rural development loan fund liquidating account (net)		BA	**–5**	**–5**	**–4**	**–4**	**–3**	**–3**	**–2**
		O	–4	–4	–3	–4	–4	–4	–3
Rural economic development loans program account:									
Appropriation, current	452	BA	**6**	**4**	**3**	**3**	**3**	**3**	**3**
Outlays		O	4	6	4	3	3	3	3
Limitation on direct loan activity			(25)	(15)	(15)	(15)	(15)	(15)	(15)
Rural economic development loans liquidating account:									
Outlays	271	O	–1	–1	–1	–1	–1	–1	–1
Rural economic development loans liquidating account (gross)		O	–1	–1	–1	–1	–1	–1	–1
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total Rural economic development loans liquidating account (net)		BA	**–1**	**–1**	**–1**	**–1**	**–1**	**–1**	**–1**
		O	–2	–2	–2	–2	–2	–2	–2
Total Federal funds Rural Business — Cooperative Service		BA	**56**	**67**	**83**	**83**	**84**	**84**	**85**
		O	65	77	65	74	74	75	78
Rural Utilities Service									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	452	BA	**33**	**33**	**34**	**34**	**34**	**34**	**34**
Spending authority from offsetting collections		BA	**34**	**33**	**34**	**34**	**34**	**34**	**34**
Outlays		O	64	66	68	78	82	80	80
Salaries and expenses (gross)		BA	**67**	**66**	**68**	**68**	**68**	**68**	**68**
		O	64	66	68	78	82	80	80
Total, offsetting collections			–34	–33	–34	–34	–34	–34	–34
Total Salaries and expenses (net)		BA	**33**	**33**	**34**	**34**	**34**	**34**	**34**
		O	30	33	34	44	48	46	46
Public Enterprise Funds:									
Rural communication development fund liquidating account:									
Appropriation, permanent	452	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Spending authority from offsetting collections		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	3	3	3	3	3	3	3
Rural communication development fund liquidating account (gross)		BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
		O	3	3	3	3	3	3	3
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total Rural communication development fund liquidating account (net)		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
		O	2	2	2	2	2	2	2
Credit Accounts:									
Rural electrification and telecommunications loans program account:									
Appropriation, current	271	BA	**66**	**73**	**44**	**44**	**44**	**44**	**44**
Appropriation, permanent		BA		**92**					
Outlays		O	92	183	82	77	63	53	49

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Limitation on direct loan activity			(1,420)	(1,562)	(1,070) [J] (400)	(1,070) [J] (400)	(1,070) [J] (400)	(1,070) [J] (400)	(1,070) [J] (400)
Total Rural electrification and telecommunications loans program account		BA	**66**	**165**	**44**	**44**	**44**	**44**	**44**
		O	92	183	82	77	63	53	49
Rural electrification and telecommunications liquidating account:									
Appropriation, current	271	BA	**–6**	**–4**	**–3**	**–3**	**–3**	**–3**	**–3**
Appropriation, permanent		BA	**28**	**26**	**25**	**24**	**23**	**22**	**20**
Authority to borrow, permanent		BA	**956**	...	...	...	...	...	...
Spending authority from offsetting collections		BA	**1,548**	**2,230**	**1,289**	**1,153**	**1,116**	**1,095**	**1,325**
Outlays		O	3,195	2,227	1,289	1,153	1,116	1,095	1,325
Rural electrification and telecommunications liquidating account (gross)		BA	**2,526**	**2,252**	**1,311**	**1,174**	**1,136**	**1,114**	**1,342**
		O	3,195	2,227	1,289	1,153	1,116	1,095	1,325
Total, offsetting collections			–2,953	–3,515	–4,411	–3,138	–2,982	–2,832	–2,691
Total Rural electrification and telecommunications liquidating account (net)		BA	**–427**	**–1,263**	**–3,100**	**–1,964**	**–1,846**	**–1,718**	**–1,349**
		O	242	–1,288	–3,122	–1,985	–1,866	–1,737	–1,366
Rural telephone bank program account:									
Appropriation, current	452	BA	**7**	**7**	**6**	**6**	**6**	**6**	**6**
Outlays		O	3	5	4	5	7	5	7
Limitation on direct loan activity			(175)	(158)	(175)	(175)	(175)	(175)	(175)
Rural telephone bank liquidating account:									
Appropriation, current	452	BA	...	...	**–6**	**–6**	**–6**	**–6**	**–6**
Appropriation, permanent		BA	**–28**	**–26**	**–25**	**–25**	**–25**	**–25**	**–25**
Spending authority from offsetting collections		BA	**161**	**216**	**234**	**247**	**251**	**255**	**264**
Outlays		O	34	42	42	40	...	...	...
Rural telephone bank liquidating account (gross)		BA	**133**	**190**	**203**	**216**	**220**	**224**	**233**
		O	34	42	42	40	...	...	...
Total, offsetting collections			–230	–241	–246	–252	–256	–260	–269
Total Rural telephone bank liquidating account (net)		BA	**–97**	**–51**	**–43**	**–36**	**–36**	**–36**	**–36**
		O	–196	–199	–204	–212	–256	–260	–269
Distance learning and telemedicine program:									
Appropriation, current	452	BA	**13**	**13**	**21**	**21**	**21**	**21**	**21**
Outlays		O	8	15	20	24	21	21	21
Limitation on direct loan activity			(5)	(150)	(200)	(200)	(200)	(200)	(200)
Rural development insurance fund liquidating account:									
Appropriation, permanent	452	BA	...	**432**	**210**	**1,304**	**1,543**	**155**	**579**
Spending authority from offsetting collections		BA	**548**	**456**	**377**	**177**	**246**	**143**	**102**
Outlays		O	629	638	586	553	390	154	108
Rural development insurance fund liquidating account (gross)		BA	**548**	**888**	**587**	**1,481**	**1,789**	**298**	**681**
		O	629	638	586	553	390	154	108
Total, offsetting collections			–598	–531	–482	–442	–406	–373	–343
Total Rural development insurance fund liquidating account (net)		BA	**–50**	**357**	**105**	**1,039**	**1,383**	**–75**	**338**
		O	31	107	104	111	–16	–219	–235
Total Federal funds Rural Utilities Service		BA	**–453**	**–737**	**–2,931**	**–854**	**–392**	**–1,722**	**–940**
		O	212	–1,142	–3,080	–1,934	–1,997	–2,089	–1,745
Foreign Agricultural Service									
Federal funds									
General and Special Funds:									
Foreign agricultural service and general sales manager:									
Appropriation, current	352	BA	**144**	**136**	**138** [J] **–28**	**138** [J] **–28**	**138** [J] **–28**	**138** [J] **–28**	**138** [J] **–28**
Spending authority from offsetting collections		BA	**63**	**64**	**64**	**64**	**64**	**64**	**64**
Outlays		O	220	201	198 [J] –28	202 [J] –28	202 [J] –28	202 [J] –28	202 [J] –28
Foreign agricultural service and general sales manager (gross)		BA	**207**	**200**	**174**	**174**	**174**	**174**	**174**
		O	220	201	170	174	174	174	174

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
Total, offsetting collections			–63	–64	–64	–64	–64	–64	–64
Total Foreign agricultural service and general sales manager (net)		BA	**144**	**136**	**110**	**110**	**110**	**110**	**110**
		O	157	137	106	110	110	110	110
Scientific activities overseas (foreign currency program):									
Outlays	352	O	1	1	1	1	1	1	1
Public law 480 title I ocean freight differential grants:									
Appropriation, current	351	BA	**18**	**16**	**12**	**12**	**12**	**12**	**12**
Outlays		O	16	117	13	12	12	12	12
P.L. 480 Grants — Titles II and III:									
Appropriation, current	151	BA	**867**	**862**	**787**	**787**	**787**	**787**	**787**
Outlays		O	778	815	823	799	762	790	787
Credit Accounts:									
P.L. 480 program account:									
Appropriation, current	351	BA	**178**	**178**	**116**	**116**	**116**	**116**	**116**
Outlays		O	159	817	141	120	116	116	116
Limitation on direct loan activity			(227)	(203)	(138)	(138)	(138)	(138)	(138)
Expenses, Public Law 480, foreign assistance programs, Agriculture liquidating account:									
Spending authority from offsetting collections	151	BA	**523**	**12**	**14**				
Expenses, Public Law 480, foreign assistance programs, Agriculture liquidating account (gross)		BA	**523**	**12**	**14**				
Total, offsetting collections			–523	–485	–487	–462	–465	–460	–452
Total Total Expenses, Public Law 480, foreign assistance programs, Agriculture liquidating account (net)		BA		**–473**	**–473**	**–462**	**–465**	**–460**	**–452**
		O	–523	–485	–487	–462	–465	–460	–452
Trust funds									
Miscellaneous contributed funds:									
Appropriation, permanent	352	BA	**2**	**4**	**4**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
Total Federal funds Foreign Agricultural Service		BA	**1,207**	**719**	**552**	**563**	**560**	**565**	**573**
		O	588	1,402	597	580	536	569	574
Total Trust funds Foreign Agricultural Service		BA	**2**	**4**	**4**	**1**	**1**	**1**	**1**
		O	1	1	1	1	1	1	1

Food and Nutrition Service

Federal funds

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
General and Special Funds:									
Food program administration:									
Appropriation, current	605	BA	**107**	**111**	**120**	**120**	**120**	**120**	**120**
Spending authority from offsetting collections		BA	**2**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	104	108	124	121	121	121	121
Food program administration (gross)		BA	**109**	**112**	**121**	**121**	**121**	**121**	**121**
		O	104	108	124	121	121	121	121
Total, offsetting collections			–2	–1	–1	–1	–1	–1	–1
Total Food program administration (net)		BA	**107**	**111**	**120**	**120**	**120**	**120**	**120**
		O	102	107	123	120	120	120	120
Food stamp program:									
Appropriation, current	605	BA	**24,907**	**22,586**	**22,477**	**18,528**	**23,966**	**24,494**	**25,300**
					B **10**	*B* **10**	*B* **10**	*B* **15**	*B* **15**
Advance appropriation		BA				**4,800**			
Spending authority from offsetting collections		BA	**170**	**336**	**346**	**346**	**346**	**346**	**95**
Outlays		O	20,311	21,540	21,843	22,320	22,967	23,492	24,205
					B 10	*B* 10	*B* 10	*B* 15	*B* 15
Food stamp program (gross)		BA	**25,077**	**22,922**	**22,833**	**23,684**	**24,322**	**24,855**	**25,410**
		O	20,311	21,540	21,853	22,330	22,977	23,507	24,220

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–170	–336	–346	–346	–346	–346	–95
Total Food stamp program (net)		BA	24,907	22,586	22,487	23,338	23,976	24,509	25,315
		O	20,141	21,204	21,507	21,984	22,631	23,161	24,125
Child nutrition programs:									
Appropriation, current	605	BA	2,850	4,129	4,636	5,105	5,652	6,115	6,595
					[B] –57	[B] –66	[B] –52	[B] –66	[B] –75
Appropriation, permanent		BA	5,157	5,055	4,932	4,932	4,932	4,932	4,932
Outlays		O	8,564	9,074	9,576	9,978	10,508	10,981	11,459
					[B] –57	[B] –66	[B] –52	[B] –66	[B] –75
Total Child nutrition programs		BA	8,007	9,184	9,511	9,971	10,532	10,981	11,452
		O	8,564	9,074	9,519	9,912	10,456	10,915	11,384
Special supplemental nutrition program for women, infants, and children (WIC):									
Appropriation, current	605	BA	3,924	3,924	4,105	4,105	4,105	4,105	4,105
Outlays		O	3,902	3,951	4,097	4,105	4,105	4,105	4,105
Commodity assistance program:									
Appropriation, current	605	BA	141	131	155	155	155	155	155
Outlays		O	123	142	151	155	155	155	155
Food donations programs:									
Appropriation, current	605	BA	141	141	151	151	151	151	151
Outlays		O	141	142	148	151	151	151	151
Total Federal funds Food and Nutrition Service		BA	37,227	36,077	36,529	37,840	39,039	40,021	41,298
		O	32,973	34,620	35,545	36,427	37,618	38,607	40,040

Forest Service

Federal funds

General and Special Funds:

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
National forest system:									
Appropriation, current	302	BA	1,307	1,299	1,357	1,357	1,357	1,357	1,357
					[J] –20	[J] –20	[J] –20	[J] –20	[J] –20
Appropriation, permanent		BA		1					
Advance appropriation		BA				15			
Spending authority from offsetting collections		BA	63	61	63	63	63	63	63
					[J] 20	[J] 20	[J] 20	[J] 20	[J] 20
Outlays		O	1,530	1,365	1,348	1,433	1,422	1,420	1,420
National forest system (gross)		BA	1,370	1,361	1,420	1,435	1,420	1,420	1,420
		O	1,530	1,365	1,348	1,433	1,422	1,420	1,420
Total, offsetting collections			–63	–61	–63	–63	–63	–63	–63
					[J] –20	[J] –20	[J] –20	[J] –20	[J] –20
Total National forest system (net)		BA	1,307	1,300	1,337	1,352	1,337	1,337	1,337
		O	1,467	1,304	1,265	1,350	1,339	1,337	1,337
Public asset protection and management:									
Appropriation, current	302	BA	166	297	295	295	295	295	295
Spending authority from offsetting collections		BA	4	4	4	4	4	4	4
Outlays		O	196	310	286	299	299	299	299
Public asset protection and management (gross)		BA	170	301	299	299	299	299	299
		O	196	310	286	299	299	299	299
Total, offsetting collections			–4	–4	–4	–4	–4	–4	–4
Total Public asset protection and management (net)		BA	166	297	295	295	295	295	295
		O	192	306	282	295	295	295	295
Forest and rangeland research:									
Appropriation, current	302	BA	188	199	235	235	235	235	235
Spending authority from offsetting collections		BA	12	16	17	17	17	17	17
Outlays		O	199	212	243	252	252	252	252
Forest and rangeland research (gross)		BA	200	215	252	252	252	252	252
		O	199	212	243	252	252	252	252

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–12	–16	–17	–17	–17	–17	–17
Total Forest and rangeland research (net)		BA	**188**	**199**	**235**	**235**	**235**	**235**	**235**
		O	187	196	226	235	235	235	235
State and private forestry:									
Appropriation, current	302	BA	**209**	**171**	**252**	**252**	**252**	**252**	**252**
Spending authority from offsetting collections		BA	**6**	**5**	**7**	**7**	**7**	**7**	**7**
Outlays		O	161	185	242	260	259	259	259
State and private forestry (gross)		BA	**215**	**176**	**259**	**259**	**259**	**259**	**259**
		O	161	185	242	260	259	259	259
Total, offsetting collections			–6	–5	–7	–7	–7	–7	–7
Total State and private forestry (net)		BA	**209**	**171**	**252**	**252**	**252**	**252**	**252**
		O	155	180	235	253	252	252	252
Management of national forest lands for subsistence uses:									
Appropriation, current	302	BA	....	**3**	....	....	....	....	....
Outlays		O	....	....	3	....	....	....	....
Wildland fire management:									
Appropriation, current	302	BA	**587**	**561**	**561**	**561**	**561**	**561**	**561**
Spending authority from offsetting collections		BA	**27**	**26**	**26**	**26**	**26**	**26**	**26**
Outlays		O	603	611	582	587	587	587	587
Wildland fire management (gross)		BA	**614**	**587**	**587**	**587**	**587**	**587**	**587**
		O	603	611	582	587	587	587	587
Total, offsetting collections			–27	–26	–26	–26	–26	–26	–26
Total Wildland fire management (net)		BA	**587**	**561**	**561**	**561**	**561**	**561**	**561**
		O	576	585	556	561	561	561	561
Payments to States, northern spotted owl guarantee, Forest Service:									
Appropriation, permanent	806	BA	**130**	**125**	**120**	**115**	**109**	**104**	**104**
					[B] **27**	[B] **41**	[B] **55**	[B] **64**	[B] **72**
Outlays		O	130	125	120	115	109	104	104
					[B] 27	[B] 41	[B] 55	[B] 64	[B] 72
Total Payments to States, northern spotted owl guarantee, Forest Service		BA	**130**	**125**	**147**	**156**	**164**	**168**	**176**
		O	130	125	147	156	164	168	176
Southeast Alaska economic disaster fund:									
Outlays	451	O	20	20	13	....	....	....	....
Range betterment fund:									
Appropriation, current	302	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	4	3	4	3	3	3	3
Land acquisition accounts									
(Conservation and land management):									
(Appropriation, current)	302	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
(Outlays)		O	1	10	15	1	1	1	1
(Recreational resources):									
(Appropriation, current)	303	BA	**222**	**118**	**118**	**118**	**118**	**118**	**118**
(Outlays)		O	103	134	127	118	118	118	118
Total Land acquisition accounts		BA	**223**	**119**	**119**	**119**	**119**	**119**	**119**
		O	104	144	142	119	119	119	119
Forest Service permanent appropriations									
(Conservation and land management):									
(Appropriation, current)	302	BA			[J] **–57**	[J] **–57**	[J] **–57**	[J] **–57**	[J] **–57**
(Appropriation, permanent)		BA	**258**	**221**	**241**	**188**	**186**	**182**	**183**
					[B] **–17**	[B] **–17**	[B] **–17**	[B] **10**	[B] **20**
(Outlays)		O	234	213	232	188	186	182	183
					[B] –17	[B] –17	[B] –17	[B] 10	[B] 10
					[J] –57	[J] –57	[J] –57	[J] –57	[J] –57
Total (Conservation and land management)		BA	**258**	**221**	**167**	**114**	**112**	**135**	**146**
		O	234	213	158	114	112	135	136
(Recreational resources):									
(Appropriation, permanent)	303	BA	....	**27**	**5**	....	....	....	....

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
(Outlays)		O	....	28	6	1	1	1	1
(General purpose fiscal assistance):									
(Appropriation, permanent)	806	BA	**100**	**126**	**119**	**132**	**127**	**125**	**124**
(Outlays)		O	100	126	119	131	126	124	123
Total Forest Service permanent appropriations		BA	**358**	**374**	**291**	**246**	**239**	**260**	**270**
		O	334	367	283	246	239	260	260
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	302	BA	**146**	**143**	**134**	**134**	**134**	**134**	**134**
Outlays		O	171	143	134	134	134	134	134
Working capital fund (gross)		BA	**146**	**143**	**134**	**134**	**134**	**134**	**134**
		O	171	143	134	134	134	134	134
Total, offsetting collections			–146	–143	–134	–134	–134	–134	–134
Total Working capital fund (net)		BA	....	....	....	....	....	....	....
		O	25	....	....	....	....	....	....
	Trust funds								
Forest service trust funds:									
Appropriation, current	302	BA			**[J] –34**	**[J] –34**	**[J] –34**	**[J] –34**	**[J] –34**
Appropriation, permanent		BA	**198**	**213**	**210**	**250**	**250**	**250**	**250**
Outlays		O	208	210	208	234	234	250	250
					[J] –34	[J] –34	[J] –34	[J] –34	[J] –34
Total Forest service trust funds		BA	**198**	**213**	**176**	**216**	**216**	**216**	**216**
		O	208	210	174	200	200	216	216
Total Federal funds Forest Service		BA	**3,171**	**3,152**	**3,240**	**3,219**	**3,205**	**3,230**	**3,248**
		O	3,194	3,230	3,156	3,218	3,207	3,230	3,238
Total Trust funds Forest Service		BA	**198**	**213**	**176**	**216**	**216**	**216**	**216**
		O	208	210	174	200	200	216	216

Summary

Account			1998 actual	1999	2000	2001	2002	2003	2004
Federal funds:									
(As shown in detail above)		BA	**58,935**	**68,283**	**55,557**	**57,507**	**57,239**	**57,151**	**59,573**
		O	54,576	64,143	55,672	55,438	55,165	55,090	57,107
Deductions for offsetting receipts:									
Intrafund transactions	352	BA/O	*–5*	*–6*	*–6*	*–7*	*–7*	*–7*	*–7*
Proprietary receipts from the public	271	BA/O	*–1*	*–171*	.	....	....	....	....
	302	BA/O	*–461*	*–456*	*–461*	*–438*	*–422*	*–405*	*–403*
	303	BA/O	*–25*	*–27*	*–29*	*–30*	*–3*	*–3*	*–3*
							[B] –24	*[B] –34*	*[B] –44*
	351	BA/O	*–172*	....	....	....	....	....	....
	371	BA/O	....	*–34*	....	....	....	....	....
	452	BA/O	*–1*	*–60*	....	....	....	....	....
Total Federal funds		BA	**58,270**	**67,529**	**55,061**	**57,032**	**56,783**	**56,702**	**59,116**
		O	53,911	63,389	55,176	54,963	54,709	54,641	56,650
Trust funds:									
(As shown in detail above)		BA	**339**	**355**	**318**	**355**	**355**	**355**	**355**
		O	345	356	317	343	339	355	355
Deductions for offsetting receipts:									
Proprietary receipts from the public	302	BA/O	*–168*	*–185*	*–178*	*–170*	*–166*	*–163*	*–162*
	352	BA/O	*–141*	*–148*	*–148*	*–148*	*–148*	*–148*	*–148*
Total Trust funds		BA	**30**	**22**	**–8**	**37**	**41**	**44**	**45**
		O	36	23	–9	25	25	44	45
Total Department of Agriculture		BA	**58,300**	**67,551**	**55,053**	**57,069**	**56,824**	**56,746**	**59,161**
		O	53,947	63,412	55,167	54,988	54,734	54,685	56,695

DEPARTMENT OF COMMERCE

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
General Administration									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	376	BA	**29**	**35**	**34**	**34**	**34**	**34**	**34**
Spending authority from offsetting collections		BA	**44**	**47**	**47**	**47**	**47**	**47**	**47**
Outlays		O	75	82	81	81	81	81	81
Salaries and expenses (gross)		BA	**73**	**82**	**81**	**81**	**81**	**81**	**81**
		O	75	82	81	81	81	81	81
Change in orders on hand from Federal sources		BA	**–2**						
Total, offsetting collections			–42	–47	–47	–47	–47	–47	–47
Total Salaries and expenses (net)		BA	**29**	**35**	**34**	**34**	**34**	**34**	**34**
		O	33	35	34	34	34	34	34
Office of the Inspector General:									
Appropriation, current	376	BA	**20**	**21**	**23**	**23**	**23**	**23**	**23**
Spending authority from offsetting collections		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	21	22	24	24	24	24	24
Office of the Inspector General (gross)		BA	**21**	**22**	**24**	**24**	**24**	**24**	**24**
		O	21	22	24	24	24	24	24
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total Office of the Inspector General (net)		BA	**20**	**21**	**23**	**23**	**23**	**23**	**23**
		O	20	21	23	23	23	23	23
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	376	BA	**83**	**91**	**125**	**125**	**125**	**125**	**125**
Outlays		O	78	91	125	125	125	125	125
Working capital fund (gross)		BA	**83**	**91**	**125**	**125**	**125**	**125**	**125**
		O	78	91	125	125	125	125	125
Change in orders on hand from Federal sources		BA	**–6**						
Total, offsetting collections			–77	–91	–125	–125	–125	–125	–125
Total Working capital fund (net)		BA							
		O	1						
Franchise fund:									
Spending authority from offsetting collections	376	BA	**15**	**17**	**17**	**17**	**17**	**17**	**17**
Outlays		O	15	17	17	17	17	17	17
Franchise fund (gross)		BA	**15**	**17**	**17**	**17**	**17**	**17**	**17**
		O	15	17	17	17	17	17	17
Change in orders on hand from Federal sources		BA	**–1**						
Total, offsetting collections			–14	–17	–17	–17	–17	–17	–17
Total Franchise fund (net)		BA							
		O	1						
Trust funds									
Gifts and bequests:									
Appropriation, permanent	376	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
Total Federal funds General Administration		BA	**49**	**56**	**57**	**57**	**57**	**57**	**57**
		O	55	56	57	57	57	57	57
Total Trust funds General Administration		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
		O	1	1	1	1	1	1	1

DEPARTMENT OF COMMERCE—Continued

(In millions of dollars)

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
Economic Development Administration									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	452	BA	**24**	**26**	**29**	**29**	**29**	**29**	**29**
Spending authority from offsetting collections		BA	**2**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	25	29	30	30	30	30	30
Salaries and expenses (gross)		BA	**26**	**27**	**30**	**30**	**30**	**30**	**30**
		O	25	29	30	30	30	30	30
Total, offsetting collections			–2	–1	–1	–1	–1	–1	–1
Total Salaries and expenses (net)		BA	**24**	**26**	**29**	**29**	**29**	**29**	**29**
		O	23	28	29	29	29	29	29
Economic development assistance programs:									
Appropriation, current	452	BA	**340**	**387**	**364**	**364**	**364**	**364**	**364**
Reappropriation		BA	**2**						
Spending authority from offsetting collections		BA	**12**	**1**					
Outlays		O	376	412	410	395	373	364	364
Economic development assistance programs (gross)		BA	**354**	**388**	**364**	**364**	**364**	**364**	**364**
		O	376	412	410	395	373	364	364
Total, offsetting collections			–12	–1					
Total Economic development assistance programs (net)		BA	**342**	**387**	**364**	**364**	**364**	**364**	**364**
		O	364	411	410	395	373	364	364
Credit Accounts:									
Economic development revolving fund liquidating account:									
Appropriation, current	452	BA	**–4**						
Spending authority from offsetting collections		BA	**8**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	6	4	4	4	4	4	4
Economic development revolving fund liquidating account (gross)		BA	**4**	**5**	**5**	**5**	**5**	**5**	**5**
		O	6	4	4	4	4	4	4
Total, offsetting collections			–8	–5	–5	–5	–5	–5	–5
Total Economic development revolving fund liquidating account (net)		BA	**–4**						
		O	–2	–1	–1	–1	–1	–1	–1
Total Federal funds Economic Development Administration		BA	**362**	**413**	**393**	**393**	**393**	**393**	**393**
		O	385	438	438	423	401	392	392
Bureau of the Census									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	376	BA	**137**	**146**	**157**	**157**	**157**	**157**	**157**
Appropriation, permanent		BA	**10**	**10**	**10**	**10**	**10**		
Outlays		O	203	126	152	165	167	160	158
Total Salaries and expenses		BA	**147**	**156**	**167**	**167**	**167**	**157**	**157**
		O	203	126	152	165	167	160	158
Periodic censuses and programs:									
Appropriation, current	376	BA	**552**	**1,194**	**2,915**	**658**	**233**	**259**	**233**
Outlays		O	425	1,119	2,695	993	322	254	238
Intragovernmental Funds:									
Census working capital fund:									
Spending authority from offsetting collections	376	BA	**180**	**185**	**185**	**185**	**185**	**185**	**185**
Outlays		O	95	185	185	185	185	185	185
Census working capital fund (gross)		BA	**180**	**185**	**185**	**185**	**185**	**185**	**185**
		O	95	185	185	185	185	185	185

DEPARTMENT OF COMMERCE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–180	–185	–185	–185	–185	–185	–185
Total Census working capital fund (net)		BA							
		O	–85						
Total Federal funds Bureau of the Census		BA	**699**	**1,350**	**3,082**	**825**	**400**	**416**	**390**
		O	543	1,245	2,847	1,158	489	414	396
Economic and Statistical Analysis									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	376	BA	**47**	**48**	**55**	**55**	**55**	**55**	**55**
Spending authority from offsetting collections		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	48	52	56	57	57	57	57
Salaries and expenses (gross)		BA	**49**	**50**	**57**	**57**	**57**	**57**	**57**
		O	48	52	56	57	57	57	57
Total, offsetting collections			–2	–2	–2	–2	–2	–2	–2
Total Salaries and expenses (net)		BA	**47**	**48**	**55**	**55**	**55**	**55**	**55**
		O	46	50	54	55	55	55	55
Public Enterprise Funds:									
Economics and statistics administration revolving fund:									
Spending authority from offsetting collections	376	BA	**4**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	4	6	6	6	6	6	6
Economics and statistics administration revolving fund (gross)		BA	**4**	**6**	**6**	**6**	**6**	**6**	**6**
		O	4	6	6	6	6	6	6
Total, offsetting collections			–4	–6	–6	–6	–6	–6	–6
Total Economics and statistics administration revolving fund (net)		BA							
		O							
Total Federal funds Economic and Statistical Analysis		BA	**47**	**48**	**55**	**55**	**55**	**55**	**55**
		O	46	50	54	55	55	55	55
Promotion of Industry and Commerce									
International Trade Administration									
Federal funds									
General and Special Funds:									
Operations and administration:									
Appropriation, current	376	BA	**299**	**285**	**305**	**305**	**305**	**305**	**305**
Spending authority from offsetting collections		BA	**17**	**28**	**29**	**29**	**29**	**29**	**29**
Outlays		O	320	301	324	333	334	334	334
Operations and administration (gross)		BA	**316**	**313**	**334**	**334**	**334**	**334**	**334**
		O	320	301	324	333	334	334	334
Total, offsetting collections			–17	–28	–29	–29	–29	–29	–29
Total Operations and administration (net)		BA	**299**	**285**	**305**	**305**	**305**	**305**	**305**
		O	303	273	295	304	305	305	305
Trust funds									
Foreign service national separation liability trust fund:									
Outlays	602	O	–10						

DEPARTMENT OF COMMERCE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Export Administration									
Federal funds									
General and Special Funds:									
Operations and administration									
(Defense-related activities):									
(Appropriation, current)	054	BA	**2**	**2**	**2**	[N] **2**	**2**	**2**	**2**
(Outlays)		O		2	2	[N] 2	2	2	2
(Other advancement of commerce):									
(Appropriation, current)	376	BA	**42**	**50**	**58**	**58**	**58**	**58**	**58**
(Spending authority from offsetting collections)		BA	**3**	**4**	**4**	**4**	**4**	**4**	**4**
(Outlays)		O	46	56	60	61	62	62	62
Operations and administration (gross)		BA	**47**	**56**	**64**	**64**	**64**	**64**	**64**
		O	46	58	62	63	64	64	64
Total, offsetting collections			–3	–4	–4	–4	–4	–4	–4
Total (Other advancement of commerce) (net)		BA	**42**	**50**	**58**	**58**	**58**	**58**	**58**
		O	43	52	56	57	58	58	58
Total Operations and administration		BA	**44**	**52**	**60**	**60**	**60**	**60**	**60**
		O	43	54	58	59	60	60	60
Total Federal funds Export Administration		BA	**44**	**52**	**60**	**60**	**60**	**60**	**60**
		O	43	54	58	59	60	60	60
Minority Business Development Agency									
Federal funds									
General and Special Funds:									
Minority business development:									
Appropriation, current	376	BA	**25**	**27**	**28**	**28**	**28**	**28**	**28**
Outlays		O	28	32	28	28	28	28	28
United States Travel and Tourism Administration									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	376	BA	**–3**	**–1**	...	...	...	...	...
Outlays		O	...	...	...	...	...	...	...
Total Federal funds Promotion of Industry and Commerce		BA	**365**	**363**	**393**	**393**	**393**	**393**	**393**
		O	374	359	381	391	393	393	393
Total Trust funds Promotion of Industry and Commerce		O	–10	...	...	...	...	...	...
Science and Technology									
National Oceanic and Atmospheric Administration									
Federal funds									
General and Special Funds:									
Operations, research, and facilities:									
Appropriation, current	306	BA	**1,551**	**1,643** [A] **2**	**1,805** [J] **–34**	**1,805** [J] **–34**	**1,805** [J] **–34**	**1,805** [J] **–34**	**1,805** [J] **–34**
Appropriation, permanent		BA	**8**	**7**	**14**	**14**	**14**	**14**	**14**
Spending authority from offsetting collections		BA	**231**	**239**	**203** [J] **34**	**203** [J] **34**	**203** [J] **34**	**203** [J] **34**	**203** [J] **34**
Outlays		O	2,064	1,873 [A] 2	1,962	1,951	1,966	2,017	2,022
Operations, research, and facilities (gross)		BA	**1,790**	**1,891**	**2,022**	**2,022**	**2,022**	**2,022**	**2,022**
		O	2,064	1,875	1,962	1,951	1,966	2,017	2,022
Change in orders on hand from Federal sources		BA	**13**	...	...	...	...	...	...

DEPARTMENT OF COMMERCE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–243	–237	–203 [J] –34	–203 [J] –34	–203 [J] –34	–203 [J] –34	–203 [J] –34
Total Operations, research, and facilities (net)		BA	**1,560**	**1,654**	**1,785**	**1,785**	**1,785**	**1,785**	**1,785**
		O	1,821	1,638	1,725	1,714	1,729	1,780	1,785
Procurement, acquisition and construction:									
Appropriation, current	306	BA	**492**	**585**	**631**	**81**	**75**	**61**	**24**
Advance appropriation		BA	....	....	....	**611**	**587**	**587**	**655**
Outlays		O	283	400	520	621	647	661	664
Total Procurement, acquisition and construction		BA	**492**	**585**	**631**	**692**	**662**	**648**	**679**
		O	283	400	520	621	647	661	664
Pacific coastal salmon recovery:									
Appropriation, current	306	BA	....	....	**100**	**100**	**100**	**100**	**100**
Outlays		O	....	....	62	100	100	100	100
Promote and develop fishery products and research pertaining to American fisheries:									
Appropriation, current	376	BA	**–62**	**–63**	**–66**	**–66**	**–66**	**–66**	**–66**
Appropriation, permanent		BA	**66**	**66**	**66**	**66**	**66**	**66**	**66**
Outlays		O	9	8	4	2	2	2	2
Total Promote and develop fishery products and research pertaining to American fisheries		BA	**4**	**3**	....	....	....	....	....
		O	9	8	4	2	2	2	2
Fishermen's contingency fund:									
Appropriation, current	376	BA	....	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	....	3	1	1	1	1	1
Public Enterprise Funds:									
Coastal zone management fund:									
Appropriation, current	306	BA	....	....	**–4**	**–4**	**–4**	**–4**	**–4**
Spending authority from offsetting collections		BA	**8**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	7	8	....	....	....	....	....
Coastal zone management fund (gross)		BA	**8**	**4**	....	....	....	....	....
		O	7	8	....	....	....	....	....
Total, offsetting collections			–4	–4	–4	–4	–4	–4	–4
Total Coastal zone management fund (net)		BA	**4**	....	**–4**	**–4**	**–4**	**–4**	**–4**
		O	3	4	–4	–4	–4	–4	–4
Damage assessment and restoration revolving fund:									
Spending authority from offsetting collections	306	BA	**5**	....	**2**	**2**	**2**	**2**	**2**
Outlays		O	....	8	5	2	....	....	....
Damage assessment and restoration revolving fund (gross)		BA	**5**	....	**2**	**2**	**2**	**2**	**2**
		O	....	8	5	2	....	....	....
Total, offsetting collections			–6	–2	–2	–2	–2	–2	–2
Total Damage assessment and restoration revolving fund (net)		BA	**–1**	**–2**	....	....	....	....	....
		O	–6	6	3	....	–2	–2	–2
Credit Accounts:									
Fisheries finance, program account:									
Appropriation, current	376	BA	....	**28** [A] **3**	**10**	**10**	**10**	**10**	**10**
Outlays		O	....	28 [A] 3	10	10	10	10	10
Total Fisheries finance, program account		BA	....	**31**	**10**	**10**	**10**	**10**	**10**
		O	....	31	10	10	10	10	10
Federal ship financing fund, fishing vessels liquidating account:									
Appropriation, current	376	BA	**1**	....	....	....	....	....	....
Spending authority from offsetting collections		BA	**5**	....	....	....	....	....	....
Outlays		O	3	....	....	....	....	....	....
Federal ship financing fund, fishing vessels liquidating account (gross)		BA	**6**	....	....	....	....	....	....
		O	3	....	....	....	....	....	....

DEPARTMENT OF COMMERCE—Continued

(In millions of dollars)

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
Total, offsetting collections			–5	....	....	....	....	....	....
Total Federal ship financing fund, fishing vessels liquidating account (net)		BA	**1**	....	....	....	....	....	....
		O	–2	....	....	....	....	....	....
Total Federal funds National Oceanic and Atmospheric Administration		BA	**2,060**	**2,272**	**2,523**	**2,584**	**2,554**	**2,540**	**2,571**
		O	2,108	2,090	2,321	2,444	2,483	2,548	2,556
Patent and Trademark Office									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	376	BA	**27**	**–71**	....	....	....	....	....
Spending authority from offsetting collections		BA	**663**	**854**	**922**	**1,010**	**966**	**966**	**966**
Outlays		O	716	659	796	919	958	968	970
Salaries and expenses (gross)		BA	**690**	**783**	**922**	**1,010**	**966**	**966**	**966**
		O	716	659	796	919	958	968	970
Total, offsetting collections			–772	–861	–966	–966	–966	–966	–966
Total Salaries and expenses (net)		BA	**–82**	**–78**	**–44**	**44**	....	....	....
		O	–56	–202	–170	–47	–8	2	4
Technology Administration									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	376	BA	**8**	**9**	**9**	**9**	**9**	**9**	**9**
Spending authority from offsetting collections		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	8	23	11	10	10	10	10
Salaries and expenses (gross)		BA	**9**	**10**	**10**	**10**	**10**	**10**	**10**
		O	8	23	11	10	10	10	10
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total Salaries and expenses (net)		BA	**8**	**9**	**9**	**9**	**9**	**9**	**9**
		O	7	22	10	9	9	9	9
National Technical Information Service									
Federal funds									
Public Enterprise Funds:									
NTIS revolving fund:									
Appropriation, current	376	BA	....	**1**	**2**	**2**	**2**	**2**	**2**
Spending authority from offsetting collections		BA	**37**	**55**	**60**	**60**	**60**	**60**	**60**
Outlays		O	37	71	59	62	62	62	62
NTIS revolving fund (gross)		BA	**37**	**56**	**62**	**62**	**62**	**62**	**62**
		O	37	71	59	62	62	62	62
Total, offsetting collections			–37	–55	–60	–60	–60	–60	–60
Total NTIS revolving fund (net)		BA	....	**1**	**2**	**2**	**2**	**2**	**2**
		O	....	16	–1	2	2	2	2
National Institute of Standards and Technology									
Federal funds									
General and Special Funds:									
Scientific and technical research and services:									
Appropriation, current	376	BA	**277**	**280**	**290**	**290**	**290**	**290**	**290**
Outlays		O	278	292	289	289	289	289	289
Industrial technology services:									
Appropriation, current	376	BA	**306**	**325**	**339**	**339**	**339**	**339**	**339**
Outlays		O	343	299	317	331	344	342	339

DEPARTMENT OF COMMERCE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Construction of research facilities:									
Appropriation, current	376	BA	95	57	107	32	17	17	17
Outlays		O	42	28	42	48	71	67	48
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	376	BA	119	106	103	103	103	103	103
Outlays		O	123	119	106	103	103	103	103
Working capital fund (gross)		BA	119	106	103	103	103	103	103
		O	123	119	106	103	103	103	103
Total, offsetting collections			–119	–106	–103	–103	–103	–103	–103
Total Working capital fund (net)		BA							
		O	4	13	3				
Total Federal funds National Institute of Standards and Technology		BA	678	662	736	661	646	646	646
		O	667	632	651	668	704	698	676
National Telecommunications and Information Administration									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	376	BA	17	11	17	17	17	17	17
Spending authority from offsetting collections		BA	13	20	21	21	21	21	21
Outlays		O	35	37	37	38	38	38	38
Salaries and expenses (gross)		BA	30	31	38	38	38	38	38
		O	35	37	37	38	38	38	38
Total, offsetting collections			–13	–20	–21	–21	–21	–21	–21
Total Salaries and expenses (net)		BA	17	11	17	17	17	17	17
		O	22	17	16	17	17	17	17
Public telecommunications facilities, planning and construction:									
Appropriation, current	503	BA	21	20	35				
Advance appropriation		BA				110	100	89	15
Outlays		O	19	23	25	39	75	87	87
Total Public telecommunications facilities, planning and construction		BA	21	20	35	110	100	89	15
		O	19	23	25	39	75	87	87
Information infrastructure grants:									
Appropriation, current	503	BA	20	18	20	20	20	20	20
Outlays		O	20	27	24	22	20	20	20
Total Federal funds National Telecommunications and Information Administration		BA	58	49	72	147	137	126	52
		O	61	67	65	78	112	124	124
Total Federal funds Science and Technology		BA	2,722	2,915	3,298	3,447	3,348	3,323	3,280
		O	2,787	2,625	2,876	3,154	3,302	3,383	3,371
Summary									
Federal funds:									
(As shown in detail above)		BA	4,244	5,145	7,278	5,170	4,646	4,637	4,568
		O	4,190	4,773	6,653	5,238	4,697	4,694	4,664
Deductions for offsetting receipts:									
Proprietary receipts from the public	306	BA/O	–14	–7	–7	–7	–7	–7	–7
	376	BA/O	–121						
Total Federal funds		BA	4,109	5,138	7,271	5,163	4,639	4,630	4,561
		O	4,055	4,766	6,646	5,231	4,690	4,687	4,657
Trust funds:									
(As shown in detail above)		BA	1	1	1	1	1	1	1
		O	–9	1	1	1	1	1	1
Total Department of Commerce		BA	4,110	5,139	7,272	5,164	4,640	4,631	4,562
		O	4,046	4,767	6,647	5,232	4,691	4,688	4,658

DEPARTMENT OF DEFENSE—MILITARY

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Military Personnel									
Federal funds									
General and Special Funds:									
Military personnel, Army:									
Appropriation, current	051	BA	**20,650**	**21,157**	**22,007**		**78,417**	**80,914**	**83,748**
Advance appropriation		BA				N **22,702**			
Spending authority from offsetting collections		BA	**207**	**193**	**197**	N **204**	**726**	**726**	**726**
Outlays		O	20,544	21,475	23,462	N 21,811	78,601	81,332	84,139
Military personnel, Army (gross)		BA	**20,857**	**21,350**	**22,204**	**22,906**	**79,143**	**81,640**	**84,474**
		O	20,544	21,475	23,462	21,811	78,601	81,332	84,139
Change in orders on hand from Federal sources		BA	**–45**						
Adjustment to orders on hand from Federal sources		BA	**–40**						
Total, offsetting collections			–122	–193	–197	N –204	–726	–726	–726
Total Military personnel, Army (net)		BA	**20,650**	**21,157**	**22,007**	**22,702**	**78,417**	**80,914**	**83,748**
		O	20,422	21,282	23,265	21,607	77,875	80,606	83,413
Military personnel, Navy:									
Appropriation, current	051	BA	**16,700**	**16,601**	**17,207**				
Advance appropriation		BA				N **17,898**			
Spending authority from offsetting collections		BA	**272**	**247**	**225**	N **230**			
Outlays		O	16,748	17,136	17,719	N 17,743			
Military personnel, Navy (gross)		BA	**16,972**	**16,848**	**17,432**	**18,128**	....	....	....
		O	16,748	17,136	17,719	17,743	....	....	....
Change in orders on hand from Federal sources		BA	**–2**						
Adjustment to orders on hand from Federal sources		BA	**–4**						
Total, offsetting collections			–266	–247	–225	N –230			
Total Military personnel, Navy (net)		BA	**16,700**	**16,601**	**17,207**	**17,898**	....	....	....
		O	16,482	16,889	17,494	17,513	....	....	....
Military personnel, Marine Corps:									
Appropriation, current	051	BA	**6,071**	**6,216**	**6,545**				
Advance appropriation		BA				N **6,844**			
Spending authority from offsetting collections		BA	**40**	**31**	**31**	N **31**			
Outlays		O	6,002	6,284	6,767	N 6,641			
Military personnel, Marine Corps (gross)		BA	**6,111**	**6,247**	**6,576**	**6,875**	....	....	....
		O	6,002	6,284	6,767	6,641	....	....	....
Change in orders on hand from Federal sources		BA	**–14**						
Adjustment to orders on hand from Federal sources		BA	**–1**						
Total, offsetting collections			–25	–31	–31	N –31			
Total Military personnel, Marine Corps (net)		BA	**6,071**	**6,216**	**6,545**	**6,844**	....	....	....
		O	5,977	6,253	6,736	6,610	....	....	....
Military personnel, Air Force:									
Appropriation, current	051	BA	**16,926**	**17,221**	**17,900**				
Advance appropriation		BA				N **18,390**			
Spending authority from offsetting collections		BA	**237**	**205**	**213**	N **190**			
Outlays		O	17,104	17,958	18,201	N 18,041			
Military personnel, Air Force (gross)		BA	**17,163**	**17,426**	**18,113**	**18,580**	....	....	....
		O	17,104	17,958	18,201	18,041	....	....	....
Change in orders on hand from Federal sources		BA	**2**						
Adjustment to orders on hand from Federal sources		BA	**–47**						
Total, offsetting collections			–192	–205	–213	N –190			
Total Military personnel, Air Force (net)		BA	**16,926**	**17,221**	**17,900**	**18,390**	....	....	....
		O	16,912	17,753	17,988	17,851	....	....	....
Reserve personnel, Army:									
Appropriation, current	051	BA	**2,040**	**2,167**	**2,271**				
Advance appropriation		BA				N **2,368**			
Spending authority from offsetting collections		BA	**10**	**20**	**20**	N **20**			

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	2,008	2,244	2,259	[N] 2,375			
Reserve personnel, Army (gross)		BA	**2,050**	**2,187**	**2,291**	**2,388**			
		O	2,008	2,244	2,259	2,375			
Total, offsetting collections			–10	–20	–20	[N] –20			
Total Reserve personnel, Army (net)		BA	**2,040**	**2,167**	**2,271**	**2,368**			
		O	1,998	2,224	2,239	2,355			
Reserve personnel, Navy:									
Appropriation, current	051	BA	**1,394**	**1,439**	**1,446**				
Advance appropriation		BA				[N] **1,478**			
Spending authority from offsetting collections		BA	**11**	**17**	**17**	[N] **18**			
Outlays		O	1,296	1,459	1,444	[N] 1,473			
Reserve personnel, Navy (gross)		BA	**1,405**	**1,456**	**1,463**	**1,496**			
		O	1,296	1,459	1,444	1,473			
Change in orders on hand from Federal sources		BA	**2**						
Total, offsetting collections			–13	–17	–17	[N] –18			
Total Reserve personnel, Navy (net)		BA	**1,394**	**1,439**	**1,446**	**1,478**			
		O	1,283	1,442	1,427	1,455			
Reserve personnel, Marine Corps:									
Appropriation, current	051	BA	**395**	**407**	**409**				
Advance appropriation		BA				[N] **424**			
Spending authority from offsetting collections		BA	**1**	**1**	**1**	[N] **1**			
Outlays		O	375	408	407	[N] 421			
Reserve personnel, Marine Corps (gross)		BA	**396**	**408**	**410**	**425**			
		O	375	408	407	421			
Total, offsetting collections			–1	–1	–1	[N] –1			
Total Reserve personnel, Marine Corps (net)		BA	**395**	**407**	**409**	**424**			
		O	374	407	406	420			
Reserve personnel, Air Force:									
Appropriation, current	051	BA	**803**	**852**	**881**				
Advance appropriation		BA				[N] **941**			
Spending authority from offsetting collections		BA	**2**	**2**	**2**	[N] **2**			
Outlays		O	770	848	873	[N] 932			
Reserve personnel, Air Force (gross)		BA	**805**	**854**	**883**	**943**			
		O	770	848	873	932			
Change in orders on hand from Federal sources		BA	**–1**						
Total, offsetting collections			–1	–2	–2	[N] –2			
Total Reserve personnel, Air Force (net)		BA	**803**	**852**	**881**	**941**			
		O	769	846	871	930			
National Guard personnel, Army:									
Appropriation, current	051	BA	**3,459**	**3,494**	**3,571**				
Advance appropriation		BA				[N] **3,709**			
Spending authority from offsetting collections		BA	**7**	**8**	**9**	[N] **9**			
Outlays		O	3,391	3,484	3,542	[N] 3,674			
National Guard personnel, Army (gross)		BA	**3,466**	**3,502**	**3,580**	**3,718**			
		O	3,391	3,484	3,542	3,674			
Change in orders on hand from Federal sources		BA	**–4**						
Adjustment to orders on hand from Federal sources		BA	**–1**						
Total, offsetting collections			–2	–8	–9	[N] –9			
Total National Guard personnel, Army (net)		BA	**3,459**	**3,494**	**3,571**	**3,709**			
		O	3,389	3,476	3,533	3,665			
National Guard personnel, Air Force:									
Appropriation, current	051	BA	**1,383**	**1,378**	**1,487**				
Advance appropriation		BA				[N] **1,553**			
Spending authority from offsetting collections		BA	**20**	**22**	**22**	[N] **22**			

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	1,392	1,407	1,500	[N] 1,571			
National Guard personnel, Air Force (gross)		BA	**1,403**	**1,400**	**1,509**	**1,575**	....	....	....
		O	1,392	1,407	1,500	1,571	....	....	....
Adjustment to orders on hand from Federal sources		BA	**3**						
Total, offsetting collections			–22	–22	–22	[N] –22			
Total National Guard personnel, Air Force (net)		BA	**1,384**	**1,378**	**1,487**	**1,553**	....	....	....
		O	1,370	1,385	1,478	1,549	....	....	....
Total Federal funds Military Personnel		BA	**69,822**	**70,932**	**73,724**	**76,307**	**78,417**	**80,914**	**83,748**
		O	68,976	71,957	75,437	73,955	77,875	80,606	83,413

Operation and Maintenance

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Operation and maintenance, Army:									
Appropriation, current	051	BA	**19,334**	**17,106**	**18,661**		**104,673**	**107,469**	**110,887**
Advance appropriation		BA				[N] **19,199**			
Spending authority from offsetting collections		BA	**5,814**	**5,983**	**5,857**	[N] **6,056**	**16,075**	**16,075**	**16,075**
Outlays		O	24,949	23,511	23,665	[N] 24,983	120,755	122,889	125,912
Operation and maintenance, Army (gross)		BA	**25,148**	**23,089**	**24,518**	**25,255**	**120,748**	**123,544**	**126,962**
		O	24,949	23,511	23,665	24,983	120,755	122,889	125,912
Change in orders on hand from Federal sources		BA	**198**						
Adjustment to orders on hand from Federal sources		BA	**–116**						
Total, offsetting collections			–5,896	–5,983	–5,857	[N] –6,056	–16,075	–16,075	–16,075
Total Operation and maintenance, Army (net)		BA	**19,334**	**17,106**	**18,661**	**19,199**	**104,673**	**107,469**	**110,887**
		O	19,053	17,528	17,808	18,927	104,680	106,814	109,837
Operation and maintenance, Navy:									
Appropriation, current	051	BA	**22,424**	**21,863**	**22,239**				
Advance appropriation		BA				[N] **22,392**			
Spending authority from offsetting collections		BA	**3,567**	**3,712**	**3,712**	[N] **3,712**			
Outlays		O	25,005	26,003	24,633	[N] 25,920			
Operation and maintenance, Navy (gross)		BA	**25,991**	**25,575**	**25,951**	**26,104**	....	....	....
		O	25,005	26,003	24,633	25,920	....	....	....
Change in orders on hand from Federal sources		BA	**–63**						
Adjustment to orders on hand from Federal sources		BA	**–132**						
Total, offsetting collections			–3,372	–3,712	–3,712	[N] –3,712			
Total Operation and maintenance, Navy (net)		BA	**22,424**	**21,863**	**22,239**	**22,392**	....	....	....
		O	21,633	22,291	20,921	22,208	....	....	....
Operation and maintenance, Marine Corps:									
Appropriation, current	051	BA	**2,466**	**2,591**	**2,559**				
Advance appropriation		BA				[N] **2,695**			
Spending authority from offsetting collections		BA	**387**	**412**	**412**	[N] **412**			
Outlays		O	2,818	2,937	2,932	[N] 3,058			
Operation and maintenance, Marine Corps (gross)		BA	**2,853**	**3,003**	**2,971**	**3,107**	....	....	....
		O	2,818	2,937	2,932	3,058	....	....	....
Change in orders on hand from Federal sources		BA	**74**						
Adjustment to orders on hand from Federal sources		BA	**–6**						
Total, offsetting collections			–456	–412	–412	[N] –412			
Total Operation and maintenance, Marine Corps (net)		BA	**2,465**	**2,591**	**2,559**	**2,695**	....	....	....
		O	2,362	2,525	2,520	2,646	....	....	....
Operation and maintenance, Air Force:									
Appropriation, current	051	BA	**20,439**	**18,977**	**20,363**				
Advance appropriation		BA				[N] **21,917**			
Spending authority from offsetting collections		BA	**2,480**	**2,123**	**2,250**	[N] **2,291**			

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
Outlays		O	22,176	21,493	21,326	[N] 23,709			
Operation and maintenance, Air Force (gross)		BA	**22,919**	**21,100**	**22,613**	**24,208**	....	....	....
		O	22,176	21,493	21,326	23,709	....	....	....
Change in orders on hand from Federal sources		BA	**28**						
Adjustment to orders on hand from Federal sources		BA	**–40**						
Total, offsetting collections			–2,467	–2,123	–2,250	[N] –2,291			
Total Operation and maintenance, Air Force (net)		BA	**20,440**	**18,977**	**20,363**	**21,917**	....	....	....
		O	19,709	19,370	19,076	21,418	....	....	....
Operation and maintenance, Defense-wide:									
Appropriation, current	051	BA	**10,660**	**11,417**	**11,419**				
Advance appropriation		BA				[N] **11,421**			
Spending authority from offsetting collections		BA	**853**	**791**	**764**	[N] **782**			
Outlays		O	11,457	11,742	11,999	[N] 12,228			
Operation and maintenance, Defense-wide (gross)		BA	**11,513**	**12,208**	**12,183**	**12,203**	....	....	....
		O	11,457	11,742	11,999	12,228	....	....	....
Change in orders on hand from Federal sources		BA	**338**						
Adjustment to orders on hand from Federal sources		BA	**–90**						
Total, offsetting collections			–1,101	–791	–764	[N] –782			
Total Operation and maintenance, Defense-wide (net)		BA	**10,660**	**11,417**	**11,419**	**11,421**	....	....	....
		O	10,356	10,951	11,235	11,446	....	....	....
Office of the Inspector General:									
Appropriation, current	051	BA	**138**	**132**	**141**				
Advance appropriation		BA				[N] **146**			
Outlays		O	132	139	139	[N] 146			
Total Office of the Inspector General		BA	**138**	**132**	**141**	**146**	....	....	....
		O	132	139	139	146	....	....	....
Operation and maintenance, Army Reserve:									
Appropriation, current	051	BA	**1,211**	**1,203**	**1,369**				
Advance appropriation		BA				[N] **1,482**			
Spending authority from offsetting collections		BA	**52**	**55**	**55**	[N] **55**			
Outlays		O	1,211	1,262	1,363	[N] 1,495			
Operation and maintenance, Army Reserve (gross)		BA	**1,263**	**1,258**	**1,424**	**1,537**	....	....	....
		O	1,211	1,262	1,363	1,495	....	....	....
Change in orders on hand from Federal sources		BA	**–10**						
Adjustment to orders on hand from Federal sources		BA	**–1**						
Total, offsetting collections			–41	–55	–55	[N] –55			
Total Operation and maintenance, Army Reserve (net)		BA	**1,211**	**1,203**	**1,369**	**1,482**	....	....	....
		O	1,170	1,207	1,308	1,440	....	....	....
Operation and maintenance, Navy Reserve:									
Appropriation, current	051	BA	**924**	**960**	**918**				
Advance appropriation		BA				[N] **889**			
Spending authority from offsetting collections		BA	**55**	**20**	**20**	[N] **20**			
Outlays		O	905	980	943	[N] 919			
Operation and maintenance, Navy Reserve (gross)		BA	**979**	**980**	**938**	**909**	....	....	....
		O	905	980	943	919	....	....	....
Change in orders on hand from Federal sources		BA	**–3**						
Total, offsetting collections			–52	–20	–20	[N] –20			
Total Operation and maintenance, Navy Reserve (net)		BA	**924**	**960**	**918**	**889**	....	....	....
		O	853	960	923	899	....	....	....
Operation and maintenance, Marine Corps Reserve:									
Appropriation, current	051	BA	**116**	**119**	**123**				
Advance appropriation		BA				[N] **130**			
Spending authority from offsetting collections		BA	**11**	**2**	**2**	[N] **2**			

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	116	125	119	[N] 128			
Operation and maintenance, Marine Corps Reserve (gross)		BA	**127**	**121**	**125**	**132**	....	....	....
		O	116	125	119	128	....	....	....
Change in orders on hand from Federal sources		BA	**–1**						
Adjustment to orders on hand from Federal sources		BA	**–2**						
Total, offsetting collections			–9	–2	–2	[N] –2			
Total Operation and maintenance, Marine Corps Reserve (net)		BA	**115**	**119**	**123**	**130**	....	....	....
		O	107	123	117	126	....	....	....
Operation and maintenance, Air Force Reserve:									
Appropriation, current	051	BA	**1,653**	**1,753**	**1,728**				
Advance appropriation		BA				[N] **1,784**			
Spending authority from offsetting collections		BA	**59**	**33**	**34**	[N] **34**			
Outlays		O	1,630	1,783	1,762	[N] 1,805			
Operation and maintenance, Air Force Reserve (gross)		BA	**1,712**	**1,786**	**1,762**	**1,818**	....	....	....
		O	1,630	1,783	1,762	1,805	....	....	....
Change in orders on hand from Federal sources		BA	**19**						
Adjustment to orders on hand from Federal sources		BA	**–3**						
Total, offsetting collections			–75	–33	–34	[N] –34			
Total Operation and maintenance, Air Force Reserve (net)		BA	**1,653**	**1,753**	**1,728**	**1,784**	....	....	....
		O	1,555	1,750	1,728	1,771	....	....	....
Operation and maintenance, Army National Guard:									
Appropriation, current	051	BA	**2,447**	**2,747**	**2,904**				
Advance appropriation		BA				[N] **3,043**			
Spending authority from offsetting collections		BA	**151**	**163**	**167**	[N] **168**			
Outlays		O	2,432	2,900	3,024	[N] 3,160			
Operation and maintenance, Army National Guard (gross)		BA	**2,598**	**2,910**	**3,071**	**3,211**	....	....	....
		O	2,432	2,900	3,024	3,160	....	....	....
Change in orders on hand from Federal sources		BA	**11**						
Adjustment to orders on hand from Federal sources		BA	**–2**						
Total, offsetting collections			–159	–163	–167	[N] –168			
Total Operation and maintenance, Army National Guard (net)		BA	**2,448**	**2,747**	**2,904**	**3,043**	....	....	....
		O	2,273	2,737	2,857	2,992	....	....	....
Operation and maintenance, Air National Guard:									
Appropriation, current	051	BA	**3,082**	**3,125**	**3,100**				
Advance appropriation		BA				[N] **3,251**			
Spending authority from offsetting collections		BA	**185**	**132**	**138**	[N] **143**			
Outlays		O	3,099	3,252	3,237	[N] 3,363			
Operation and maintenance, Air National Guard (gross)		BA	**3,267**	**3,257**	**3,238**	**3,394**	....	....	....
		O	3,099	3,252	3,237	3,363	....	....	....
Change in orders on hand from Federal sources		BA	**11**						
Adjustment to orders on hand from Federal sources		BA	**–2**						
Total, offsetting collections			–194	–132	–138	[N] –143			
Total Operation and maintenance, Air National Guard (net)		BA	**3,082**	**3,125**	**3,100**	**3,251**	....	....	....
		O	2,905	3,120	3,099	3,220	....	....	....
Morale, welfare and recreation for contingency deployments:									
Appropriation, current	051	BA		**50**					
Outlays		O		38	10	[N] 2			
Quality of Life Enhancements, Defense:									
Appropriation, current	051	BA	**360**	**455**	**1,845**				
Outlays		O	368	379	565	[N] 1,158			
Pentagon renovation transfer fund:									
Appropriation, current	051	BA		**280**					
Outlays		O		280					
Overseas contingency operations transfer account:									
Appropriation, current	051	BA	**342**	**1,956**	**2,388**				
Advance appropriation		BA				[N] **1,295**			

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O		1,525	2,180	[N]1,508			
Total Overseas contingency operations transfer account		BA	**342**	**1,956**	**2,388**	**1,295**	....	....	....
		O	....	1,525	2,180	1,508	....	....	....
OPLAN 34A–35 P.O.W. Payments:									
Outlays	051	O	3	10	5	[N]2			
United States Courts of Appeals for the armed forces:									
Appropriation, current	051	BA	**7**	**7**	**8**				
Advance appropriation		BA				[N]**8**			
Outlays		O	6	7	8	[N]8			
Total United States Courts of Appeals for the armed forces		BA	**7**	**7**	**8**	**8**	....	....	....
		O	6	7	8	8	....	....	....
Drug interdiction and counter-drug activities, Defense:									
Appropriation, current	051	BA		**776**	**788**				
Advance appropriation		BA				[N]**770**			
Outlays		O		267	607	[N]703			
Total Drug interdiction and counter-drug activities, Defense		BA	....	**776**	**788**	**770**	....	....	....
		O	....	267	607	703	....	....	....
Support for international sporting competitions, Defense:									
Outlays	051	O	2	1	3	[N]4			
Foreign currency fluctuations, Defense:									
Reappropriation	051	BA	**418**						
Real property maintenance, Defense:									
Outlays	051	O	10						
Disaster relief:									
Outlays	051	O	1						
Defense health program:									
Appropriation, current	051	BA	**10,349**	**10,314**	**10,835**				
Advance appropriation		BA				[N]**11,271**			
Spending authority from offsetting collections		BA	**693**	**2,400**	**2,400**	[N]**2,400**			
Outlays		O	11,092	12,717	13,126	[N]13,559			
Defense health program (gross)		BA	**11,042**	**12,714**	**13,235**	**13,671**	....	....	....
		O	11,092	12,717	13,126	13,559	....	....	....
Change in orders on hand from Federal sources		BA	**–152**						
Adjustment to orders on hand from Federal sources		BA	**480**						
Total, offsetting collections			–1,021	–2,400	–2,400	[N]–2,400			
Total Defense health program (net)		BA	**10,349**	**10,314**	**10,835**	**11,271**	....	....	....
		O	10,071	10,317	10,726	11,159	....	....	....
The Department of Defense Environmental Restortation Accounts:									
Appropriation, current	051	BA		**1,264**	**1,264**				
Advance appropriation		BA				[N]**1,269**			
Outlays		O		278	847	[N]1,126			
Total The Department of Defense Environmental Restortation Accounts		BA	....	**1,264**	**1,264**	**1,269**	....	....	....
		O	....	278	847	1,126	....	....	....
Overseas humanitarian, disaster and civic aid:									
Appropriation, current	051	BA	**84**	**50**	**56**				
Advance appropriation		BA				[N]**65**			
Outlays		O	56	86	57	[N]59			
Total Overseas humanitarian, disaster and civic aid		BA	**84**	**50**	**56**	**65**	....	....	....
		O	56	86	57	59	....	....	....
Defense reinvestment for economic growth:									
Outlays	051	O	11						
Former Soviet Union threat reduction account:									
Appropriation, current	051	BA	**382**	**440**	**476**				
Advance appropriation		BA				[N]**501**			
Outlays		O	350	496	421	[N]499			
Total Former Soviet Union threat reduction account		BA	**382**	**440**	**476**	**501**	....	....	....
		O	350	496	421	499	....	....	....

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Payment to kaho'olawe:									
Appropriation, current	051	BA	35	25	15				
Outlays		O	35	47	15				
Emergency response fund:									
Outlays	051	O	10						
Allied contributions and cooperation account:									
Appropriation, permanent	051	BA	269	273	278	[N] 283	285	285	285
Outlays		O	334	273	278	[N] 283	285	285	285
Miscellaneous Special Funds:									
Appropriation, current	051	BA	31	32	32				
Appropriation, permanent		BA	41	31	21	[N] 6	6	6	6
Advance appropriation		BA				[N] 32			
Outlays		O	70	74	52	[N] 39	6	6	6
Total Miscellaneous Special Funds		BA	72	63	53	38	6	6	6
		O	70	74	52	39	6	6	6
Overseas military facility investment recovery:									
Appropriation, current	051	BA	2	4	4				
Advance appropriation		BA				[N] 4			
Outlays		O	38	14	7	[N] 5			
Total Overseas military facility investment recovery		BA	2	4	4	4	....	....	....
		O	38	14	7	5	....	....	....
Credit Accounts:									
Defense export loan guarantee program account:									
Appropriation, current	051	BA		1	1				
Advance appropriation		BA				[N] 1			
Outlays		O		1	1	[N] 1			
Total Defense export loan guarantee program account		BA	....	1	1	1	....	....	....
		O	....	1	1	1	....	....	....
Defense vessel transfer program account:									
Appropriation, current	051	BA		107					
Outlays		O		45	62				
Total Federal funds Operation and Maintenance		BA	97,214	98,058	103,535	103,854	104,964	107,760	111,178
		O	93,473	96,839	97,575	103,795	104,971	107,105	110,128

Procurement

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Aircraft procurement, Army:									
Appropriation, current	051	BA	1,280	1,384	1,230		62,297	66,552	69,211
Advance appropriation		BA				[N] 1,312			
Spending authority from offsetting collections		BA	7	14	17	[N] 18	1,445	1,445	1,445
Outlays		O	1,400	1,527	1,378	[N] 1,325	56,534	61,468	65,377
Aircraft procurement, Army (gross)		BA	1,287	1,398	1,247	1,330	63,742	67,997	70,656
		O	1,400	1,527	1,378	1,325	56,534	61,468	65,377
Change in orders on hand from Federal sources		BA	1						
Total, offsetting collections			–8	–14	–17	[N] –18	–1,445	–1,445	–1,445
Total Aircraft procurement, Army (net)		BA	1,280	1,384	1,230	1,312	62,297	66,552	69,211
		O	1,392	1,513	1,361	1,307	55,089	60,023	63,932
Missile procurement, Army:									
Appropriation, current	051	BA	738	1,210	1,358				
Advance appropriation		BA				[N] 1,413			
Spending authority from offsetting collections		BA	94	164	496	[N] 116			
Outlays		O	1,042	1,080	1,490	[N] 1,330			
Missile procurement, Army (gross)		BA	832	1,374	1,854	1,529	....	....	....
		O	1,042	1,080	1,490	1,330	....	....	....
Change in orders on hand from Federal sources		BA	–15						
Adjustment to orders on hand from Federal sources		BA	–1						

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–78	–164	–496	^{N}–116			
Total Missile procurement, Army (net)		BA	**738**	**1,210**	**1,358**	**1,413**	....	....	....
		O	964	916	994	1,214	....	....	....
Procurement of weapons and tracked combat vehicles, Army:									
Appropriation, current	051	BA	**1,258**	**1,538**	**1,417**				
Advance appropriation		BA				^{N}**1,500**			
Spending authority from offsetting collections		BA	**27**	**33**	**34**	^{N}**61**			
Outlays		O	1,436	1,455	1,471	^{N}1,512			
Procurement of weapons and tracked combat vehicles, Army (gross)		BA	**1,285**	**1,571**	**1,451**	**1,561**	....	....	....
		O	1,436	1,455	1,471	1,512	....	....	....
Change in orders on hand from Federal sources		BA	**–18**						
Adjustment to orders on hand from Federal sources		BA	**–2**						
Total, offsetting collections			–7	–33	–34	^{N}–61			
Total Procurement of weapons and tracked combat vehicles, Army (net)		BA	**1,258**	**1,538**	**1,417**	**1,500**	....	....	....
		O	1,429	1,422	1,437	1,451	....	....	....
Procurement of ammunition, Army:									
Appropriation, current	051	BA	**992**	**1,063**	**1,141**				
Advance appropriation		BA				^{N}**1,257**			
Spending authority from offsetting collections		BA	**7**	**436**	**405**	^{N}**400**			
Outlays		O	1,295	1,651	1,473	^{N}1,517			
Procurement of ammunition, Army (gross)		BA	**999**	**1,499**	**1,546**	**1,657**	....	....	....
		O	1,295	1,651	1,473	1,517	....	....	....
Total, offsetting collections			–7	–436	–405	^{N}–400			
Total Procurement of ammunition, Army (net)		BA	**992**	**1,063**	**1,141**	**1,257**	....	....	....
		O	1,288	1,215	1,068	1,117	....	....	....
Other procurement, Army:									
Appropriation, current	051	BA	**2,543**	**3,272**	**3,424**				
Advance appropriation		BA				^{N}**4,050**			
Spending authority from offsetting collections		BA	**31**	**72**	**63**	^{N}**63**			
Outlays		O	3,199	3,014	3,126	^{N}3,550			
Other procurement, Army (gross)		BA	**2,574**	**3,344**	**3,487**	**4,113**	....	....	....
		O	3,199	3,014	3,126	3,550	....	....	....
Adjustment to orders on hand from Federal sources		BA	**–1**						
Total, offsetting collections			–30	–72	–63	^{N}–63			
Total Other procurement, Army (net)		BA	**2,543**	**3,272**	**3,424**	**4,050**	....	....	....
		O	3,169	2,942	3,063	3,487	....	....	....
Aircraft procurement, Navy:									
Appropriation, current	051	BA	**6,559**	**7,506**	**8,229**				
Advance appropriation		BA				^{N}**8,011**			
Spending authority from offsetting collections		BA	**4**	**7**	**7**	^{N}**7**			
Outlays		O	5,841	6,607	7,134	^{N}7,562			
Aircraft procurement, Navy (gross)		BA	**6,563**	**7,513**	**8,236**	**8,018**	....	....	....
		O	5,841	6,607	7,134	7,562	....	....	....
Change in orders on hand from Federal sources		BA	**–7**						
Total, offsetting collections			4	–7	–7	^{N}–7			
Total Aircraft procurement, Navy (net)		BA	**6,560**	**7,506**	**8,229**	**8,011**	....	....	....
		O	5,845	6,600	7,127	7,555	....	....	....
Weapons procurement, Navy:									
Appropriation, current	051	BA	**1,055**	**1,183**	**1,357**				
Advance appropriation		BA				^{N}**1,559**			
Spending authority from offsetting collections		BA	**21**	**75**	**75**	^{N}**75**			
Outlays		O	1,779	1,460	1,292	^{N}1,386			
Weapons procurement, Navy (gross)		BA	**1,076**	**1,258**	**1,432**	**1,634**	....	....	....
		O	1,779	1,460	1,292	1,386	....	....	....

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Change in orders on hand from Federal sources		BA	**–37**						
Total, offsetting collections			16	–75	–75	[N] –75			
Total Weapons procurement, Navy (net)		BA	**1,055**	**1,183**	**1,357**	**1,559**	....	....	....
		O	1,795	1,385	1,217	1,311	....	....	....
Procurement of ammunition, Navy and Marine Corps:									
Appropriation, current	051	BA	**388**	**471**	**485**				
Advance appropriation		BA				[N] **480**			
Spending authority from offsetting collections		BA	**11**	**10**	**10**	[N] **10**			
Outlays		O	239	421	421	[N] 442			
Procurement of ammunition, Navy and Marine Corps (gross)		BA	**399**	**481**	**495**	**490**	....	....	....
		O	239	421	421	442	....	....	....
Change in orders on hand from Federal sources		BA	**3**						
Adjustment to orders on hand from Federal sources		BA	**–1**						
Total, offsetting collections			–13	–10	–10	[N] –10			
Total Procurement of ammunition, Navy and Marine Corps (net)		BA	**388**	**471**	**485**	**480**	....	....	....
		O	226	411	411	432	....	....	....
Shipbuilding and conversion, Navy:									
Appropriation, current	051	BA	**7,950**	**5,917**	**6,678**				
Advance appropriation		BA				[N] **12,226**			
Outlays		O	7,052	7,293	5,963	[N] 6,413			
Shipbuilding and conversion, Navy (gross)		BA	**7,950**	**5,917**	**6,678**	**12,226**	....	....	....
		O	7,052	7,293	5,963	6,413	....	....	....
Change in orders on hand from Federal sources		BA	**270**						
Adjustment to orders on hand from Federal sources		BA	**1**						
Total, offsetting collections			–271						
Total Shipbuilding and conversion, Navy (net)		BA	**7,950**	**5,917**	**6,678**	**12,226**	....	....	....
		O	6,781	7,293	5,963	6,413	....	....	....
Other procurement, Navy:									
Appropriation, current	051	BA	**3,028**	**3,980**	**4,100**				
Advance appropriation		BA				[N] **3,640**			
Spending authority from offsetting collections		BA	**51**	**42**	**42**	[N] **42**			
Outlays		O	3,020	3,546	3,683	[N] 3,841			
Other procurement, Navy (gross)		BA	**3,079**	**4,022**	**4,142**	**3,682**	....	....	....
		O	3,020	3,546	3,683	3,841	....	....	....
Change in orders on hand from Federal sources		BA	**12**						
Adjustment to orders on hand from Federal sources		BA	**–3**						
Total, offsetting collections			–59	–42	–42	[N] –42			
Total Other procurement, Navy (net)		BA	**3,029**	**3,980**	**4,100**	**3,640**	....	....	....
		O	2,961	3,504	3,641	3,799	....	....	....
Coastal defense augmentation:									
Outlays	051	O	3						
Procurement, Marine Corps:									
Appropriation, current	051	BA	**473**	**857**	**1,137**				
Advance appropriation		BA				[N] **1,130**			
Spending authority from offsetting collections		BA		**9**	**9**	[N] **9**			
Outlays		O	617	565	762	[N] 947			
Procurement, Marine Corps (gross)		BA	**473**	**866**	**1,146**	**1,139**	....	....	....
		O	617	565	762	947	....	....	....
Total, offsetting collections				–9	–9	[N] –9			
Total Procurement, Marine Corps (net)		BA	**473**	**857**	**1,137**	**1,130**	....	....	....
		O	617	556	753	938	....	....	....
Aircraft procurement, Air Force:									
Appropriation, current	051	BA	**6,041**	**8,184**	**9,302**				
Advance appropriation		BA				[N] **9,923**			
Spending authority from offsetting collections		BA	**47**	**150**	**150**	[N] **150**			

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	8,322	7,820	7,820	[N] 8,762			
Aircraft procurement, Air Force (gross)		BA	**6,088**	**8,334**	**9,452**	**10,073**	....	....	....
		O	8,322	7,820	7,820	8,762	....	....	....
Change in orders on hand from Federal sources		BA	**63**						
Adjustment to orders on hand from Federal sources		BA	**–24**						
Total, offsetting collections			–86	–150	–150	[N] –150			
Total Aircraft procurement, Air Force (net)		BA	**6,041**	**8,184**	**9,302**	**9,923**	....	....	....
		O	8,236	7,670	7,670	8,612	....	....	....
Missile procurement, Air Force:									
Appropriation, current	051	BA	**2,277**	**2,045**	**2,360**				
Advance appropriation		BA				[N] **3,337**			
Spending authority from offsetting collections		BA	**53**	**75**	**75**	[N] **75**			
Outlays		O	2,625	2,461	2,288	[N] 2,544			
Missile procurement, Air Force (gross)		BA	**2,330**	**2,120**	**2,435**	**3,412**	....	....	....
		O	2,625	2,461	2,288	2,544	....	....	....
Change in orders on hand from Federal sources		BA	**32**						
Adjustment to orders on hand from Federal sources		BA	**–3**						
Total, offsetting collections			–82	–75	–75	[N] –75			
Total Missile procurement, Air Force (net)		BA	**2,277**	**2,045**	**2,360**	**3,337**	....	....	....
		O	2,543	2,386	2,213	2,469	....	....	....
Procurement of ammunition, Air Force:									
Appropriation, current	051	BA	**384**	**364**	**420**				
Advance appropriation		BA				[N] **648**			
Spending authority from offsetting collections		BA	**–7**	**13**	**13**	[N] **13**			
Outlays		O	243	399	338	[N] 435			
Procurement of ammunition, Air Force (gross)		BA	**377**	**377**	**433**	**661**	....	....	....
		O	243	399	338	435	....	....	....
Change in orders on hand from Federal sources		BA	**3**						
Total, offsetting collections			4	–13	–13	[N] –13			
Total Procurement of ammunition, Air Force (net)		BA	**384**	**364**	**420**	**648**	....	....	....
		O	247	386	325	422	....	....	....
Other procurement, Air Force:									
Appropriation, current	051	BA	**6,555**	**6,901**	**7,085**				
Advance appropriation		BA				[N] **7,399**			
Spending authority from offsetting collections		BA	**79**	**300**	**300**	[N] **300**			
Outlays		O	7,109	7,000	6,925	[N] 7,451			
Other procurement, Air Force (gross)		BA	**6,634**	**7,201**	**7,385**	**7,699**	....	....	....
		O	7,109	7,000	6,925	7,451	....	....	....
Change in orders on hand from Federal sources		BA	**14**						
Adjustment to orders on hand from Federal sources		BA	**–9**						
Total, offsetting collections			–84	–300	–300	[N] –300			
Total Other procurement, Air Force (net)		BA	**6,555**	**6,901**	**7,085**	**7,399**	....	....	....
		O	7,025	6,700	6,625	7,151	....	....	....
Procurement, Defense-wide:									
Appropriation, current	051	BA	**2,061**	**1,947**	**2,129**				
Advance appropriation		BA				[N] **2,912**			
Spending authority from offsetting collections		BA	**144**	**120**	**108**	[N] **101**			
Outlays		O	2,372	2,056	1,951	[N] 2,399			
Procurement, Defense-wide (gross)		BA	**2,205**	**2,067**	**2,237**	**3,013**	....	....	....
		O	2,372	2,056	1,951	2,399	....	....	....
Change in orders on hand from Federal sources		BA	**–2**						
Adjustment to orders on hand from Federal sources		BA	**–53**						
Total, offsetting collections			–89	–120	–108	[N] –101			
Total Procurement, Defense-wide (net)		BA	**2,061**	**1,947**	**2,129**	**2,912**	....	....	....
		O	2,283	1,936	1,843	2,298	....	....	....

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
National guard and reserve equipment:									
Appropriation, current	051	BA	**637**	**352**					
Outlays		O	765	831	484	[N] 253			
Defense production act purchases:									
Outlays	051	O	14	10					
Chemical agents and munitions destruction, Army:									
Appropriation, current	051	BA	**552**	**777**	**1,169**				
Advance appropriation		BA				**[N] 986**			
Spending authority from offsetting collections		BA	**4**	**5**	**5**	**[N] 5**			
Outlays		O	626	751	848	[N] 981			
Chemical agents and munitions destruction, Army (gross)		BA	**556**	**782**	**1,174**	**991**	....	....	....
		O	626	751	848	981	....	....	....
Change in orders on hand from Federal sources		BA	**–1**						
Adjustment to orders on hand from Federal sources		BA	**–1**						
Total, offsetting collections			–3	–5	–5	[N] –5			
Total Chemical agents and munitions destruction, Army (net)		BA	**551**	**777**	**1,169**	**986**	....	....	....
		O	623	746	843	976	....	....	....
Total Federal funds Procurement		BA	**44,772**	**48,951**	**53,021**	**61,783**	**62,297**	**66,552**	**69,211**
		O	48,206	48,422	47,038	51,205	55,089	60,023	63,932

Research, Development, Test, and Evaluation

Federal funds

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
General and Special Funds:									
Research, development, test, and evaluation, Army:									
Appropriation, current	051	BA	**5,008**	**5,032**	**4,426**		**34,680**	**34,518**	**35,015**
Advance appropriation		BA				**[N] 4,751**			
Spending authority from offsetting collections		BA	**1,599**	**1,383**	**1,268**	**[N] 1,320**	**3,989**	**3,989**	**3,989**
Outlays		O	6,344	6,647	5,813	[N] 5,981	38,503	38,526	38,812
Research, development, test, and evaluation, Army (gross)		BA	**6,607**	**6,415**	**5,694**	**6,071**	**38,669**	**38,507**	**39,004**
		O	6,344	6,647	5,813	5,981	38,503	38,526	38,812
Change in orders on hand from Federal sources		BA	**–101**						
Adjustment to orders on hand from Federal sources		BA	**–35**						
Total, offsetting collections			–1,463	–1,383	–1,268	[N] –1,320	–3,989	–3,989	–3,989
Total Research, development, test, and evaluation, Army (net)		BA	**5,008**	**5,032**	**4,426**	**4,751**	**34,680**	**34,518**	**35,015**
		O	4,881	5,264	4,545	4,661	34,514	34,537	34,823
Research, development, test, and evaluation, Navy:									
Appropriation, current	051	BA	**7,846**	**8,640**	**7,984**				
Advance appropriation		BA				**[N] 7,975**			
Spending authority from offsetting collections		BA	**166**	**150**	**150**	**[N] 150**			
Outlays		O	7,988	8,599	8,160	[N] 8,102			
Research, development, test, and evaluation, Navy (gross)		BA	**8,012**	**8,790**	**8,134**	**8,125**	....	....	....
		O	7,988	8,599	8,160	8,102	....	....	....
Change in orders on hand from Federal sources		BA	**1**						
Adjustment to orders on hand from Federal sources		BA	**–15**						
Total, offsetting collections			–152	–150	–150	[N] –150			
Total Research, development, test, and evaluation, Navy (net)		BA	**7,846**	**8,640**	**7,984**	**7,975**	....	....	....
		O	7,836	8,449	8,010	7,952	....	....	....
Research, development, test, and evaluation, Air Force:									
Appropriation, current	051	BA	**14,265**	**13,683**	**13,078**				
Advance appropriation		BA				**[N] 12,756**			
Spending authority from offsetting collections		BA	**1,586**	**2,050**	**2,050**	**[N] 2,050**			
Outlays		O	16,296	15,780	15,175	[N] 15,026			
Research, development, test, and evaluation, Air Force (gross)		BA	**15,851**	**15,733**	**15,128**	**14,806**	....	....	....
		O	16,296	15,780	15,175	15,026	....	....	....
Change in orders on hand from Federal sources		BA	**205**						
Adjustment to orders on hand from Federal sources		BA	**6**						

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–1,797	–2,050	–2,050	[N] –2,050			
Total Research, development, test, and evaluation, Air Force (net)		BA	14,265	13,683	13,078	12,756	....	....	....
		O	14,499	13,730	13,125	12,976	....	....	....
Research, development, test, and evaluation, Defense-wide:									
Appropriation, current	051	BA	9,691	8,987	8,609				
Advance appropriation		BA				[N] 8,530			
Spending authority from offsetting collections		BA	246	445	448	[N] 468			
Outlays		O	10,048	9,462	9,007	[N] 9,081			
Research, development, test, and evaluation, Defense-wide (gross)		BA	9,937	9,432	9,057	8,998	....	....	....
		O	10,048	9,462	9,007	9,081	....	....	....
Change in orders on hand from Federal sources		BA	–88						
Adjustment to orders on hand from Federal sources		BA	–9						
Total, offsetting collections			–149	–445	–448	[N] –468			
Total Research, development, test, and evaluation, Defense-wide (net)		BA	9,691	8,987	8,609	8,530	....	....	....
		O	9,899	9,017	8,559	8,613	....	....	....
Developmental test and evaluation, Defense:									
Appropriation, current	051	BA	250	259	253				
Advance appropriation		BA				[N] 254			
Spending authority from offsetting collections		BA	10	20					
Outlays		O	296	286	254	[N] 250			
Developmental test and evaluation, Defense (gross)		BA	260	279	253	254	....	....	....
		O	296	286	254	250	....	....	....
Change in orders on hand from Federal sources		BA	9						
Adjustment to orders on hand from Federal sources		BA	–1						
Total, offsetting collections			–18	–20					
Total Developmental test and evaluation, Defense (net)		BA	250	259	253	254	....	....	....
		O	278	266	254	250	....	....	....
Operational test and evaluation, Defense:									
Appropriation, current	051	BA	30	34	24				
Advance appropriation		BA				[N] 24			
Outlays		O	27	32	30	[N] 25			
Total Operational test and evaluation, Defense		BA	30	34	24	24	....	....	....
		O	27	32	30	25	....	....	....
Total Federal funds Research, Development, Test, and Evaluation		BA	37,090	36,635	34,374	34,290	34,680	34,518	35,015
		O	37,420	36,758	34,523	34,477	34,514	34,537	34,823

Military Construction

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Military construction, Army:									
Appropriation, current	051	BA	706	987	656		4,246	4,342	4,452
Advance appropriation		BA				[N] 1,610			
Spending authority from offsetting collections		BA	2,238	2,000	2,000	[N] 2,000	2,373	2,373	2,373
Outlays		O	2,861	2,653	2,760	[N] 2,771	7,503	7,206	6,828
Military construction, Army (gross)		BA	2,944	2,987	2,656	3,610	6,619	6,715	6,825
		O	2,861	2,653	2,760	2,771	7,503	7,206	6,828
Change in orders on hand from Federal sources		BA	–23						
Adjustment to orders on hand from Federal sources		BA	–15						
Total, offsetting collections			–2,200	–2,000	–2,000	[N] –2,000	–2,373	–2,373	–2,373
Total Military construction, Army (net)		BA	706	987	656	1,610	4,246	4,342	4,452
		O	661	653	760	771	5,130	4,833	4,455
Military construction, Navy:									
Appropriation, current	051	BA	678	610	320				
Advance appropriation		BA				[N] 1,263			
Spending authority from offsetting collections		BA	201	354	354	[N] 354			

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	1,167	1,027	962	[N] 809			
Military construction, Navy (gross)		BA	**879**	**964**	**674**	**1,617**	....	....	....
		O	1,167	1,027	962	809	....	....	....
Change in orders on hand from Federal sources		BA	**205**						
Adjustment to orders on hand from Federal sources		BA	**6**						
Total, offsetting collections			–413	–354	–354	[N] –354			
Total Military construction, Navy (net)		BA	**677**	**610**	**320**	**1,263**	....	....	....
		O	754	673	608	455	....	....	....
Military construction, Air Force:									
Appropriation, current	051	BA	**694**	**645**	**179**				
Advance appropriation		BA				[N] **914**			
Outlays		O	793	673	557	[N] 486			
Total Military construction, Air Force		BA	**694**	**645**	**179**	**914**	....	....	....
		O	793	673	557	486	....	....	....
Military construction, Defense-wide:									
Appropriation, current	051	BA	**640**	**553**	**193**				
Advance appropriation		BA				[N] **1,127**			
Outlays		O	710	623	580	[N] 503			
Total Military construction, Defense-wide		BA	**640**	**553**	**193**	**1,127**	....	....	....
		O	710	623	580	503	....	....	....
North Atlantic Treaty Organization Security Investment Program:									
Appropriation, current	051	BA	**152**	**154**	**191**				
Advance appropriation		BA				[N] **198**			
Spending authority from offsetting collections		BA	**26**	**11**	**11**	[N] **11**			
Outlays		O	162	146	192	[N] 105			
North Atlantic Treaty Organization Security Investment Program (gross)		BA	**178**	**165**	**202**	**209**	....	....	....
		O	162	146	192	105	....	....	....
Change in orders on hand from Federal sources		BA	**–16**						
Adjustment to orders on hand from Federal sources		BA	**–1**						
Total, offsetting collections			–10	–11	–11	[N] –11			
Total North Atlantic Treaty Organization Security Investment Program (net)		BA	**151**	**154**	**191**	**198**	....	....	....
		O	152	135	181	94	....	....	....
Military construction, Army National Guard:									
Appropriation, current	051	BA	**122**	**145**	**16**				
Advance appropriation		BA				[N] **89**			
Outlays		O	165	123	126	[N] 89			
Total Military construction, Army National Guard		BA	**122**	**145**	**16**	**89**	....	....	....
		O	165	123	126	89	....	....	....
Military construction, Air National Guard:									
Appropriation, current	051	BA	**190**	**186**	**21**				
Advance appropriation		BA				[N] **109**			
Outlays		O	217	195	172	[N] 97			
Total Military construction, Air National Guard		BA	**190**	**186**	**21**	**109**	....	....	....
		O	217	195	172	97	....	....	....
Military construction, Army Reserve:									
Appropriation, current	051	BA	**74**	**102**	**23**				
Advance appropriation		BA				[N] **143**			
Outlays		O	87	70	75	[N] 69			
Total Military construction, Army Reserve		BA	**74**	**102**	**23**	**143**	....	....	....
		O	87	70	75	69	....	....	....
Military construction, Naval Reserve:									
Appropriation, current	051	BA	**47**	**32**	**5**				
Advance appropriation		BA				[N] **30**			

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	30	41	35	[N] 22			
Total Military construction, Naval Reserve		BA	**47**	**32**	**5**	**30**	...	...	...
		O	30	41	35	22	...	...	...
Military construction, Air Force Reserve:									
Appropriation, current	051	BA	**30**	**34**	**12**				
Advance appropriation		BA				[N] **35**			
Outlays		O	52	35	29	[N] 24			
Total Military construction, Air Force Reserve		BA	**30**	**34**	**12**	**35**	...	...	...
		O	52	35	29	24	...	...	...
Base realignment and closure account:									
Appropriation, current	051	BA	**2,046**	**1,631**	**681**				
Advance appropriation		BA				[N] **1,561**			
Spending authority from offsetting collections		BA	**159**	**8**	**8**	[N] **8**			
Outlays		O	2,581	2,074	1,593	[N] 1,367			
Base realignment and closure account (gross)		BA	**2,205**	**1,639**	**689**	**1,569**	...	...	...
		O	2,581	2,074	1,593	1,367	...	...	...
Change in orders on hand from Federal sources		BA	**–1**						
Total, offsetting collections			–158	–8	–8	[N] –8			
Total Base realignment and closure account (net)		BA	**2,046**	**1,631**	**681**	**1,561**	...	...	...
		O	2,423	2,066	1,585	1,359	...	...	...
Foreign currency fluctuations, construction:									
Reappropriation	051	BA	**86**						
Total Federal funds Military Construction		BA	**5,463**	**5,079**	**2,297**	**7,079**	**4,246**	**4,342**	**4,452**
		O	6,044	5,287	4,708	3,969	5,130	4,833	4,455

Family Housing

Federal funds

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
General and Special Funds:									
Family housing, Army:									
Appropriation, current	051	BA	**1,301**	**1,235**	**1,112**		**3,614**	**3,744**	**3,851**
Advance appropriation		BA				[N] **1,062**			
Spending authority from offsetting collections		BA	**16**	**17**	**19**	[N] **18**	**80**	**80**	**80**
Outlays		O	1,305	1,330	1,283	[N] 1,109	3,701	3,740	3,821
Family housing, Army (gross)		BA	**1,317**	**1,252**	**1,131**	**1,080**	**3,694**	**3,824**	**3,931**
		O	1,305	1,330	1,283	1,109	3,701	3,740	3,821
Total, offsetting collections			–16	–17	–19	[N] –18	–80	–80	–80
Total Family housing, Army (net)		BA	**1,301**	**1,235**	**1,112**	**1,062**	**3,614**	**3,744**	**3,851**
		O	1,289	1,313	1,264	1,091	3,621	3,660	3,741
Family housing, Navy and Marine Corps:									
Appropriation, current	051	BA	**1,375**	**1,225**	**960**				
Advance appropriation		BA				[N] **1,243**			
Spending authority from offsetting collections		BA	**11**	**21**	**21**	[N] **21**			
Outlays		O	1,442	1,408	1,280	[N] 1,141			
Family housing, Navy and Marine Corps (gross)		BA	**1,386**	**1,246**	**981**	**1,264**	...	...	...
		O	1,442	1,408	1,280	1,141	...	...	...
Change in orders on hand from Federal sources		BA	**2**						
Adjustment to orders on hand from Federal sources		BA	**2**						
Total, offsetting collections			–16	–21	–21	[N] –21			
Total Family housing, Navy and Marine Corps (net)		BA	**1,374**	**1,225**	**960**	**1,243**	...	...	...
		O	1,426	1,387	1,259	1,120	...	...	...
Family housing, Air Force:									
Appropriation, current	051	BA	**1,114**	**1,086**	**924**				
Advance appropriation		BA				[N] **1,278**			
Spending authority from offsetting collections		BA	**10**	**10**	**11**	[N] **11**			

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	1,064	1,096	1,070	[N] 1,078			
Family housing, Air Force (gross)		BA	1,124	1,096	935	1,289	....	....	....
		O	1,064	1,096	1,070	1,078	....	....	....
Total, offsetting collections			–10	–10	–11	[N] –11			
Total Family housing, Air Force (net)		BA	1,114	1,086	924	1,278	....	....	....
		O	1,054	1,086	1,059	1,067	....	....	....
Family housing, Defense-wide:									
Appropriation, current	051	BA	38	37	41				
Advance appropriation		BA				[N] 43			
Spending authority from offsetting collections		BA	1	3	3	[N] 3			
Outlays		O	41	42	45	[N] 47			
Family housing, Defense-wide (gross)		BA	39	40	44	46	....	....	....
		O	41	42	45	47	....	....	....
Change in orders on hand from Federal sources		BA	1						
Total, offsetting collections			–1	–3	–3	[N] –3			
Total Family housing, Defense-wide (net)		BA	39	37	41	43	....	....	....
		O	40	39	42	44	....	....	....
Rossmoor liquidating trust settlement account:									
Outlays	051	O	3						
Public Enterprise Funds:									
Homeowners assistance fund, Defense:									
Appropriation, current	051	BA			25	[N] 26			
Spending authority from offsetting collections		BA	61	65	38	[N] 28			
Outlays		O	116	107	62	[N] 52			
Homeowners assistance fund, Defense (gross)		BA	61	65	63	54	....	....	....
		O	116	107	62	52	....	....	....
Change in orders on hand from Federal sources		BA	2						
Adjustment to orders on hand from Federal sources		BA	1						
Total, offsetting collections			–63	–65	–38	[N] –28			
Total Homeowners assistance fund, Defense (net)		BA	1	....	25	26	....	....	....
		O	53	42	24	24	....	....	....
Credit Accounts:									
Department of Defense, Family Housing Improvement Fund:									
Appropriation, current	051	BA		2	79				
Advance appropriation		BA				[N] 175			
Outlays		O	6	27	52	[N] 126			
Total Department of Defense, Family Housing Improvement Fund		BA	....	2	79	175	....	....	....
		O	6	27	52	126	....	....	....
Department of Defense, Military Unaccompanied Housing Improvement Fund:									
Appropriation, current	051	BA		–5					
Total Federal funds Family Housing		BA	3,829	3,580	3,141	3,827	3,614	3,744	3,851
		O	3,871	3,894	3,700	3,472	3,621	3,660	3,741

Revolving and Management Funds

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
Public Enterprise Funds:									
National defense stockpile transaction fund:									
Appropriation, current	051	BA	–150	–153	–172	[N] –178	535	705	746
Spending authority from offsetting collections		BA	437	556	563	[N] 560	73,496	73,496	73,496
Outlays		O	189	253	221	[N] 254	74,275	74,183	74,197
National defense stockpile transaction fund (gross)		BA	287	403	391	382	74,031	74,201	74,242
		O	189	253	221	254	74,275	74,183	74,197
Change in orders on hand from Federal sources		BA	68	–150	–170	[N] –127			
Adjustment to orders on hand from Federal sources		BA	–1						

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–504	–406	–393	[N]–433	–73,497	–73,497	–73,497
Total National defense stockpile transaction fund (net)		BA	**–150**	**–153**	**–172**	**–178**	**534**	**704**	**745**
		O	–315	–153	–172	–179	778	686	700
Reserve mobilization income insurance fund:									
Appropriation, current	051	BA	**47**						
Spending authority from offsetting collections		BA	**3**						
Outlays		O	35						
Reserve mobilization income insurance fund (gross)		BA	**50**	...	...	...	...	...	...
		O	35	...	...	...	...	...	...
Total, offsetting collections			–3						
Total Reserve mobilization income insurance fund (net)		BA	**47**	...	...	...	...	...	...
		O	32	...	...	...	...	...	...
Intragovernmental Funds:									
Pentagon reservation maintenance revolving fund:									
Appropriation, current	051	BA	**3**						
Spending authority from offsetting collections		BA	**270**	**395**	**317**	[N]**206**	**206**	**206**	**206**
Outlays		O	219	395	317	[N]206	206	206	206
Pentagon reservation maintenance revolving fund (gross)		BA	**273**	**395**	**317**	**206**	**206**	**206**	**206**
		O	219	395	317	206	206	206	206
Change in orders on hand from Federal sources		BA	**–8**						
Adjustment to orders on hand from Federal sources		BA	**1**						
Total, offsetting collections			–262	–395	–317	[N]–206	–206	–206	–206
Total Pentagon reservation maintenance revolving fund (net)		BA	**4**	...	...	...	...	...	...
		O	–43	...	...	...	...	...	...
National defense sealift fund:									
Appropriation, current	051	BA	**1,071**	**595**	**355**				
Advance appropriation		BA				[N]**378**			
Spending authority from offsetting collections		BA	**622**	**690**	**728**	[N]**720**			
Outlays		O	3,180	1,532	1,589	[N]1,562			
National defense sealift fund (gross)		BA	**1,693**	**1,285**	**1,083**	**1,098**	...	...	...
		O	3,180	1,532	1,589	1,562	...	...	...
Change in orders on hand from Federal sources		BA	**1,045**						
Adjustment to orders on hand from Federal sources		BA	**–1**						
Total, offsetting collections			–1,666	–690	–728	[N]–720			
Total National defense sealift fund (net)		BA	**1,071**	**595**	**355**	**378**	...	...	...
		O	1,514	842	861	842	...	...	...
Working capital fund, Army:									
Appropriation, current	051	BA	**996**	**510**	**90**				
Contract authority, permanent		BA	**625**						
Advance appropriation		BA				[N]**390**			
Spending authority from offsetting collections		BA	**73,745**	**74,532**	**72,550**	[N]**72,216**			
Outlays		O	71,539	75,649	71,878	[N]72,216			
Working capital fund, Army (gross)		BA	**75,366**	**75,042**	**72,640**	**72,606**	...	...	...
		O	71,539	75,649	71,878	72,216	...	...	...
Change in orders on hand from Federal sources		BA	**–1,453**						
Adjustment to orders on hand from Federal sources		BA	**–2**						
Total, offsetting collections			–72,291	–74,532	–72,550	[N]–72,216			
Total Working capital fund, Army (net)		BA	**1,620**	**510**	**90**	**390**	...	...	...
		O	–752	1,117	–672	...	...	...	...
Buildings maintenance fund:									
Spending authority from offsetting collections	051	BA	**27**	**28**	**27**	[N]**31**	**31**	**31**	**31**
Outlays		O	23	28	27	[N]31	31	31	31
Buildings maintenance fund (gross)		BA	**27**	**28**	**27**	**31**	**31**	**31**	**31**
		O	23	28	27	31	31	31	31

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Change in orders on hand from Federal sources		BA	**–11**						
Total, offsetting collections			–15	–28	–27	[N]–31	–31	–31	–31
Total Buildings maintenance fund (net)		BA	**1**	....	....	....	....	....	....
		O	8	....	....	....	....	....	....
Army conventional ammunition working capital fund:									
Spending authority from offsetting collections	051	BA	**758**						
Outlays		O	898	708	250	[N]218	32	22	
Army conventional ammunition working capital fund (gross)		BA	**758**	....	....	....	....	....	....
		O	898	708	250	218	32	22	....
Change in orders on hand from Federal sources		BA	**256**	**708**	**250**	[N]**45**			
Total, offsetting collections			–1,014	–708	–250	[N]–45			
Total Army conventional ammunition working capital fund (net)		BA	....	....	....	....	....	....	....
		O	–116	....	....	173	32	22	....
Total Federal funds Revolving and Management Funds		BA	**2,593**	**952**	**273**	**590**	**534**	**704**	**745**
		O	328	1,806	17	836	810	708	700

Allowances

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Other legislation:									
Appropriation, current	051	BA					**830**	**1,447**	**582**
Outlays		O					182	616	648
DoD program adjustments:									
Outlays	051	O				[N]–1,323	–2,477	–560	–645
General transfer authority outlay allowance:									
Outlays	051	O		280	220	[N]100			
DoD-wide savings proposals:									
Appropriation, current	051	BA			**–1,650**				
Outlays		O			–914	[N]–591	–99	–23	–12
Undistributed Army Guard and Reserve reductions:									
Advance appropriation	051	BA				[N]**–48**			
Outlays		O				[N]–40	8		
Total Federal funds Allowances		BA	....	....	**–1,650**	**–48**	**830**	**1,447**	**582**
		O	....	280	–694	–1,854	–2,386	33	–9

Trust Funds

Trust funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
Voluntary separation incentive fund:									
Appropriation, permanent	051	BA	**172**	**158**	**142**	[N]**140**	**141**	**138**	**137**
Outlays		O	155	163	162	[N]162	163	163	163
Host Nation support fund for relocation:									
Appropriation, permanent	051	BA		**6**	**6**	[N]**6**	**6**	**6**	**6**
Outlays		O		6	6	[N]6	6	6	6
Other DOD trust funds:									
Appropriation, permanent	051	BA	**33**	**27**	**27**	[N]**27**	**27**	**27**	**27**
Outlays		O	31	29	29	[N]28	27	27	27
National security education trust fund:									
Appropriation, current	051	BA	**2**	**3**	**8**		**10**	**10**	**10**
Advance appropriation		BA				[N]**8**			
Outlays		O	8	3	6	[N]8	9	10	10
Total National security education trust fund		BA	**2**	**3**	**8**	**8**	**10**	**10**	**10**
		O	8	3	6	8	9	10	10
Foreign national employees separation pay:									
Appropriation, permanent	051	BA	**10**	**9**	**9**	[N]**9**	**9**	**9**	**9**
Outlays		O	17	9	9	[N]9	9	9	9
Other DoD trust revolving funds:									
Spending authority from offsetting collections	051	BA	**11**	**20**	**20**	[N]**20**	**20**	**20**	**20**

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	11	20	20	N 20	20	20	20
Other DoD trust revolving funds (gross)		BA	**11**	**20**	**20**	**20**	**20**	**20**	**20**
		O	11	20	20	20	20	20	20
Total, offsetting collections			–11	–20	–20	N –20	–20	–20	–20
Total Other DoD trust revolving funds (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....
Surcharge collections, sales of commissary stores, defense:									
Contract authority, permanent	051	BA	**25**	**70**					
Spending authority from offsetting collections		BA	**260**	**274**	**269**	N **270**	**270**	**270**	**270**
Outlays		O	337	274	269	N 270	270	270	270
Surcharge collections, sales of commissary stores, defense (gross)		BA	**285**	**344**	**269**	**270**	**270**	**270**	**270**
		O	337	274	269	270	270	270	270
Change in orders on hand from Federal sources		BA	**–5**						
Total, offsetting collections			–255	–274	–269	N –270	–270	–270	–270
Total Surcharge collections, sales of commissary stores, defense (net)		BA	**25**	**70**	....	....	....	....	....
		O	82	....	....	....	....	....	....
Total Trust funds Trust Funds		BA	**242**	**273**	**192**	**190**	**193**	**190**	**189**
		O	293	210	212	213	214	215	215

Summary

Account			1998 actual	1999	2000	2001	2002	2003	2004
Federal funds:									
(As shown in detail above)		BA	**260,783**	**264,187**	**268,715**	**287,682**	**289,582**	**299,981**	**308,782**
		O	258,318	265,243	262,304	269,855	279,624	291,505	301,183
Deductions for offsetting receipts:									
Intrafund transactions	051	BA/O	*–35*	*–25*	*–15*	....	....	....	....
Proprietary receipts from the public	051	BA/O	*–2,315*	*–1,734*	*–1,544*	*–1,380*	*–1,383*	*–1,349*	*–1,289*
Offsetting governmental receipts	051	BA/O	*–6*	*–6*	*–6*	*–6*	*–6*	*–6*	*–6*
Total Federal funds		BA	**258,427**	**262,422**	**267,150**	**286,296**	**288,193**	**298,626**	**307,487**
		O	255,962	263,478	260,739	268,469	278,235	290,150	299,888
Trust funds:									
(As shown in detail above)		BA	**242**	**273**	**192**	**190**	**193**	**190**	**189**
		O	293	210	212	213	214	215	215
Interfund transactions	051	BA/O	*–133*	*–132*	*–117*	*–117*	*–117*	*–117*	*–117*
Total Department of Defense—Military		BA	**258,536**	**262,563**	**267,225**	**286,369**	**288,269**	**298,699**	**307,559**
		O	256,122	263,556	260,834	268,565	278,332	290,248	299,986

DEPARTMENT OF EDUCATION

(In millions of dollars)

Office of Elementary and Secondary Education

Federal funds

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
General and Special Funds:									
Education Reform:									
Appropriation, current	501	BA	**1,275**	**1,314**	**1,947**	**1,947**	**1,947**	**1,947**	**1,947**
Outlays		O	746	1,267	1,304	1,752	1,915	1,947	1,947
Education for the disadvantaged:									
Appropriation, current	501	BA	**6,573**	**2,222**	**2,596**	**2,596**	**2,596**	**2,596**	**2,596**
Advance appropriation		BA	**1,298**	**1,448**	**6,148**	**6,148**	**6,148**	**6,148**	**6,148**
Outlays		O	7,817	6,687	7,963	8,612	8,725	8,744	8,744
Total Education for the disadvantaged		BA	**7,871**	**3,670**	**8,744**	**8,744**	**8,744**	**8,744**	**8,744**
		O	7,817	6,687	7,963	8,612	8,725	8,744	8,744

DEPARTMENT OF EDUCATION—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Impact aid:									
Appropriation, current	501	BA	**808**	**864**	**736**	**736**	**736**	**736**	**736**
Outlays		O	700	985	848	808	736	736	736
School improvement programs:									
Appropriation, current	501	BA	**1,538**	**2,811**	**2,723**	**2,723**	**2,723**	**2,723**	**2,723**
Outlays		O	1,366	1,437	2,175	2,526	2,837	2,853	2,863
Reading excellence:									
Appropriation, current	501	BA	....	**260**	**286**	**286**	**286**	**286**	**286**
Appropriation, permanent		BA	....	**–210**	....	....	....	....	....
Advance appropriation		BA	....	**210**	....	....	....	....	....
Outlays		O	....	13	105	234	309	313	315
Total Reading excellence		BA	....	**260**	**286**	**286**	**286**	**286**	**286**
		O	....	13	105	234	309	313	315
Chicago litigation settlement:									
Outlays	501	O	2	4	3	1	....	....	....
Indian education:									
Appropriation, current	501	BA	**63**	**66**	**77**	**77**	**77**	**77**	**77**
Outlays		O	53	65	68	79	77	77	77
Total Federal funds Office of Elementary and Secondary Education		BA	**11,555**	**8,985**	**14,513**	**14,513**	**14,513**	**14,513**	**14,513**
		O	10,684	10,458	12,466	14,012	14,599	14,670	14,682

Office of Bilingual Education and Minority Languages Affairs

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Bilingual and immigrant education:									
Appropriation, current	501	BA	**354**	**380**	**415**	**415**	**415**	**415**	**415**
Outlays		O	207	386	416	419	414	415	415

Office of Special Education and Rehabilitative Services

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Special education:									
Appropriation, current	501	BA	**4,811**	**5,124**	**3,525**	**3,525**	**3,525**	**3,525**	**3,525**
Appropriation, permanent		BA	....	**210**	....	....	....	....	....
Advance appropriation		BA	....	....	....	**1,925**	**1,925**	**1,925**	**1,925**
Outlays		O	3,659	4,264	5,130	5,756	5,444	5,450	5,450
Total Special education		BA	**4,811**	**5,334**	**3,525**	**5,450**	**5,450**	**5,450**	**5,450**
		O	3,659	4,264	5,130	5,756	5,444	5,450	5,450
Rehabilitation services and disability research:									
Appropriation, current	506	BA	**2,591**	**2,653**	**2,717**	**2,771**	**2,826**	**2,882**	**2,940**
Spending authority from offsetting collections		BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	2,485	2,881	2,699	2,757	2,811	2,867	2,924
Rehabilitation services and disability research (gross)		BA	**2,594**	**2,656**	**2,720**	**2,774**	**2,829**	**2,885**	**2,943**
		O	2,485	2,881	2,699	2,757	2,811	2,867	2,924
Total, offsetting collections			–3	–3	–3	–3	–3	–3	–3
Total Rehabilitation services and disability research (net)		BA	**2,591**	**2,653**	**2,717**	**2,771**	**2,826**	**2,882**	**2,940**
		O	2,482	2,878	2,696	2,754	2,808	2,864	2,921
American printing house for the blind:									
Appropriation, current	501	BA	**8**	**9**	**9**	**9**	**9**	**9**	**9**
Outlays		O	8	10	9	9	9	9	9
National technical institute for the deaf:									
Appropriation, current	502	BA	**44**	**46**	**48**	**48**	**48**	**48**	**48**
Outlays		O	44	44	47	48	48	48	48
Gallaudet University:									
Appropriation, current	502	BA	**81**	**83**	**85**	**85**	**85**	**85**	**85**
Outlays		O	82	80	83	83	83	83	83
Total Federal funds Office of Special Education and Rehabilitative Services		BA	**7,535**	**8,125**	**6,384**	**8,363**	**8,418**	**8,474**	**8,532**
		O	6,275	7,276	7,965	8,650	8,392	8,454	8,511

DEPARTMENT OF EDUCATION—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Office of Vocational and Adult Education									
Federal funds									
General and Special Funds:									
Vocational and adult education:									
Appropriation, current	501	BA	**1,508**	**1,539**	**1,750**	**1,750**	**1,750**	**1,750**	**1,750**
Outlays		O	1,451	1,321	1,485	1,794	1,740	1,750	1,750
Office of Postsecondary Education									
Federal funds									
General and Special Funds:									
Student financial assistance:									
Appropriation, current	502	BA	**8,979**	**9,348**	**9,183**	**9,183**	**9,183**	**9,183**	**9,183**
Outlays		O	7,934	9,352	9,144	9,524	9,167	9,158	9,158
Higher education:									
Appropriation, current	502	BA	**947**	**1,308**	**1,527**	**1,527**	**1,527**	**1,527**	**1,527**
					[J] **52**	[J] **52**	[J] **52**	[J] **52**	[J] **52**
Outlays		O	785	1,061	1,243	1,476	1,523	1,527	1,527
					[J] 6	[J] 41	[J] 51	[J] 52	[J] 52
Total Higher education		BA	**947**	**1,308**	**1,579**	**1,579**	**1,579**	**1,579**	**1,579**
		O	785	1,061	1,249	1,517	1,574	1,579	1,579
Howard University:									
Appropriation, current	502	BA	**210**	**214**	**219**	**219**	**219**	**219**	**219**
Outlays		O	206	211	219	219	219	219	219
Perkins Loan Revolving Fund:									
Spending authority from offsetting collections	502	BA	**55**	...	...	...	...	...	...
Outlays		O	...	3	...	...	...	...	...
Perkins Loan Revolving Fund (gross)		BA	**55**	...	...	...	...	...	...
		O	...	3	...	...	...	...	...
Total, offsetting collections			–55	...	...	...	...	...	...
Total Perkins Loan Revolving Fund (net)		BA	...	...	...	...	...	...	...
		O	–55	3	...	...	...	...	...
Public Enterprise Funds:									
Federal family education loan insurance fund:									
Spending authority from offsetting collections	502	BA	**47**	...	...	...	...	...	...
Federal family education loan insurance fund (gross)		BA	**47**	...	...	...	...	...	...
Total, offsetting collections			–47	...	...	...	...	...	...
Total Federal family education loan insurance fund (net)		BA	...	...	...	...	...	...	...
		O	–47	...	...	...	...	...	...
Credit Accounts:									
Federal direct student loan program, program account:									
Appropriation, current	502	BA	...	**1**	...	...	...	...	...
Appropriation, permanent		BA	**897**	**618**	**735**	**770**	**780**	**795**	**795**
Spending authority from offsetting collections		BA	**86**	**70**	...	...	...	...	...
				[B] **98**					
Outlays		O	962	704	704	721	768	794	796
				[B] 96					
Limitation on mandatory administrative expenses			(507)	...	...	...	...	...	...
Federal direct student loan program, program account (gross)		BA	**983**	**787**	**735**	**770**	**780**	**795**	**795**
		O	962	800	704	721	768	794	796
Total, offsetting collections			–86	–361	–651	–903	–1,020	–753	–338
					[B] 15				
					[O] –110	[O] –7	[O] –9	[O] –9	[O] –10
Total Federal direct student loan program, program account (net)		BA	**897**	**426**	**–11**	**–140**	**–249**	**33**	**447**
		O	876	439	–42	–189	–261	32	448
Federal family education loan program account:									
Appropriation, current	502	BA	**46**	**47**	**48**	**48**	**48**	**48**	**48**

DEPARTMENT OF EDUCATION—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Appropriation, permanent		BA	**2,055**	**3,335**	**3,684**	**3,927**	**4,174**	**3,988**	**3,713**
				^{B}**37**	^{B}**–746**	^{B}**–402**	^{B}**–429**	^{B}**–513**	^{B}**–205**
					^{O}**–768**	^{O}**–18**	^{O}**–18**	^{O}**–19**	^{O}**–16**
Spending authority from offsetting collections		BA	....	**1,460**	....	.	.	.	
					^{B}**434**				
					^{O}**763**				
Outlays		O	2,390	4,276	3,282	3,489	3,710	3,676	3,460
				^{B}37	^{B}–163	^{B}–353	^{B}–376	^{B}–435	^{B}–278
					^{O}–3	^{O}–12	^{O}–16	^{O}–17	^{O}–15
Federal family education loan program account (gross)		BA	**2,101**	**4,879**	**3,415**	**3,555**	**3,775**	**3,504**	**3,540**
		O	2,390	4,313	3,116	3,124	3,318	3,224	3,167
Total, offsetting collections			....	–1,460	....	.	.	.	.
					^{B}–434				
					^{O}–763				
Total Federal family education loan program account (net)		BA	**2,101**	**3,419**	**2,218**	**3,555**	**3,775**	**3,504**	**3,540**
		O	2,390	2,853	1,919	3,124	3,318	3,224	3,167
Federal family education loan liquidating account:									
Appropriation, permanent	502	BA	**551**	....	....	....	....	....	....
Spending authority from offsetting collections		BA	**791**	**777**	**450**	**269**	**153**	**84**	**46**
					^{J}**609**	^{J}**2**	^{J}**2**	^{J}**1**	^{J}**1**
Outlays		O	673	1,401	499	296	170	94	52
					^{J}597	^{J}13	^{J}2	^{J}1	^{J}1
Federal family education loan liquidating account (gross)		BA	**1,342**	**777**	**1,059**	**271**	**155**	**85**	**47**
		O	673	1,401	1,096	309	172	95	53
Total, offsetting collections			–791	–1,188	–989	–794	–630	–486	–364
					^{J}–129	^{J}–123	^{J}–113	^{J}–98	^{J}–81
Total Federal family education loan liquidating account (net)		BA	**551**	**–411**	**–59**	**–646**	**–588**	**–499**	**–398**
		O	–118	213	–22	–608	–571	–489	–392
College housing and academic facilities loans, program account:									
Appropriation, current	502	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	2	2	1	1	1
College housing and academic facilities loans liquidating account:									
Spending authority from offsetting collections	502	BA	**67**	**57**	**53**	**51**	**47**	**45**	**42**
Outlays		O	23	24	23	39	19	18	17
College housing and academic facilities loans liquidating account (gross)		BA	**67**	**57**	**53**	**51**	**47**	**45**	**42**
		O	23	24	23	39	19	18	17
Total, offsetting collections			–67	–57	–53	–51	–47	–45	–42
Total College housing and academic facilities loans liquidating account (net)		BA	....	....	....	....	....	....	....
		O	–44	–33	–30	–12	–28	–27	–25
Total Federal funds Office of Postsecondary Education		BA	**13,686**	**14,305**	**13,130**	**13,751**	**13,920**	**14,020**	**14,571**
		O	11,928	14,100	12,439	13,577	13,419	13,697	14,155

Office of Educational Research and Improvement

Federal funds

General and Special Funds:

Account			1998 actual	1999	2000	2001	2002	2003	2004
Education research, statistics, and improvement:									
Appropriation, current	503	BA	**431**	**665**	**540**	**540**	**540**	**540**	**540**
Spending authority from offsetting collections		BA	**6**	....	....	....	....	....	....
Outlays		O	520	529	660	563	544	540	540
Education research, statistics, and improvement (gross)		BA	**437**	**665**	**540**	**540**	**540**	**540**	**540**
		O	520	529	660	563	544	540	540
Total, offsetting collections			–6	....	....	....	....	....	....
Total Education research, statistics, and improvement (net)		BA	**431**	**665**	**540**	**540**	**540**	**540**	**540**
		O	514	529	660	563	544	540	540

DEPARTMENT OF EDUCATION—Continued

(In millions of dollars)

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
Departmental Management									
Federal funds									
General and Special Funds:									
Program administration:									
Appropriation, current	503	BA	341	365	386	386	386	386	386
Spending authority from offsetting collections		BA	1	1	1	1	1	1	1
Outlays		O	328	374	379	382	387	387	387
Program administration (gross)		BA	342	366	387	387	387	387	387
		O	328	374	379	382	387	387	387
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total Program administration (net)		BA	341	365	386	386	386	386	386
		O	327	373	378	381	386	386	386
Office for Civil Rights:									
Appropriation, current	751	BA	62	66	73	73	73	73	73
Outlays		O	50	71	70	72	73	73	73
Office of the Inspector General:									
Appropriation, current	751	BA	30	31	34	34	34	34	34
Outlays		O	24	36	33	33	34	34	34
Headquarters Renovation:									
Outlays	503	O	3	2					
Total Federal funds Departmental Management		BA	433	462	493	493	493	493	493
		O	404	482	481	486	493	493	493
Summary									
Federal funds:									
(As shown in detail above)		BA	35,502	34,461	37,225	39,825	40,049	40,205	40,814
		O	31,463	34,552	35,912	39,501	39,601	40,019	40,546
Deductions for offsetting receipts:									
Proprietary receipts from the public	502	BA/O		*–50*	*–838*	*–50*	*–1,135*	*–50*	*–50*
				[B] *–142*	[B] *–103*	[B] *–234*	[B] *–262*	[B] *–159*	[B] *–65*
Total Department of Education		BA	35,502	34,269	36,284	39,541	38,652	39,996	40,699
		O	31,463	34,360	34,971	39,217	38,204	39,810	40,431

DEPARTMENT OF ENERGY

(In millions of dollars)

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
Atomic Energy Defense Activities									
Federal funds									
General and Special Funds:									
Weapons activities:									
Appropriation, current	053	BA	4,147	4,400	4,531		4,531	4,531	4,531
Advance appropriation		BA				[N] 4,531			
Spending authority from offsetting collections		BA	1,005	1,300	1,300	[N] 1,300	1,300	1,300	1,300
Outlays		O	4,958	5,575	5,754	[N] 5,818	5,831	5,831	5,831
Weapons activities (gross)		BA	5,152	5,700	5,831	5,831	5,831	5,831	5,831
		O	4,958	5,575	5,754	5,818	5,831	5,831	5,831
Total, offsetting collections			–1,005	–1,300	–1,300	[N] –1,300	–1,300	–1,300	–1,300
Total Weapons activities (net)		BA	4,147	4,400	4,531	4,531	4,531	4,531	4,531
		O	3,953	4,275	4,454	4,518	4,531	4,531	4,531
Defense environmental restoration and waste management:									
Appropriation, current	053	BA	4,624	4,321	4,506		4,506	4,506	4,506
Advance appropriation		BA				[N] 4,506			
Spending authority from offsetting collections		BA			9				

DEPARTMENT OF ENERGY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	4,444	4,399	4,462	[N] 4,496	4,506	4,506	4,506
Defense environmental restoration and waste management (gross)		BA	**4,624**	**4,321**	**4,515**	**4,506**	**4,506**	**4,506**	**4,506**
		O	4,444	4,399	4,462	4,496	4,506	4,506	4,506
Total, offsetting collections					–9				
Total Defense environmental restoration and waste management (net)		BA	**4,624**	**4,321**	**4,506**	**4,506**	**4,506**	**4,506**	**4,506**
		O	4,444	4,399	4,453	4,496	4,506	4,506	4,506
Defense facilities closure projects:									
Appropriation, current	053	BA	**891**	**1,042**	**1,054**		**1,054**	**1,054**	**1,054**
Advance appropriation		BA				[N] **1,054**			
Outlays		O	863	952	1,043	[N] 1,053	1,054	1,054	1,054
Total Defense facilities closure projects		BA	**891**	**1,042**	**1,054**	**1,054**	**1,054**	**1,054**	**1,054**
		O	863	952	1,043	1,053	1,054	1,054	1,054
Defense environmental management privatization:									
Appropriation, current	053	BA		**228**	**228**				
Advance appropriation		BA				[N] **671**	**659**	**633**	**594**
Outlays		O		19	32	[N] 46	208	265	277
Total Defense environmental management privatization		BA	....	**228**	**228**	**671**	**659**	**633**	**594**
		O	....	19	32	46	208	265	277
Other Defense Activities:									
Appropriation, current	053	BA	**1,696**	**2,183**	**1,792**		**1,792**	**1,792**	**1,792**
Advance appropriation		BA				[N] **1,792**			
Outlays		O	1,691	2,004	1,785	[N] 1,886	1,842	1,792	1,792
Total Other Defense Activities		BA	**1,696**	**2,183**	**1,792**	**1,792**	**1,792**	**1,792**	**1,792**
		O	1,691	2,004	1,785	1,886	1,842	1,792	1,792
Defense nuclear waste disposal:									
Appropriation, current	053	BA	**190**	**189**	**73**		**190**	**190**	**190**
Advance appropriation		BA				[N] **190**			
Outlays		O	230	175	131	[N] 171	190	190	190
Total Defense nuclear waste disposal		BA	**190**	**189**	**73**	**190**	**190**	**190**	**190**
		O	230	175	131	171	190	190	190
Total Federal funds Atomic Energy Defense Activities		BA	**11,548**	**12,363**	**12,184**	**12,744**	**12,732**	**12,706**	**12,667**
		O	11,181	11,824	11,898	12,170	12,331	12,338	12,350

Energy Programs

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Science:									
Appropriation, current	251	BA	**2,261**	**2,698**	**2,835**	**2,835**	**2,835**	**2,835**	**2,835**
Outlays		O	2,239	2,534	2,747	2,824	2,835	2,835	2,835
Energy supply:									
Appropriation, current	271	BA	**891**	**787**	**843**	**843**	**843**	**843**	**843**
Spending authority from offsetting collections		BA	**905**	**1,350**	**1,350**	**1,350**	**1,350**	**1,350**	**1,350**
Outlays		O	2,146	2,233	2,175	2,184	2,193	2,193	2,193
Energy supply (gross)		BA	**1,796**	**2,137**	**2,193**	**2,193**	**2,193**	**2,193**	**2,193**
		O	2,146	2,233	2,175	2,184	2,193	2,193	2,193
Total, offsetting collections			–905	–1,350	–1,350	–1,350	–1,350	–1,350	–1,350
Total Energy supply (net)		BA	**891**	**787**	**843**	**843**	**843**	**843**	**843**
		O	1,241	883	825	834	843	843	843
Non-defense environmental management:									
Appropriation, current	271	BA	**505**	**431**	**331**	**331**	**331**	**331**	**331**
Outlays		O	496	456	365	336	331	331	331
Uranium supply and enrichment activities:									
Appropriation, current	271	BA	**–4**	....	....	....	....	....	....
Outlays		O	27	....	....	....	....	....	....

DEPARTMENT OF ENERGY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Fossil energy research and development:									
Appropriation, current	271	BA	**356**	**384**	**364**	**364**	**364**	**364**	**364**
Outlays		O	351	368	371	368	364	364	364
Naval petroleum and oil shale reserves:									
Appropriation, current	271	BA	**107**	**14**	....	....	....	....	....
Spending authority from offsetting collections		BA	**15**	....	....	....	....	....	....
Outlays		O	111	42	22	1	....	....	....
Naval petroleum and oil shale reserves (gross)		BA	**122**	**14**	....	....	....	....	....
		O	111	42	22	1	....	....	....
Total, offsetting collections			–15	....	....	....	....	....	....
Total Naval petroleum and oil shale reserves (net)		BA	**107**	**14**	....	....	....	....	....
		O	96	42	22	1	....	....	....
Energy conservation:									
Appropriation, current	272	BA	**584**	**628**	**838**	**838**	**838**	**838**	**838**
Spending authority from offsetting collections		BA	**21**	**64**	....	....	....	....	....
Outlays		O	642	624	722	816	838	838	838
Energy conservation (gross)		BA	**605**	**692**	**838**	**838**	**838**	**838**	**838**
		O	642	624	722	816	838	838	838
Total, offsetting collections			–21	–64	....	....	....	....	....
Total Energy conservation (net)		BA	**584**	**628**	**838**	**838**	**838**	**838**	**838**
		O	621	560	722	816	838	838	838
Strategic petroleum reserve:									
Appropriation, current	274	BA	**208**	**160**	**159**	**159**	**159**	**159**	**159**
Outlays		O	233	182	164	159	159	159	159
SPR petroleum account:									
Appropriation, current	274	BA	....	....	**5**	**5**	**5**	**5**	**5**
Outlays		O	....	....	5	5	5	5	5
Energy information administration:									
Appropriation, current	276	BA	**67**	**71**	**73**	**73**	**73**	**73**	**73**
Outlays		O	63	69	71	72	73	73	73
Economic regulation:									
Appropriation, current	276	BA	**3**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	3	2	2	2	2	2	2
Federal Energy Regulatory Commission:									
Spending authority from offsetting collections	276	BA	**162**	**168**	**180**	**180**	**180**	**180**	**180**
Outlays		O	163	167	178	180	180	180	180
Federal Energy Regulatory Commission (gross)		BA	**162**	**168**	**180**	**180**	**180**	**180**	**180**
		O	163	167	178	180	180	180	180
Total, offsetting collections			–162	–168	–180	–180	–180	–180	–180
Total Federal Energy Regulatory Commission (net)		BA	....	....	....	....	....	....	....
		O	1	–1	–2	....	....	....	....
Geothermal resources development fund:									
Appropriation, current	271	BA	....	....	**–1**	**–1**	**–1**	**–1**	**–1**
Clean coal technology:									
Appropriation, current	271	BA	**–101**	**–40**	**–256**	....	....	....	....
Advance appropriation		BA	....	....	**10**	**204**	**55**	**27**	....
Outlays		O	77	183	86	180	180	150	82
Total Clean coal technology		BA	**–101**	**–40**	**–246**	**204**	**55**	**27**	....
		O	77	183	86	180	180	150	82
Alternative fuels production:									
Total, offsetting collections	271		–2	–1	–1	–1	–1	–1	–1
Elk Hills school lands fund:									
Appropriation, current	271	BA	....	**36**	**36**	**36**	**36**	**36**	**36**
Outlays		O	....	36	36	36	36	36	36
Payments to States under Federal Power Act:									
Appropriation, permanent	806	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	3	3	3	3	3	3	3

DEPARTMENT OF ENERGY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Nuclear waste disposal fund:									
Appropriation, current	271	BA	**156**	**169**	**297**	**180**	**180**	**180**	**180**
Outlays		O	164	163	234	239	180	180	180
Uranium enrichment decontamination and decommissioning fund:									
Appropriation, current	271	BA	**230**	**220**	**240**	**240**	**240**	**240**	**240**
Outlays		O	222	223	234	240	240	240	240
Public Enterprise Funds:									
Isotope production and distribution program fund:									
Spending authority from offsetting collections	271	BA	**31**	**32**	**33**	**33**	**33**	**33**	**33**
Outlays		O	32	32	33	33	33	33	33
Isotope production and distribution program fund (gross)		BA	**31**	**32**	**33**	**33**	**33**	**33**	**33**
		O	32	32	33	33	33	33	33
Total, offsetting collections			–31	–32	–33	–33	–33	–33	–33
Total Isotope production and distribution program fund (net)		BA							
		O	1						
Trust funds									
Advances for cooperative work:									
Outlays	271	O	3						
Total Federal funds Energy Programs		BA	**5,264**	**5,562**	**5,778**	**6,111**	**5,962**	**5,934**	**5,907**
		O	5,836	5,702	5,884	6,114	6,088	6,058	5,990
Total Trust funds Energy Programs		O	**3**						

Power Marketing Administration

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Operation and maintenance, Alaska Power Administration:									
Appropriation, current	271	BA	**14**						
Outlays		O	7	17	2				
Operation and maintenance, Southeastern Power Administration:									
Appropriation, current	271	BA	**12**	**8**	**–1**	**–1**	**–1**	**–1**	**–1**
Spending authority from offsetting collections		BA	**17**	**28**					
Outlays		O	26	35	5	–1	–1	–1	–1
Operation and maintenance, Southeastern Power Administration (gross)		BA	**29**	**36**	**–1**	**–1**	**–1**	**–1**	**–1**
		O	26	35	5	–1	–1	–1	–1
Total, offsetting collections			–17	–28					
Total Operation and maintenance, Southeastern Power Administration (net)		BA	**12**	**8**	**–1**	**–1**	**–1**	**–1**	**–1**
		O	9	7	5	–1	–1	–1	–1
Operation and maintenance, Southwestern Power Administration:									
Appropriation, current	271	BA	**26**	**26**	**28**	**28**	**28**	**28**	**28**
Spending authority from offsetting collections		BA	**4**	**11**	**11**	**11**	**11**	**11**	**11**
Outlays		O	32	37	38	39	39	39	39
Operation and maintenance, Southwestern Power Administration (gross)		BA	**30**	**37**	**39**	**39**	**39**	**39**	**39**
		O	32	37	38	39	39	39	39
Total, offsetting collections			–4	–11	–11	–11	–11	–11	–11
Total Operation and maintenance, Southwestern Power Administration (net)		BA	**26**	**26**	**28**	**28**	**28**	**28**	**28**
		O	28	26	27	28	28	28	28
Continuing fund, Southwestern Power Administration:									
Appropriation, permanent	271	BA	**3**	**1**					
Outlays		O	1	1					
Construction, rehabilitation, operation and maintenance, Western Area Power Administration:									
Appropriation, current	271	BA	**192**	**203**	**171**	**171**	**171**	**171**	**171**
Spending authority from offsetting collections		BA	**56**	**151**	**176**	**176**	**176**	**176**	**176**

DEPARTMENT OF ENERGY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	271	361	365	347	347	347	347
Construction, rehabilitation, operation and maintenance, Western Area Power Administration (gross)		BA	**248**	**354**	**347**	**347**	**347**	**347**	**347**
		O	271	361	365	347	347	347	347
Total, offsetting collections			–56	–151	–176	–176	–176	–176	–176
Total Construction, rehabilitation, operation and maintenance, Western Area Power Administration (net)		BA	**192**	**203**	**171**	**171**	**171**	**171**	**171**
		O	215	210	189	171	171	171	171
Falcon and Amistad operating and maintenance fund:									
Appropriation, current	271	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
Public Enterprise Funds:									
Bonneville Power Administration fund:									
Authority to borrow, permanent	271	BA	**230**	**77**	**172**	**93**	**146**	**126**	**40**
Spending authority from offsetting collections		BA	**2,177**	**2,291**	**2,320**	**2,379**	**2,141**	**2,186**	**2,210**
Outlays		O	2,246	2,394	2,461	2,462	2,288	2,286	2,224
Bonneville Power Administration fund (gross)		BA	**2,407**	**2,368**	**2,492**	**2,472**	**2,287**	**2,312**	**2,250**
		O	2,246	2,394	2,461	2,462	2,288	2,286	2,224
Total, offsetting collections			–2,424	–2,455	–2,484	–2,532	–2,379	–2,397	–2,437
Total Bonneville Power Administration fund (net)		BA	**–17**	**–87**	**8**	**–60**	**–92**	**–85**	**–187**
		O	–178	–61	–23	–70	–91	–111	–213
Colorado river basins power marketing fund, Western Area Power Administration:									
Spending authority from offsetting collections	271	BA	**121**	**101**	**114**	**114**	**114**	**114**	**114**
Outlays		O	121	101	114	114	114	114	114
Colorado river basins power marketing fund, Western Area Power Administration (gross)		BA	**121**	**101**	**114**	**114**	**114**	**114**	**114**
		O	121	101	114	114	114	114	114
Change in orders on hand from Federal sources		BA	**–2**	....	....	....	....	....	....
Total, offsetting collections			–134	–117	–135	–135	–135	–135	–135
Total Colorado river basins power marketing fund, Western Area Power Administration (net)		BA	**–15**	**–16**	**–21**	**–21**	**–21**	**–21**	**–21**
		O	–13	–16	–21	–21	–21	–21	–21
Total Federal funds Power Marketing Administration		BA	**216**	**136**	**186**	**118**	**86**	**93**	**–9**
		O	70	185	180	108	87	67	–35

Departmental Administration

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Departmental administration:									
Appropriation, current	276	BA	**133**	**111**	**123**	**123**	**123**	**123**	**123**
Spending authority from offsetting collections		BA	**91**	**137**	**117**	**117**	**117**	**117**	**117**
Outlays		O	208	244	241	240	240	240	240
Departmental administration (gross)		BA	**224**	**248**	**240**	**240**	**240**	**240**	**240**
		O	208	244	241	240	240	240	240
Total, offsetting collections			–91	–137	–117	–117	–117	–117	–117
Total Departmental administration (net)		BA	**133**	**111**	**123**	**123**	**123**	**123**	**123**
		O	117	107	124	123	123	123	123
Office of the Inspector General:									
Appropriation, current	276	BA	**28**	**29**	**30**	**30**	**30**	**30**	**30**
Outlays		O	27	29	30	31	30	30	30
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	276	BA	**83**	**81**	**82**	**82**	**82**	**82**	**82**

DEPARTMENT OF ENERGY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	80	81	82	82	82	82	82
Working capital fund (gross)		BA	**83**	**81**	**82**	**82**	**82**	**82**	**82**
		O	80	81	82	82	82	82	82
Total, offsetting collections			–83	–81	–82	–82	–82	–82	–82
Total Working capital fund (net)		BA							
		O	–3						
Total Federal funds Departmental Administration		BA	**161**	**140**	**153**	**153**	**153**	**153**	**153**
		O	141	136	154	154	153	153	153
Summary									
Federal funds:									
(As shown in detail above)		BA	**17,189**	**18,201**	**18,301**	**19,126**	**18,933**	**18,886**	**18,718**
		O	17,228	17,847	18,116	18,546	18,659	18,616	18,458
Deductions for offsetting receipts:									
Intrafund transactions	271	BA/O	*–388*	*–398*	*–420*	*–420*	*–420*	*–420*	*–420*
	908	BA/O	*–803*	*–583*	*–663*	*–750*	*–845*	*–947*	*–1,042*
Proprietary receipts from the public	053	BA/O	*–1*						
	271	BA/O	*–1,591*	*–1,293*	*–1,249*	*–1,336*	*–1,396*	*–1,369*	*–1,330*
Offsetting governmental receipts	276	BA/O	*–10*	*–29*	*–28*	*–28*	*–28*	*–28*	*–28*
Total Federal funds		BA	**14,396**	**15,898**	**15,941**	**16,592**	**16,244**	**16,122**	**15,898**
		O	14,435	15,544	15,756	16,012	15,970	15,852	15,638
Trust funds:									
(As shown in detail above)		O	3						
Total Department of Energy		BA	**14,396**	**15,898**	**15,941**	**16,592**	**16,244**	**16,122**	**15,898**
		O	14,438	15,544	15,756	16,012	15,970	15,852	15,638

DEPARTMENT OF HEALTH AND HUMAN SERVICES

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Health Programs									
Public Health Service									
Food and Drug Administration									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	554	BA	**925**	**982**	**1,142**	**1,142**	**1,142**	**1,142**	**1,142**
Appropriation, permanent		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Spending authority from offsetting collections		BA	**166**	**164**	**192**	**192**	**192**	**192**	**192**
					[J] 17	**[J] 17**	**[J] 17**	**[J] 17**	**[J] 17**
Outlays		O	1,002	1,143	1,301	1,322	1,328	1,331	1,333
					[J] 17	[J] 17	[J] 17	[J] 17	[J] 17
Salaries and expenses (gross)		BA	**1,092**	**1,147**	**1,352**	**1,352**	**1,352**	**1,352**	**1,352**
		O	1,002	1,143	1,318	1,339	1,345	1,348	1,350
Change in orders on hand from Federal sources		BA	**–3**	**–3**	**–3**	**–3**	**–3**	**–3**	**–3**
Total, offsetting collections			–163	–161	–189	–189	–189	–189	–189
					[J] –17	[J] –17	[J] –17	[J] –17	[J] –17
Total Salaries and expenses (net)		BA	**926**	**983**	**1,143**	**1,143**	**1,143**	**1,143**	**1,143**
		O	839	982	1,112	1,133	1,139	1,142	1,144
Public Enterprise Funds:									
Revolving fund for certification and other services:									
Spending authority from offsetting collections	554	BA	**4**	**4**	**4**	**4**	**5**	**5**	**5**

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	3	4	4	4	5	5	5
Revolving fund for certification and other services (gross)		BA	**4**	**4**	**4**	**4**	**5**	**5**	**5**
		O	3	4	4	4	5	5	5
Total, offsetting collections			–4	–4	–4	–4	–5	–5	–5
Total Revolving fund for certification and other services (net)		BA	....	....	....	....	....	....	....
		O	–1	....	....	....	....	....	....
Total Federal funds Food and Drug Administration		BA	**926**	**983**	**1,143**	**1,143**	**1,143**	**1,143**	**1,143**
		O	838	982	1,112	1,133	1,139	1,142	1,144

Health Resources and Services Administration

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Vaccine injury compensation:									
Appropriation, current	551	BA	....	**100**	....	....	....	....	....
Outlays		O	85	79	73	....	....	....	....
Public Enterprise Funds:									
Medical facilities guarantee and loan fund:									
Appropriation, current	551	BA	**–5**	**1**	**1**	....	....	....	....
Spending authority from offsetting collections		BA	**8**	**5**	**3**	**3**	**1**	....	....
Outlays		O	4	1	1	....	....	....	....
Medical facilities guarantee and loan fund (gross)		BA	**3**	**6**	**4**	**3**	**1**	....	....
		O	4	1	1	....	....	....	....
Total, offsetting collections			–8	–5	–3	–3	–1	....	....
Total Medical facilities guarantee and loan fund (net)		BA	**–5**	**1**	**1**	....	....	....	....
		O	–4	–4	–2	–3	–1	....	....
Credit Accounts:									
Health Resources and Services									
(Health care services):									
(Appropriation, current)	551	BA	**3,319**	**3,803**	**3,847**	**3,847**	**3,847**	**3,847**	**3,847**
					[J] **40**	[J] **40**	[J] **40**	[J] **40**	[J] **40**
(Appropriation, permanent)		BA	**50**	**50**	**50**	**50**	**50**	....	....
(Spending authority from offsetting collections)		BA	**60**	**75**	**79**	**79**	**79**	**79**	**79**
(Outlays)		O	3,102	3,605	3,889	3,977	3,963	3,958	3,932
					[J] 15	[J] 36	[J] 39	[J] 40	[J] 40
(Limitation on loan guarantee committments)			(160)	(151)	(80)	(80)	(80)	(80)	(80)
Health Resources and Services (gross)		BA	**3,429**	**3,928**	**4,016**	**4,016**	**4,016**	**3,966**	**3,966**
		O	3,102	3,605	3,904	4,013	4,002	3,998	3,972
Total, offsetting collections			–60	–75	–79	–79	–79	–79	–79
Total (Health care services) (net)		BA	**3,369**	**3,853**	**3,937**	**3,937**	**3,937**	**3,887**	**3,887**
		O	3,042	3,530	3,825	3,934	3,923	3,919	3,893
(Health research and training):									
(Appropriation, current)	552	BA	**292**	**305**	**254**	**254**	**254**	**254**	**254**
(Spending authority from offsetting collections)		BA	**15**	**16**	**16**	**16**	**16**	**16**	**16**
(Outlays)		O	280	307	295	279	271	270	270
Health Resources and Services (gross)		BA	**3,676**	**4,174**	**4,207**	**4,207**	**4,207**	**4,157**	**4,157**
		O	3,322	3,837	4,120	4,213	4,194	4,189	4,163
Total, offsetting collections			–15	–16	–16	–16	–16	–16	–16
Total (Health research and training) (net)		BA	**292**	**305**	**254**	**254**	**254**	**254**	**254**
		O	265	291	279	263	255	254	254
Total Health Resources and Services		BA	**3,661**	**4,158**	**4,191**	**4,191**	**4,191**	**4,141**	**4,141**
		O	3,307	3,821	4,104	4,197	4,178	4,173	4,147
Health Education assistance loans program account:									
Appropriation, current	552	BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
Spending authority from offsetting collections		BA	**1**	....	....	....	....	....	....
Outlays		O	5	5	4	4	4	4	4

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued

(In millions of dollars)

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
Limitation on loan guarantee committments			(85)						
Health Education assistance loans program account (gross)		BA	**5**	**4**	**4**	**4**	**4**	**4**	**4**
		O	5	5	4	4	4	4	4
Total, offsetting collections			–1						
Total Health Education assistance loans program account (net)		BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
		O	4	5	4	4	4	4	4
Health education assistance loans liquidating account:									
Appropriation, permanent	552	BA	**30**	**37**	**32**	**29**	**27**	**22**	**17**
Spending authority from offsetting collections		BA	**3**	**20**	**20**	**19**	**19**	**19**	**19**
Outlays		O	39	62	52	48	46	41	36
Health education assistance loans liquidating account (gross)		BA	**33**	**57**	**52**	**48**	**46**	**41**	**36**
		O	39	62	52	48	46	41	36
Total, offsetting collections			–21	–20	–20	–19	–19	–19	–19
Total Health education assistance loans liquidating account (net)		BA	**12**	**37**	**32**	**29**	**27**	**22**	**17**
		O	18	42	32	29	27	22	17
Trust funds									
Vaccine injury compensation program trust fund:									
Appropriation, current	551	BA	**61**	**70**	**70**	**70**	**70**	**70**	**70**
Outlays		O	64	70	70	70	73	73	73
Total Federal funds Health Resources and Services Administration		BA	**3,672**	**4,300**	**4,228**	**4,224**	**4,222**	**4,167**	**4,162**
		O	3,410	3,943	4,211	4,227	4,208	4,199	4,168
Total Trust funds Health Resources and Services Administration		BA	**61**	**70**	**70**	**70**	**70**	**70**	**70**
		O	64	70	70	70	73	73	73

Indian Health Services

Federal funds

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
General and Special Funds:									
Indian Health Services:									
Appropriation, current	551	BA	**1,841**	**1,950**	**2,095**	**2,095**	**2,095**	**2,095**	**2,095**
Appropriation, permanent		BA	**30**	**30**	**30**	**30**	**30**		
Spending authority from offsetting collections		BA	**402**	**436**	**436**	**436**	**436**	**436**	**436**
Outlays		O	2,264	2,409	2,481	2,500	2,525	2,532	2,535
Indian Health Services (gross)		BA	**2,273**	**2,416**	**2,561**	**2,561**	**2,561**	**2,531**	**2,531**
		O	2,264	2,409	2,481	2,500	2,525	2,532	2,535
Total, offsetting collections			–402	–436	–436	–436	–436	–436	–436
Total Indian Health Services (net)		BA	**1,871**	**1,980**	**2,125**	**2,125**	**2,125**	**2,095**	**2,095**
		O	1,862	1,973	2,045	2,064	2,089	2,096	2,099
Indian health facilities:									
Appropriation, current	551	BA	**258**	**292**	**317**	**317**	**317**	**317**	**317**
Appropriation, permanent		BA	**5**	**5**	**5**	**5**	**5**	**5**	**5**
Advance appropriation		BA				**35**	**10**		
Spending authority from offsetting collections		BA	**10**	**10**	**10**	**10**	**10**	**10**	**10**
Outlays		O	299	279	308	331	339	343	341
Indian health facilities (gross)		BA	**273**	**307**	**332**	**367**	**342**	**332**	**332**
		O	299	279	308	331	339	343	341
Total, offsetting collections			–10	–10	–10	–10	–10	–10	–10
Total Indian health facilities (net)		BA	**263**	**297**	**322**	**357**	**332**	**322**	**322**
		O	289	269	298	321	329	333	331
Total Federal funds Indian Health Services		BA	**2,134**	**2,277**	**2,447**	**2,482**	**2,457**	**2,417**	**2,417**
		O	2,151	2,242	2,343	2,385	2,418	2,429	2,430

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Centers for Disease Control and Prevention									
Federal funds									
General and Special Funds:									
Disease control, research, and training									
(Health care services):									
(Appropriation, current)	551	BA	**2,171**	**2,383**	**2,608**	**2,608**	**2,608**	**2,608**	**2,608**
(Appropriation, permanent)		BA	**3**	**3**	**3**	**3**	**3**	....	....
(Spending authority from offsetting collections)		BA	**122**	**82**	**82**	**82**	**82**	**82**	**82**
(Outlays)		O	2,269	2,268	2,507	2,662	2,692	2,690	2,690
Disease control, research, and training (gross)		BA	**2,296**	**2,468**	**2,693**	**2,693**	**2,693**	**2,690**	**2,690**
		O	2,269	2,268	2,507	2,662	2,692	2,690	2,690
(Change in orders on hand from Federal sources)		BA	**–40**	....	....	....	....	....	....
Total, offsetting collections			–82	–82	–82	–82	–82	–82	–82
Total (Health care services) (net)		BA	**2,174**	**2,386**	**2,611**	**2,611**	**2,611**	**2,608**	**2,608**
		O	2,187	2,186	2,425	2,580	2,610	2,608	2,608
(Health research and training):									
(Appropriation, current)	552	BA	**213**	**227**	**212**	**212**	**212**	**212**	**212**
(Appropriation, permanent)		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
(Spending authority from offsetting collections)		BA	**66**	**66**	**107**	**107**	**107**	**107**	**107**
(Outlays)		O	289	289	337	316	317	320	320
Disease control, research, and training (gross)		BA	**2,454**	**2,680**	**2,931**	**2,931**	**2,931**	**2,928**	**2,928**
		O	2,476	2,475	2,762	2,896	2,927	2,928	2,928
Total, offsetting collections			–66	–66	–107	–107	–107	–107	–107
Total (Health research and training) (net)		BA	**214**	**228**	**213**	**213**	**213**	**213**	**213**
		O	223	223	230	209	210	213	213
Total Disease control, research, and training		BA	**2,388**	**2,614**	**2,824**	**2,824**	**2,824**	**2,821**	**2,821**
		O	2,410	2,409	2,655	2,789	2,820	2,821	2,821
Total Federal funds Centers for Disease Control and Prevention		BA	**2,388**	**2,614**	**2,824**	**2,824**	**2,824**	**2,821**	**2,821**
		O	2,410	2,409	2,655	2,789	2,820	2,821	2,821
National Institutes of Health									
Federal funds									
General and Special Funds:									
National Institutes of Health:									
Appropriation, current	552	BA	**13,632**	**15,612**	**15,893**	**15,893**	**15,893**	**15,893**	**15,893**
Appropriation, permanent		BA	**42**	**42**	**42**	**42**	**42**	**15**	**15**
Advance appropriation		BA	....	....	**40**	**40**	**40**	**40**	**40**
Spending authority from offsetting collections		BA	**1,125**	**1,160**	**1,187**	**1,187**	**1,187**	**1,187**	**1,187**
Outlays		O	13,311	15,194	16,655	17,100	17,158	17,141	17,137
National Institutes of Health (gross)		BA	**14,799**	**16,814**	**17,162**	**17,162**	**17,162**	**17,135**	**17,135**
		O	13,311	15,194	16,655	17,100	17,158	17,141	17,137
Change in orders on hand from Federal sources		BA	**–314**	....	....	....	....	....	....
Total, offsetting collections			–811	–1,160	–1,187	–1,187	–1,187	–1,187	–1,187
Total National Institutes of Health (net)		BA	**13,674**	**15,654**	**15,975**	**15,975**	**15,975**	**15,948**	**15,948**
		O	12,500	14,034	15,468	15,913	15,971	15,954	15,950
Substance Abuse and Mental Health Services Administration									
Federal funds									
General and Special Funds:									
Substance abuse and mental health services:									
Appropriation, current	551	BA	**2,147**	**2,488**	**2,627**	**2,627**	**2,627**	**2,627**	**2,627**
Advance appropriation		BA	**50**	....	....	**100**	....	....	....
Spending authority from offsetting collections		BA	**20**	**22**	**22**	**22**	**22**	**22**	**22**
Outlays		O	2,254	2,353	2,541	2,666	2,682	2,645	2,646
Substance abuse and mental health services (gross)		BA	**2,217**	**2,510**	**2,649**	**2,749**	**2,649**	**2,649**	**2,649**
		O	2,254	2,353	2,541	2,666	2,682	2,645	2,646

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–20	–22	–22	–22	–22	–22	–22
Total Substance abuse and mental health services (net)		BA	**2,197**	**2,488**	**2,627**	**2,727**	**2,627**	**2,627**	**2,627**
		O	2,234	2,331	2,519	2,644	2,660	2,623	2,624
Agency for Health Care Policy and Research									
Federal funds									
General and Special Funds:									
Health care policy and research:									
Appropriation, current	552	BA	**90**	**100**	**27**	**27**	**27**	**27**	**27**
Spending authority from offsetting collections		BA	**70**	**82**	**191**	**191**	**191**	**191**	**191**
Outlays		O	146	183	281	238	226	221	218
Health care policy and research (gross)		BA	**160**	**182**	**218**	**218**	**218**	**218**	**218**
		O	146	183	281	238	226	221	218
Change in orders on hand from Federal sources		BA	**–1**	....	....	....	....	....	....
Total, offsetting collections			–69	–82	–191	–191	–191	–191	–191
Total Health care policy and research (net)		BA	**90**	**100**	**27**	**27**	**27**	**27**	**27**
		O	77	101	90	47	35	30	27
Total Federal funds Public Health Service		BA	**25,081**	**28,416**	**29,271**	**29,402**	**29,275**	**29,150**	**29,145**
		O	23,620	26,042	28,398	29,138	29,251	29,198	29,164
Total Trust funds Public Health Service		BA	**61**	**70**	**70**	**70**	**70**	**70**	**70**
		O	64	70	70	70	73	73	73
Other Health Programs									
Health Care Financing Administration									
Federal funds									
General and Special Funds:									
Grants to States for Medicaid:									
Appropriation, current	551	BA	**71,602**	**74,721**	**86,087**	**91,767**	**98,353**	**105,898**	**114,241**
					[B] **–161**	[B] **–155**	[B] **–74**	[B] **425**	[B] **563**
Advance appropriation		BA	**27,989**	**27,801**	**28,734**	**30,589**	**32,784**	**35,299**	**38,080**
Spending authority from offsetting collections		BA	....	**60**	**565**	**825**	**1,040**	**1,080**	**1,160**
Outlays		O	101,234	108,594	115,386	123,181	132,178	142,277	153,481
					[B] –161	[B] –155	[B] –74	[B] 425	[B] 563
Grants to States for Medicaid (gross)		BA	**99,591**	**102,582**	**115,225**	**123,026**	**132,103**	**142,702**	**154,044**
		O	101,234	108,594	115,225	123,026	132,104	142,702	154,044
Total, offsetting collections			....	–60	–565	–825	–1,040	–1,080	–1,160
Total Grants to States for Medicaid (net)		BA	**99,591**	**102,522**	**114,660**	**122,201**	**131,063**	**141,622**	**152,884**
		O	101,234	108,534	114,660	122,201	131,064	141,622	152,884
Payments to health care trust funds:									
Appropriation, current	571	BA	**60,904**	**62,953**	**69,289**	**75,815**	**82,459**	**89,611**	**95,563**
					[J] **–469**	[J] **–648**	[J] **–713**	[J] **–775**	[J] **–728**
Appropriation, permanent		BA	**5,129**	**6,285**	**6,498**	**6,902**	**7,342**	**7,805**	**8,270**
Outlays		O	65,184	68,941	75,787	82,717	89,801	97,416	103,833
					[J] –469	[J] –648	[J] –713	[J] –775	[J] –728
Total Payments to health care trust funds		BA	**66,033**	**69,238**	**75,318**	**82,069**	**89,088**	**96,641**	**103,105**
		O	65,184	68,941	75,318	82,069	89,088	96,641	103,105
Program management									
(Health care services):									
(Appropriation, current)	551	BA	**44**	....	....	....	....	....	....
(Spending authority from offsetting collections)		BA	**1,836**	**2,037**	**2,106**	**2,106**	**2,106**	**2,106**	**2,106**
					[J] **50**	[J] **50**	[J] **50**	[J] **50**	[J] **50**
(Outlays)		O	1,680	2,057	2,106	2,106	2,106	2,106	2,106
					[J] 50	[J] 50	[J] 50	[J] 50	[J] 50
Program management (gross)		BA	**1,880**	**2,037**	**2,156**	**2,156**	**2,156**	**2,156**	**2,156**
		O	1,680	2,057	2,156	2,156	2,156	2,156	2,156

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
(Adjustment to orders on hand from Federal sources)		BA	–114						
Total, offsetting collections			–1,722	–2,037	–2,106 [J] –50	–2,106 [J] –50	–2,106 [J] –50	–2,106 [J] –50	–2,106 [J] –50
Total (Health care services) (net)		BA	44						
		O	–42	20					
(Health research and training):									
(Appropriation, permanent)	552	BA			[B] 10	[B] 190	[B] 250	[B] 300	
(Spending authority from offsetting collections)		BA	52	50	55	55	55	55	55
(Outlays)		O	53	50	55 [B] 10	55 [B] 190	55 [B] 250	55 [B] 300	55
Program management (gross)		BA	96	50	65	245	305	355	55
		O	11	70	65	245	305	355	55
Total, offsetting collections			–52	–50	–55	–55	–55	–55	–55
Total (Health research and training) (net)		BA			10	190	250	300	
		O	1		10	190	250	300	
Total Program management		BA	44		10	190	250	300	
		O	–41	20	10	190	250	300	
State children's health insurance fund:									
Appropriation, permanent	551	BA	4,235	4,247	4,215 [B] 34	4,215 [B] 34	3,090 [B] 25	3,150 [B] 25	3,150 [B] 25
Outlays		O	5	1,437	1,900 [B] 36	2,800 [B] 521	3,520 [B] 512	4,320 [B] 7	4,645 [B] –48
Total State children's health insurance fund		BA	4,235	4,247	4,249	4,249	3,115	3,175	3,175
		O	5	1,437	1,936	3,321	4,032	4,327	4,597
Public Enterprise Funds:									
Health maintenance organization loan and loan guarantee fund:									
Spending authority from offsetting collections	551	BA	2	2	1				
Health maintenance organization loan and loan guarantee fund (gross)		BA	2	2	1				
Total, offsetting collections			–2	–2	–1				
Total Health maintenance organization loan and loan guarantee fund (net)		BA							
		O	–2	–2	–1				
Trust funds									
Federal hospital insurance trust fund:									
Appropriation, current	571	BA	1,196	1,331	1,423 [J] –116	1,423 [J] –116	1,423 [J] –116	1,423 [J] –116	1,423 [J] –116
Appropriation, permanent		BA	135,341	145,005	144,562 [B] –163 [O] –645	150,880 [B] –189 [O] –580	153,250 [B] –5 [O] –677	162,507 [B] –85 [O] –641	170,540 [B] –44 [O] –703
Outlays		O	136,690	146,018	146,106 [B] –163 [J] –116 [O] –645	152,471 [B] –189 [J] –116 [O] –580	154,321 [B] –5 [J] –116 [O] –677	164,080 [B] –85 [J] –116 [O] –641	172,161 [B] –44 [J] –116 [O] –703
Total Federal hospital insurance trust fund		BA	136,537	146,336	145,061	151,418	153,875	163,088	171,100
		O	136,690	146,018	145,182	151,586	153,523	163,238	171,298
Health care fraud and abuse control account:									
Appropriation, permanent	571	BA	659	764	864	950	1,010	1,075	1,075
Spending authority from offsetting collections		BA	1						
Outlays		O	609	860	864	950	1,010	1,075	1,075
Health care fraud and abuse control account (gross)		BA	660	764	864	950	1,010	1,075	1,075
		O	609	860	864	950	1,010	1,075	1,075
Total, offsetting collections			–1						
Total Health care fraud and abuse control account (net)		BA	659	764	864	950	1,010	1,075	1,075
		O	608	860	864	950	1,010	1,075	1,075

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Federal supplementary medical insurance trust fund:									
Appropriation, current	571	BA	1,527	1,658	1,697	1,697	1,697	1,697	1,697
					[J] –78	[J] –78	[J] –78	[J] –78	[J] –78
Appropriation, permanent		BA	74,841	77,797	92,326	102,160	106,529	117,566	125,605
					[B] –115	[B] –112	[B] –3	[B] –46	[B] –23
					[O] –455	[O] –340	[O] –353	[O] –339	[O] –367
Spending authority from offsetting collections		BA	978	13,417	8,311	5,723	3,720	1,000	....
Outlays		O	77,250	92,821	102,368	109,626	111,858	120,290	127,349
					[B] –115	[B] –112	[B] –3	[B] –46	[B] –23
					[J] –78	[J] –78	[J] –78	[J] –78	[J] –78
					[O] –455	[O] –340	[O] –353	[O] –339	[O] –367
Federal supplementary medical insurance trust fund (gross)		BA	77,346	92,872	101,686	109,050	111,512	119,800	126,834
		O	77,250	92,821	101,720	109,096	111,424	119,827	126,881
Total, offsetting collections			–978	–13,417	–8,311	–5,723	–3,720	–1,000	....
Total Federal supplementary medical insurance trust fund (net)		BA	76,368	79,455	93,375	103,327	107,792	118,800	126,834
		O	76,272	79,404	93,409	103,373	107,704	118,827	126,881
Total Federal funds Health Care Financing Administration		BA	169,903	176,007	194,237	208,709	223,516	241,738	259,164
		O	166,380	178,930	191,923	207,781	224,434	242,890	260,586
Total Trust funds Health Care Financing Administration		BA	213,564	226,555	239,300	255,695	262,677	282,963	299,009
		O	213,570	226,282	239,455	255,909	262,237	283,140	299,254
Total Federal funds Health Programs		BA	194,984	204,423	223,508	238,111	252,791	270,888	288,309
		O	190,000	204,972	220,321	236,919	253,685	272,088	289,750
Total Trust funds Health Programs		BA	213,625	226,625	239,370	255,765	262,747	283,033	299,079
		O	213,634	226,352	239,525	255,979	262,310	283,213	299,327

Administration for Children and Families

Federal funds

General and Special Funds:

Account			1998 actual	1999	2000	2001	2002	2003	2004
Temporary assistance for needy families:									
Appropriation, permanent	609	BA	16,672	17,053	17,087	17,142	16,824	16,824	16,824
					[O] –83	[O] –158			
Outlays		O	13,284	13,071	14,496	15,312	16,422	17,565	18,648
					[B] –364	[B] 187	[B] 90	[B] 20	[B] 117
					[O] –45	[O] –87	[O] –48	[O] –41	[O] –20
Total Temporary assistance for needy families		BA	16,672	17,053	17,004	16,984	16,824	16,824	16,824
		O	13,284	13,071	14,087	15,412	16,464	17,544	18,745
Contingency fund:									
Appropriation, current	609	BA			[J] –1,644				
Appropriation, permanent		BA	1,960	....	....	....	....	....	....
Outlays		O	2	....	3	18	50	80	86
Total Contingency fund		BA	1,960	....	–1,644	....	....	....	....
		O	2	....	3	18	50	80	86
Payments to states for child support enforcement and family support programs:									
Appropriation, current	609	BA	....	1,989	....	1,919	2,500	2,680	2,910
					[B] –9	[B] 32	[B] 31	[B] 31	[B] 30
Advance appropriation		BA	607	660	750	650	850	950	1,000
Spending authority from offsetting collections		BA	403	426	419	431	503	514	502
					[B] –65	[B] –60	[B] –53	[B] –53	[B] –48
Outlays		O	2,574	3,164	3,369	3,480	3,831	4,088	4,359
					[B] –74	[B] –28	[B] –22	[B] –22	[B] –18
Payments to states for child support enforcement and family support programs (gross)		BA	1,010	3,075	1,095	2,972	3,831	4,122	4,394
		O	2,574	3,164	3,295	3,452	3,809	4,066	4,341
Total, offsetting collections			–403	–426	–419	–431	–503	–514	–502
					[B] 65	[B] 60	[B] 53	[B] 53	[B] 48
Total Payments to states for child support enforcement and family support programs (net)		BA	607	2,649	741	2,601	3,381	3,661	3,940
		O	2,171	2,738	2,941	3,081	3,359	3,605	3,887

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Low income home energy assistance:									
Appropriation, permanent	609	BA	160						
Advance appropriation		BA	1,000	1,100	1,100	1,100	1,100	1,100	1,100
Outlays		O	1,132	1,134	1,134	1,100	1,100	1,100	1,100
Total Low income home energy assistance		BA	1,160	1,100	1,100	1,100	1,100	1,100	1,100
		O	1,132	1,134	1,134	1,100	1,100	1,100	1,100
Refugee and entrant assistance:									
Appropriation, current	609	BA	420	415	431	431	431	431	431
Reappropriation		BA	3	20	12	12	12	12	12
Outlays		O	325	420	429	438	441	443	443
Total Refugee and entrant assistance		BA	423	435	443	443	443	443	443
		O	325	420	429	438	441	443	443
Promoting safe and stable families:									
Appropriation, current	506	BA	255	275	295	305	305	305	305
Outlays		O	214	224	257	288	299	303	305
Job opportunities and basic skills training program:									
Outlays	504	O	48	39	15	8			
State legalization impact assistance grants:									
Outlays	506	O	–4						
Child care entitlement to States:									
Appropriation, permanent	609	BA	2,067	2,167	2,367	2,567	2,717	2,717	2,717
					[B]1,755	[B]1,880	[B]2,000	[B]2,200	[B]2,665
Reappropriation		BA	3						
Outlays		O	2,028	2,302	2,460	2,581	2,707	2,714	2,717
					[B]1,200	[B]1,601	[B]1,936	[B]2,149	[B]2,516
Total Child care entitlement to States		BA	2,070	2,167	4,122	4,447	4,717	4,917	5,382
		O	2,028	2,302	3,660	4,182	4,643	4,863	5,233
Payments to States for the child care and development block grant:									
Appropriation, current	609	BA	1,002						
Advance appropriation		BA		1,000	1,183	1,183	1,183	1,183	1,183
Outlays		O	1,094	1,004	1,117	1,157	1,181	1,183	1,183
Total Payments to States for the child care and development block grant		BA	1,002	1,000	1,183	1,183	1,183	1,183	1,183
		O	1,094	1,004	1,117	1,157	1,181	1,183	1,183
Social services block grant:									
Appropriation, current	506	BA	2,299	1,909	2,380	1,700	1,700	1,700	1,700
Outlays		O	2,441	2,050	2,445	1,812	1,707	1,700	1,700
Children and families services programs:									
Appropriation, current	506	BA	5,677	6,032	6,588	6,588	6,588	6,588	6,588
Spending authority from offsetting collections		BA	13	13	13	13	13	13	13
Outlays		O	5,342	5,854	6,223	6,588	6,627	6,599	6,600
Children and families services programs (gross)		BA	5,690	6,045	6,601	6,601	6,601	6,601	6,601
		O	5,342	5,854	6,223	6,588	6,627	6,599	6,600
Total, offsetting collections			–13	–13	–13	–13	–13	–13	–13
Total Children and families services programs (net)		BA	5,677	6,032	6,588	6,588	6,588	6,588	6,588
		O	5,329	5,841	6,210	6,575	6,614	6,586	6,587
Violent crime reduction programs:									
Appropriation, current	754	BA	93	105	119	119	119	119	119
Outlays		O	39	79	105	116	119	119	119
Children's research and technical assistance:									
Appropriation, current	609	BA	–2						
Appropriation, permanent		BA	55	52	62	63	63	64	64
Spending authority from offsetting collections		BA	3	3	3	3	3	3	3
Outlays		O	38	52	58	62	65	66	66
Children's research and technical assistance (gross)		BA	56	55	65	66	66	67	67
		O	38	52	58	62	65	66	66

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–3	–3	–3	–3	–3	–3	–3
Total Children's research and technical assistance (net)		BA	**53**	**52**	**62**	**63**	**63**	**64**	**64**
		O	35	49	55	59	62	63	63
Payments to states for foster care and adoption assistance:									
Appropriation, current	506	BA	**3,200**	**3,764**	**4,272**	**4,616**	**5,042**	**5,519**	**6,018**
					[B] **40**	[B] **34**	[B] **36**	[B] **46**	[B] **26**
Advance appropriation		BA	**1,111**	**1,158**	**1,355**	**1,538**	**1,680**	**1,839**	**2,006**
						[B] **11**	[B] **14**	[B] **9**	[B] **9**
Outlays		O	4,451	4,939	5,485	6,081	6,679	7,281	7,931
					[B] 6	[B] 31	[B] 43	[B] 49	[B] 51
Total Payments to states for foster care and adoption assistance		BA	**4,311**	**4,922**	**5,667**	**6,199**	**6,772**	**7,413**	**8,059**
		O	4,451	4,939	5,491	6,112	6,722	7,330	7,982
Total Federal funds Administration for Children and Families		BA	**36,582**	**37,699**	**38,060**	**41,732**	**43,195**	**44,317**	**45,707**
		O	32,589	33,890	37,949	40,358	42,761	44,919	47,433
Administration on Aging									
Federal funds									
General and Special Funds:									
Aging services programs:									
Appropriation, current	506	BA	**865**	**882**	**923**	**923**	**923**	**923**	**923**
					[J] **125**	[J] **125**	[J] **125**	[J] **125**	[J] **125**
Outlays		O	828	864	890	893	924	923	923
					[J] 81	[J] 118	[J] 125	[J] 125	[J] 125
Total Aging services programs		BA	**865**	**882**	**1,048**	**1,048**	**1,048**	**1,048**	**1,048**
		O	828	864	971	1,011	1,049	1,048	1,048
Departmental Management									
Federal funds									
General and Special Funds:									
General departmental management:									
Appropriation, current	551	BA	**202**	**616**	**604**	**604**	**604**	**604**	**604**
Spending authority from offsetting collections		BA	**93**	**97**	**98**	**98**	**98**	**98**	**98**
Outlays		O	239	563	622	689	702	703	703
General departmental management (gross)		BA	**295**	**713**	**702**	**702**	**702**	**702**	**702**
		O	239	563	622	689	702	703	703
Change in orders on hand from Federal sources		BA	**–45**						
Total, offsetting collections			–48	–97	–98	–98	–98	–98	–98
Total General departmental management (net)		BA	**202**	**616**	**604**	**604**	**604**	**604**	**604**
		O	191	466	524	591	604	605	605
Public health services for the uninsured:									
Appropriation, current	551	BA			[J] **25**	[J] **250**	[J] **250**	[J] **250**	[J] **250**
Outlays		O			[J] 4	[J] 53	[J] 193	[J] 239	[J] 250
Total Federal funds Departmental Management		BA	**202**	**616**	**629**	**854**	**854**	**854**	**854**
		O	191	466	528	644	797	844	855
Program Support Center									
Federal funds									
General and Special Funds:									
Retirement pay and medical benefits for commissioned officers:									
Appropriation, current	551	BA	**191**	**202**	**215**	**229**	**243**	**258**	**273**
Outlays		O	186	199	213	227	241	256	271
Health activities funds:									
Outlays	552	O	1	1	1	1			
Intragovernmental Funds:									
HHS service and supply fund:									
Spending authority from offsetting collections	551	BA	**359**	**381**	**409**	**409**	**409**	**409**	**409**

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	357	340	409	409	409	409	409
HHS service and supply fund (gross)		BA	**359**	**381**	**409**	**409**	**409**	**409**	**409**
		O	357	340	409	409	409	409	409
Change in orders on hand from Federal sources		BA	**–42**	....	....	....	....	....	....
Total, offsetting collections			–317	–381	–409	–409	–409	–409	–409
Total HHS service and supply fund (net)		BA	....	....	....	....	....	....	....
		O	40	–41	....	....	....	....	....
Trust funds									
Miscellaneous trust funds:									
Appropriation, permanent	551	BA	**53**	**53**	**53**	**53**	**53**	**53**	**53**
Outlays		O	56	46	48	50	51	52	52
Total Federal funds Program Support Center		BA	**191**	**202**	**215**	**229**	**243**	**258**	**273**
		O	227	159	214	228	241	256	271
Total Trust funds Program Support Center		BA	**53**	**53**	**53**	**53**	**53**	**53**	**53**
		O	56	46	48	50	51	52	52

Office of the Inspector General

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Office of the Inspector General:									
Appropriation, current	551	BA	**32**	**29**	**32**	**32**	**32**	**32**	**32**
Spending authority from offsetting collections		BA	**9**	**14**	**14**	**14**	**14**	**14**	**14**
Outlays		O	50	42	46	46	46	46	46
Office of the Inspector General (gross)		BA	**41**	**43**	**46**	**46**	**46**	**46**	**46**
		O	50	42	46	46	46	46	46
Total, offsetting collections			–9	–14	–14	–14	–14	–14	–14
Total Office of the Inspector General (net)		BA	**32**	**29**	**32**	**32**	**32**	**32**	**32**
		O	41	28	32	32	32	32	32

Summary

Account			1998 actual	1999	2000	2001	2002	2003	2004
Federal funds:									
(As shown in detail above)		BA	**232,856**	**243,851**	**263,492**	**282,006**	**298,163**	**317,397**	**336,223**
		O	223,876	240,379	260,015	279,192	298,565	319,187	339,389
Deductions for offsetting receipts:									
Proprietary receipts from the public	551	BA/O	*–5*	*–5*	*–5*	*–5*	*–5*	*–5*	*–5*
	552	BA/O	*–16*	*–16*	*–16*	*–16*	*–16*	*–16*	*–16*
	554	BA/O	*–1*	*–1*	*–1*	*–1*	*–1*	*–1*	*–1*
	609	BA/O	*–1,007*	*–945*	*–965*	*–974*	*–939*	*–927*	*–947*
					[B] *–65*	[B] *–66*	[B] *–87*	[B] *–117*	[B] *–129*
Total Federal funds		BA	**231,827**	**242,884**	**262,440**	**280,944**	**297,115**	**316,331**	**335,125**
		O	222,847	239,412	258,963	278,130	297,517	318,121	338,291
Trust funds:									
(As shown in detail above)		BA	**213,678**	**226,678**	**239,423**	**255,818**	**262,800**	**283,086**	**299,132**
		O	213,690	226,398	239,573	256,029	262,361	283,265	299,379
Deductions for offsetting receipts:									
Proprietary receipts from the public	551	BA/O	*–35*	*–35*	*–35*	*–35*	*–35*	*–35*	*–35*
	571	BA/O	*–20,747*	*–21,299*	*–22,969*	*–25,004*	*–27,127*	*–30,085*	*–32,252*
					[B] *135*	[B] *–275*	[B] *–488*	[B] *–562*	[B] *–687*
	908	BA/O	*–4*	....	....	....	....	....	....
Total Trust funds		BA	**192,892**	**205,344**	**216,554**	**230,504**	**235,150**	**252,404**	**266,158**
		O	192,904	205,064	216,704	230,715	234,711	252,583	266,405
Interfund transactions	571	BA/O	*–65,183*	*–68,944*	*–75,809*	*–82,745*	*–89,832*	*–97,424*	*–103,833*
					[J] *469*	[J] *648*	[J] *713*	[J] *775*	[J] *728*
Total Department of Health and Human Services		BA	**359,536**	**379,284**	**403,654**	**429,351**	**443,146**	**472,086**	**498,178**
		O	350,568	375,532	400,327	426,748	443,109	474,055	501,591

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Public and Indian Housing Programs									
Federal funds									
General and Special Funds:									
Housing certificate fund:									
Appropriation, current	604	BA	**9,373**	**9,491**	**7,426**	**7,322**	**7,322**	**7,322**	**7,322**
Advance appropriation		BA	...	...	...	**4,200**	**4,200**	**4,200**	**4,200**
Outlays		O	6,870	7,364	9,868	8,876	7,803	7,561	7,134
Total Housing certificate fund		BA	**9,373**	**9,491**	**7,426**	**11,522**	**11,522**	**11,522**	**11,522**
		O	6,870	7,364	9,868	8,876	7,803	7,561	7,134
Section 8 reserve preservation account:									
Appropriation, current	604	BA	**–2,897**	...	...	...	...	...	...
Outlays		O	...	350	...	...	...	...	...
Annual contributions for assisted housing:									
Appropriation, current	604	BA	...	**–819**	**–104**	...	...	...	...
Outlays		O	9,822	8,459	6,576	6,070	5,258	4,575	4,058
Public housing capital fund:									
Appropriation, current	604	BA	**2,500**	**3,000**	**2,555**	**2,555**	**2,555**	**2,555**	**2,555**
Outlays		O	3,321	2,703	3,151	3,429	3,378	3,317	3,231
Public housing operating fund:									
Appropriation, current	604	BA	**2,900**	**2,818**	**3,003**	**3,003**	**3,003**	**3,003**	**3,003**
Outlays		O	3,116	2,806	2,907	3,001	3,003	3,003	3,003
Drug elimination grants for low-income housing:									
Appropriation, current	604	BA	**310**	**310**	**310**	**310**	**310**	**310**	**310**
Outlays		O	281	274	326	458	305	260	277
Revitalization of severely distressed public housing (HOPE VI):									
Appropriation, current	604	BA	**550**	**625**	**625**	**625**	**625**	**625**	**625**
Outlays		O	237	517	588	601	632	533	586
Native American housing block grant:									
Appropriation, current	604	BA	**600**	**620**	**620**	**620**	**620**	**620**	**620**
Outlays		O	453	701	665	815	774	701	651
Limitation on loan guarantee commitments			(45)	(54)	(45)	(45)	(45)	(45)	(45)
Public Enterprise Funds:									
Low-rent public housing—loans and other expenses:									
Authority to borrow, permanent	604	BA	**37**	**50**	**40**	**40**	**40**	**40**	**40**
Spending authority from offsetting collections		BA	**83**	**59**	**40**	**71**	**71**	**74**	**74**
Outlays		O	125	137	85	40	86	81	81
Low-rent public housing—loans and other expenses (gross)		BA	**120**	**109**	**80**	**111**	**111**	**114**	**114**
		O	125	137	85	40	86	81	81
Total, offsetting collections			–83	–59	–40	–71	–71	–74	–74
Total Low-rent public housing—loans and other expenses (net)		BA	**37**	**50**	**40**	**40**	**40**	**40**	**40**
		O	42	78	45	–31	15	7	7
Credit Accounts:									
Indian housing loan guarantee fund program account:									
Appropriation, current	371	BA	**5**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	3	4	7	7	7	8	6
Limitation on loan guarantee commmitments			(62)	(69)	(72)	(72)	(72)	(72)	(72)
Total Federal funds Public and Indian Housing Programs		BA	**13,378**	**16,101**	**14,481**	**18,681**	**18,681**	**18,681**	**18,681**
		O	24,145	23,256	24,133	23,226	21,175	19,965	18,953
Community Planning and Development									
Federal funds									
General and Special Funds:									
Housing opportunities for persons with AIDS:									
Appropriation, current	604	BA	**204**	**225**	**240**	**240**	**240**	**240**	**240**
Outlays		O	200	165	191	211	247	233	239
Community development block grants:									
Appropriation, current	451	BA	**4,925**	**4,873**	**4,725**	**4,725**	**4,725**	**4,725**	**4,725**
					[J] **50**	[J] **50**	[J] **50**	[J] **50**	[J] **50**

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	4,621	4,964	4,855	4,801	4,754	4,711	4,731
					[J]1	[J]17	[J]38	[J]46	[J]48
Total Community development block grants		BA	**4,925**	**4,873**	**4,775**	**4,775**	**4,775**	**4,775**	**4,775**
		O	4,621	4,964	4,856	4,818	4,792	4,757	4,779
Regional connections:									
Appropriation, current	452	BA			[J]**50**	[J]**50**	[J]**50**	[J]**50**	[J]**50**
Outlays		O			[J]1	[J]17	[J]38	[J]46	[J]48
Redevelopment of abandoned buildings:									
Appropriation, current	451	BA			[J]**50**	[J]**50**	[J]**50**	[J]**50**	[J]**50**
Outlays		O			[J]1	[J]17	[J]38	[J]46	[J]48
Urban empowerment zones:									
Appropriation, current	451	BA	**5**	**45**	....	....	....	....	....
Appropriation, permanent		BA			[B]**150**	[B]**150**	[B]**150**	[B]**150**	[B]**150**
Outlays		O	1	4	16	19	7	2	2
					[B]3	[B]51	[B]114	[B]138	[B]144
Total Urban empowerment zones		BA	**5**	**45**	**150**	**150**	**150**	**150**	**150**
		O	1	4	19	70	121	140	146
Regional empowerment zone initiative:									
Appropriation, current	451	BA			[J]**50**	[J]**50**	[J]**50**	[J]**50**	[J]**50**
Outlays		O			[J]1	[J]17	[J]38	[J]46	[J]48
Brownfields redevelopment:									
Appropriation, current	451	BA	**25**	**25**	**50**	**50**	**50**	**50**	**50**
Outlays		O	....	10	20	32	43	47	49
Youthbuild program:									
Outlays	604	O	9	4	....	....	....	....	....
Home investment partnership program:									
Appropriation, current	604	BA	**1,500**	**1,600**	**1,585**	**1,585**	**1,585**	**1,585**	**1,585**
					[J]**25**	[J]**25**	[J]**25**	[J]**25**	[J]**25**
Outlays		O	1,286	1,500	1,656	1,730	1,596	1,587	1,585
					[J]1	[J]5	[J]14	[J]21	[J]25
Total Home investment partnership program		BA	**1,500**	**1,600**	**1,610**	**1,610**	**1,610**	**1,610**	**1,610**
		O	1,286	1,500	1,657	1,735	1,610	1,608	1,610
Homeless assistance grants:									
Appropriation, current	604	BA	**823**	**975**	**1,020**	**1,020**	**1,020**	**1,020**	**1,020**
Outlays		O	463	688	961	1,099	1,198	1,245	1,164
Homeless assistance demonstration program:									
Appropriation, current	604	BA	....	....	**5**	**5**	**5**	**5**	**5**
Outlays		O	....	....	....	1	2	3	5
Rural housing and economic development:									
Appropriation, current	604	BA	....	**32**	....	....	....	....	....
					[J]**20**	[J]**20**	[J]**20**	[J]**20**	[J]**20**
Outlays		O	....	1	10	13	5	1	1
						[J]6	[J]15	[J]18	[J]19
Total Rural housing and economic development		BA	....	**32**	**20**	**20**	**20**	**20**	**20**
		O	....	1	10	19	20	19	20
Urban development action grants:									
Outlays	451	O	6	9	10	15	20	20	20
Capacity building for community development and affordable housing:									
Outlays	451	O	7	16	5	5	3	....	....
Emergency shelter grants program:									
Outlays	604	O	1	1	....	....	....	....	....
Supportive housing program:									
Appropriation, current	604	BA	**–6**	....	....	....	....	....	....
Outlays		O	133	121	....	....	....	....	....
Supplemental assistance for facilities to assist the homeless:									
Outlays	451	O	....	2	....	....	....	....	....
Shelter plus care:									
Outlays	604	O	71	50	....	....	....	....	....
Innovative homeless initiatives demonstration program:									
Outlays	604	O	19	14	....	....	....	....	....
National cities in schools community development program:									
Appropriation, current	451	BA	....	**5**	....	....	....	....	....
Outlays		O	....	1	4	1	....	....	....

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Public Enterprise Funds:									
Revolving fund (liquidating programs):									
Spending authority from offsetting collections	451	BA	**60**	**55**	**42**	**40**	**37**	**28**	**19**
Outlays		O	9	23	11	10	9	6	5
Revolving fund (liquidating programs) (gross)		BA	**60**	**55**	**42**	**40**	**37**	**28**	**19**
		O	9	23	11	10	9	6	5
Total, offsetting collections			–60	–55	–42	–40	–37	–28	–19
Total Revolving fund (liquidating programs) (net)		BA	....	....	....	....	....	....	....
		O	–51	–32	–31	–30	–28	–22	–14
Credit Accounts:									
Community development loan guarantees program account:									
Appropriation, current	451	BA	**30**	**30**	**30**	**30**	**30**	**30**	**30**
Outlays		O	6	16	23	24	30	30	30
Limitations on guaranteed loan commitments			(1,261)	(1,261)	(1,261)	(1,261)	(1,261)	(1,261)	(1,261)
Community development loan guarantees liquidating account:									
Spending authority from offsetting collections	451	BA	**6**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	6	....	....	....	....	....	....
Community development loan guarantees liquidating account (gross)		BA	**6**	**4**	**4**	**4**	**4**	**4**	**4**
		O	6	....	....	....	....	....	....
Total, offsetting collections			–6	–4	–4	–4	–4	–4	–4
Total Community development loan guarantees liquidating account (net)		BA	....	....	....	....	....	....	....
		O	....	–4	–4	–4	–4	–4	–4
America's private investment companies program account:									
Appropriation, current	451	BA			[J] **37**	[J] **37**	[J] **37**	[J] **37**	[J] **37**
Outlays		O			[J] 27	[J] 30	[J] 33	[J] 35	[J] 37
Limitations on guaranteed loan commitments					[J] (1,000)	[J] (1,000)	[J] (1,000)	[J] (1,000)	[J] (1,000)
Total Federal funds Community Planning and Development		BA	**7,506**	**7,810**	**8,087**	**8,087**	**8,087**	**8,087**	**8,087**
		O	6,772	7,530	7,751	8,077	8,201	8,249	8,225

Housing Programs

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Housing for special populations:									
Appropriation, current	604	BA	**839**	**854**	**854**	**854**	**854**	**854**	**854**
Outlays		O	824	809	946	1,306	1,470	1,806	1,916
Elderly vouchers:									
Appropriation, permanent	604	BA			[B] **87**	[B] **88**	[B] **90**	[B] **92**	[B] **94**
Outlays		O			[B] 8	[B] 46	[B] 77	[B] 78	[B] 80
Other assisted housing programs (Housing assistance):									
(Appropriation, current)	604	BA	**–125**	....	....	....	....	....	....
(Outlays)		O	734	771	765	673	673	671	698
Total Other assisted housing programs		BA	**–125**	....	....	....	....	....	....
		O	734	771	765	673	673	671	698
Homeownership and opportunity for people everywhere grants (HOPE grants):									
Outlays	604	O	29	30	30	30	11	....	....
Congregate services:									
Outlays	604	O	7	7	2	....	....	....	....
Housing counseling assistance:									
Outlays	506	O	....	2	....	....	....	....	....
Section 8 moderate rehabilitation, single room occupancy:									
Outlays	604	O	29	46	....	....	....	....	....
Capital grants/Capital loans preservation account:									
Appropriation, current	604	BA	**10**	....	....	....	....	....	....
Manufactured home inspection and monitoring:									
Appropriation, permanent	376	BA	**14**	**15**	**16**	**17**	**18**	**19**	**20**
Outlays		O	16	17	17	18	19	19	20
Interstate land sales:									
Appropriation, permanent	376	BA	....	**1**	**1**	**1**	**1**	**1**	**1**

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	....	1	1	1	1	1	1
Public Enterprise Funds:									
Rental housing assistance fund:									
Spending authority from offsetting collections	604	BA	44	39	35	32	30	29	27
Outlays		O	59	46	35	32	30	29	27
Rental housing assistance fund (gross)		BA	44	39	35	32	30	29	27
		O	59	46	35	32	30	29	27
Total, offsetting collections			–44	–39	–35	–32	–30	–29	–27
Total Rental housing assistance fund (net)		BA	....	....	....	....	....	....	....
		O	15	7	....	....	....	....	....
Flexible Subsidy Fund:									
Spending authority from offsetting collections	604	BA	71	54	50	50	50	50	50
Outlays		O	35	21	7	....	....	....	....
Flexible Subsidy Fund (gross)		BA	71	54	50	50	50	50	50
		O	35	21	7	....	....	....	....
Change in orders on hand from Federal sources		BA	3	....	....	....	....	....	....
Total, offsetting collections			–74	–54	–50	–50	–50	–50	–50
Total Flexible Subsidy Fund (net)		BA	....	....	....	....	....	....	....
		O	–39	–33	–43	–50	–50	–50	–50
Homeownership assistance fund:									
Spending authority from offsetting collections	604	BA	2	2	2	2	2	2	2
Homeownership assistance fund (gross)		BA	2	2	2	2	2	2	2
Total, offsetting collections			–2	–2	–2	–2	–2	–2	–2
Nehemiah housing opportunity fund:									
Outlays	604	O	1	5	8	10	4	....	....
Credit Accounts:									
FHA-mutual mortgage insurance program account:									
Appropriation, current	371	BA	338	329	491	491	491	491	491
Appropriation, permanent		BA	....	1,264	....	....	....	....	....
Outlays		O	338	1,593	451	491	491	491	491
Limitation on direct loan activity			(338)	(329)	(491)	(491)	(491)	(491)	(491)
Total FHA-mutual mortgage insurance program account		BA	338	1,593	491	491	491	491	491
		O	338	1,593	451	491	491	491	491
FHA-Mutual mortgage and cooperative housing insurance funds liquidating account:									
Spending authority from offsetting collections	371	BA	4,425	6,135	5,039	4,583	3,000	3,171	3,421
Outlays		O	2,872	3,998	2,729	2,234	2,037	1,840	1,783
FHA-Mutual mortgage and cooperative housing insurance funds liquidating account (gross)		BA	4,425	6,135	5,039	4,583	3,000	3,171	3,421
		O	2,872	3,998	2,729	2,234	2,037	1,840	1,783
Total, offsetting collections			–4,425	–6,135	–5,207	–4,735	–3,143	–3,305	–3,545
Total FHA-Mutual mortgage and cooperative housing insurance funds liquidating account (net)		BA	....	....	–168	–152	–143	–134	–124
		O	–1,553	–2,137	–2,478	–2,501	–1,106	–1,465	–1,762
FHA-General and special risk program account:									
Appropriation, current	371	BA	303	292	208	208	208	208	208
Appropriation, permanent		BA	1,076	....	....	....	....	....	....
Reappropriation		BA	16	....	....	....	....	....	....
Outlays		O	1,500	364	472	246	272	257	208
Limitation on direct loan activity			(120)	(50)	(50)	(50)	(50)	(50)	(50)
Limitation on loan guarantee commmitments			(17,400)	(18,100)	(18,100)	(18,100)	(18,100)	(18,100)	(18,100)
Total FHA-General and special risk program account		BA	1,395	292	208	208	208	208	208
		O	1,500	364	472	246	272	257	208
FHA-General and special risk insurance funds liquidating account:									
Appropriation, permanent	371	BA	....	....	1,269	2,220	752	607	420
Authority to borrow, permanent		BA	134	46	46	46	46	46	46

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Spending authority from offsetting collections		BA	**734**	**577**	**449**	**487**	**448**	**525**	**472**
Outlays		O	1,139	1,512	1,754	2,606	1,199	1,130	889
FHA-General and special risk insurance funds liquidating account (gross)		BA	**868**	**623**	**1,764**	**2,753**	**1,246**	**1,178**	**938**
		O	1,139	1,512	1,754	2,606	1,199	1,130	889
Total, offsetting collections			–734	–577	–600	–623	–576	–645	–583
Total FHA-General and special risk insurance funds liquidating account (net)		BA	**134**	**46**	**1,164**	**2,130**	**670**	**533**	**355**
		O	405	935	1,154	1,983	623	485	306
Housing for the elderly or handicapped fund liquidating account:									
Spending authority from offsetting collections	371	BA	**779**	**751**	**751**	**751**	**751**	**751**	**751**
Outlays		O	417	387	305				
Housing for the elderly or handicapped fund liquidating account (gross)		BA	**779**	**751**	**751**	**751**	**751**	**751**	**751**
		O	417	387	305				
Total, offsetting collections			–779	–751	–751	–751	–751	–751	–751
Total Housing for the elderly or handicapped fund liquidating account (net)		BA							
		O	–362	–364	–446	–751	–751	–751	–751
Total Federal funds Housing Programs		BA	**2,605**	**2,801**	**2,653**	**3,637**	**2,189**	**2,064**	**1,899**
		O	1,942	2,051	885	1,500	1,732	1,540	1,155

Government National Mortgage Association

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
Credit Accounts:									
Guarantees of mortgage-backed securities loan guarantee program account:									
Appropriation, current	371	BA	**9**	**9**	**15**	**15**	**15**	**15**	**15**
Outlays		O	9	9	15	15	15	15	15
Limitations on loan guaranteed loan commitments			(130,000)	(150,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
Guarantees of mortgage-backed securities liquidating account:									
Spending authority from offsetting collections	371	BA	**513**	**406**	**118**	**115**	**109**	**103**	**103**
Outlays		O	447	5,873	114				
Guarantees of mortgage-backed securities liquidating account (gross)		BA	**513**	**406**	**118**	**115**	**109**	**103**	**103**
		O	447	5,873	114				
Total, offsetting collections			–513	–406	–118	–115	–109	–103	–103
Total Guarantees of mortgage-backed securities liquidating account (net)		BA							
		O	–66	5,467	–4	–115	–109	–103	–103
Total Federal funds Government National Mortgage Association		BA	**9**	**9**	**15**	**15**	**15**	**15**	**15**
		O	–57	5,476	11	–100	–94	–88	–88

Policy Development and Research

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Research and technology:									
Appropriation, current	451	BA	**37**	**48**	**50**	**50**	**50**	**50**	**50**
Outlays		O	31	42	52	47	50	50	50

Fair Housing and Equal Opportunity

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Fair housing activities:									
Appropriation, current	751	BA	**30**	**40**	**47**	**47**	**47**	**47**	**47**
Outlays		O	24	27	34	42	46	47	47

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Office of Lead Hazard Control									
Federal funds									
General and Special Funds:									
Lead hazard reduction:									
Appropriation, current	451	BA	....	80	80	80	80	80	80
Outlays		O	....	1	27	43	59	78	67
Management and Administration									
Federal funds									
General and Special Funds:									
Salaries and expenses									
(Community development):									
(Appropriation, current)	451	BA	105	109	120	120	120	120	120
(Spending authority from offsetting collections)		BA	1	1	1	1	1	1	1
(Outlays)		O	91	121	118	121	121	121	121
Salaries and expenses (gross)		BA	106	110	121	121	121	121	121
		O	91	121	118	121	121	121	121
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total (Community development) (net)		BA	105	109	120	120	120	120	120
		O	90	120	117	120	120	120	120
(Housing assistance):									
(Appropriation, current)	604	BA	255	267	285	285	285	285	285
(Spending authority from offsetting collections)		BA	558	528	528	528	528	528	528
(Outlays)		O	778	821	808	813	813	813	813
Salaries and expenses (gross)		BA	918	904	933	933	933	933	933
		O	868	941	925	933	933	933	933
Total, offsetting collections			–558	–528	–528	–528	–528	–528	–528
Total (Housing assistance) (net)		BA	255	267	285	285	285	285	285
		O	220	293	280	285	285	285	285
(Federal law enforcement activities):									
(Appropriation, current)	751	BA	86	93	97	97	97	97	97
(Outlays)		O	74	102	96	97	97	97	97
Total Salaries and expenses		BA	446	469	502	502	502	502	502
		O	384	515	493	502	502	502	502
Office of Inspector General:									
Appropriation, current	451	BA	40	50	38	38	38	38	38
Spending authority from offsetting collections		BA	27	32	32	32	32	32	32
Outlays		O	54	95	73	70	70	70	70
				[A] –5	[A] 3				
Office of Inspector General (gross)		BA	67	82	70	70	70	70	70
		O	54	90	76	70	70	70	70
Total, offsetting collections			–27	–32	–32	–32	–32	–32	–32
Total Office of Inspector General (net)		BA	40	50	38	38	38	38	38
		O	27	58	44	38	38	38	38
Office of federal housing enterprise oversight:									
Appropriation, current	371	BA	16	16	19	19	19	19	19
Outlays		O	16	16	19	19	19	19	19
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	451	BA	276	266	266	266	266	266	266
Outlays		O	232	266	266	266	266	266	266
Working capital fund (gross)		BA	276	266	266	266	266	266	266
		O	232	266	266	266	266	266	266
Change in orders on hand from Federal sources		BA	–32	....	....	....	....	....	....

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–244	–266	–266	–266	–266	–266	–266
Total Working capital fund (net)		BA							
		O	–12						
Total Federal funds Management and Administration		BA	**502**	**535**	**559**	**559**	**559**	**559**	**559**
		O	415	589	556	559	559	559	559
Summary									
Federal funds:									
(As shown in detail above)		BA	**24,067**	**27,424**	**25,972**	**31,156**	**29,708**	**29,583**	**29,418**
		O	33,272	38,972	33,449	33,394	31,728	30,400	28,968
Deductions for offsetting receipts:									
Proprietary receipts from the public	371	BA/O	*–3,029*	*–6,632*	*–887*	*–676*	*–2,476*	*–2,562*	*–2,799*
Offsetting governmental receipts	371	BA/O	*–16*	*–16*	*–29*	*–29*	*–29*	*–29*	*–29*
Total Department of Housing and Urban Development		BA	**21,022**	**20,776**	**25,056**	**30,451**	**27,203**	**26,992**	**26,590**
		O	30,227	32,324	32,533	32,689	29,223	27,809	26,140

DEPARTMENT OF THE INTERIOR

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Land and Minerals Management									
Bureau of Land Management									
Federal funds									
General and Special Funds:									
Management of lands and resources:									
Appropriation, current	302	BA	**582**	**619** *H* **–7**	**641**	**641**	**641**	**641**	**641**
Spending authority from offsetting collections		BA	**42**	**69**	**54**	**54**	**54**	**54**	**54**
Outlays		O	636	661 *H* –5	696 *H* –1	694	695	695	695
Management of lands and resources (gross)		BA	**624**	**681**	**695**	**695**	**695**	**695**	**695**
		O	636	656	695	694	695	695	695
Change in orders on hand from Federal sources		BA	**3**						
Total, offsetting collections			–45	–69	–54	–54	–54	–54	–54
Total Management of lands and resources (net)		BA	**582**	**612**	**641**	**641**	**641**	**641**	**641**
		O	591	587	641	640	641	641	641
Construction:									
Appropriation, current	302	BA	**5**	**11**	**8**	**8**	**8**	**8**	**8**
Outlays		O	7	6	9	10	8	8	8
Payments in lieu of taxes:									
Appropriation, current	806	BA	**120**	**125**	**125**	**125**	**125**	**125**	**125**
Outlays		O	120	125	125	125	125	125	125
Oregon and California grant lands:									
Appropriation, current	302	BA	**99**	**97**	**102**	**102**	**102**	**102**	**102**
Outlays		O	119	104	102	101	102	102	102
Wildland fire management:									
Appropriation, current	302	BA	**280**	**287**	**306**	**306**	**306**	**306**	**306**
Spending authority from offsetting collections		BA	**5**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	271	296	332	334	312	312	312
Wildland fire management (gross)		BA	**285**	**293**	**312**	**312**	**312**	**312**	**312**
		O	271	296	332	334	312	312	312
Change in orders on hand from Federal sources		BA	**–1**						
Total, offsetting collections			–4	–6	–6	–6	–6	–6	–6
Total Wildland fire management (net)		BA	**280**	**287**	**306**	**306**	**306**	**306**	**306**
		O	267	290	326	328	306	306	306

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Central hazardous materials fund:									
Appropriation, current	304	BA	**12**	**10**	**11**	**11**	**11**	**11**	**11**
Outlays		O	6	13	15	12	11	11	11
Land acquisition:									
Appropriation, current	302	BA	**11**	**15**	**49**	**49**	**49**	**49**	**49**
Spending authority from offsetting collections		BA	....	**300**	....	....	....	....	....
Outlays		O	22	95	173	103	49	49	49
Land acquisition (gross)		BA	**11**	**315**	**49**	**49**	**49**	**49**	**49**
		O	22	95	173	103	49	49	49
Total, offsetting collections			....	–300	....	....	....	....	....
Total Land acquisition (net)		BA	**11**	**15**	**49**	**49**	**49**	**49**	**49**
		O	22	–205	173	103	49	49	49
Range improvements:									
Appropriation, current	302	BA	**9**	**10**	**10**	**10**	**10**	**10**	**10**
Outlays		O	9	10	10	10	10	10	10
Service charges, deposits, and forfeitures:									
Appropriation, current	302	BA	**12**	**8**	**9**	**9**	**9**	**9**	**9**
Outlays		O	11	7	10	11	9	9	9
Permanent operating funds:									
Appropriation, permanent	302	BA	**45**	**21**	**22**	**18**	**20**	**20**	**21**
					^{B}**2**	^{B}**4**	^{B}**11**	^{B}**11**	^{B}**11**
Outlays		O	11	31	25	24	24	16	19
					^{B}2	^{B}4	^{B}11	^{B}11	^{B}11
Total Permanent operating funds		BA	**45**	**21**	**24**	**22**	**31**	**31**	**32**
		O	11	31	27	28	35	27	30
Miscellaneous permanent payment accounts:									
Appropriation, permanent	301	BA	**71**	**120**	**121**	**99**	**98**	**98**	**98**
					^{B}**9**	^{B}**12**	^{B}**15**	^{B}**17**	^{B}**17**
Outlays		O	71	120	92	94	102	98	98
					^{B}9	^{B}12	^{B}15	^{B}17	^{B}17
Total Miscellaneous permanent payment accounts		BA	**71**	**120**	**130**	**111**	**113**	**115**	**115**
		O	71	120	101	106	117	115	115
Public Enterprise Funds:									
Helium fund:									
Spending authority from offsetting collections	306	BA	**17**	**15**	**16**	**17**	**18**	**19**	**19**
Outlays		O	12	10	10	4	4	4	4
Helium fund (gross)		BA	**17**	**15**	**16**	**17**	**18**	**19**	**19**
		O	12	10	10	4	4	4	4
Change in orders on hand from Federal sources		BA	**–1**	....	....	....	....	....	....
Total, offsetting collections			–16	–15	–16	–17	–18	–18	–19
Total Helium fund (net)		BA	....	....	....	....	....	**1**	....
		O	–4	–5	–6	–13	–14	–14	–15
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	302	BA	**23**	**22**	**22**	**22**	**22**	**22**	**22**
Outlays		O	21	23	25	25	22	22	22
Working capital fund (gross)		BA	**23**	**22**	**22**	**22**	**22**	**22**	**22**
		O	21	23	25	25	22	22	22
Total, offsetting collections			–23	–22	–22	–22	–22	–22	–22
Total Working capital fund (net)		BA	....	....	....	....	....	....	....
		O	–2	1	3	3	....	....	....
Trust funds									
Miscellaneous trust funds:									
Appropriation, current	302	BA	**11**	**9**	**9**	**9**	**9**	**9**	**9**

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	10	10	10	10	10	10	10
Total Federal funds Bureau of Land Management		BA	**1,246**	**1,316**	**1,415**	**1,394**	**1,405**	**1,408**	**1,408**
		O	1,228	1,084	1,536	1,464	1,399	1,389	1,391
Total Trust funds Bureau of Land Management		BA	**11**	**9**	**9**	**9**	**9**	**9**	**9**
		O	10	10	10	10	10	10	10
Minerals Management Service									
Federal funds									
General and Special Funds:									
Royalty and Offshore minerals:									
Appropriation, current	302	BA	**137**	**118**	**110**	**110**	**110**	**110**	**110**
Spending authority from offsetting collections		BA	**72**	**100**	**124**	**124**	**124**	**124**	**124**
Outlays		O	205	196	197	221	228	233	234
Royalty and Offshore minerals (gross)		BA	**209**	**218**	**234**	**234**	**234**	**234**	**234**
		O	205	196	197	221	228	233	234
Total, offsetting collections			–72	–100	–124	–124	–124	–124	–124
Total Royalty and Offshore minerals (net)		BA	**137**	**118**	**110**	**110**	**110**	**110**	**110**
		O	133	96	73	97	104	109	110
Mineral leasing and associated payments:									
Appropriation, current	806	BA	....	....	**–5**	**–5**	**–5**	**–5**	**–5**
Appropriation, permanent		BA	**546**	**586**	**612**	**620**	**630**	**644**	**656**
Outlays		O	546	586	607	615	625	639	651
Total Mineral leasing and associated payments		BA	**546**	**586**	**607**	**615**	**625**	**639**	**651**
		O	546	586	607	615	625	639	651
National forests fund, payment to States:									
Appropriation, permanent	302	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	3	3	3	3	3	3	3
Leases of lands acquired for flood control, navigation, and allied purposes:									
Appropriation, permanent	302	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
Trust funds									
Oil spill research:									
Appropriation, current	302	BA	**6**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	6	5	5	6	6	6	6
Total Federal funds Minerals Management Service		BA	**687**	**708**	**721**	**729**	**739**	**753**	**765**
		O	683	686	684	716	733	752	765
Total Trust funds Minerals Management Service		BA	**6**	**6**	**6**	**6**	**6**	**6**	**6**
		O	6	5	5	6	6	6	6
Office of Surface Mining Reclamation and Enforcement									
Federal funds									
General and Special Funds:									
Regulation and technology:									
Appropriation, current	302	BA	**92**	**94**	**94**	**94**	**94**	**94**	**94**
Spending authority from offsetting collections		BA	**2**	**1**	**2**	**2**	**2**	**2**	**2**
Outlays		O	97	95	95	96	96	96	96
Regulation and technology (gross)		BA	**94**	**95**	**96**	**96**	**96**	**96**	**96**
		O	97	95	95	96	96	96	96
Total, offsetting collections			–2	–1	–2	–2	–2	–2	–2
Total Regulation and technology (net)		BA	**92**	**94**	**94**	**94**	**94**	**94**	**94**
		O	95	94	93	94	94	94	94
Abandoned mine reclamation fund (Conservation and land management):									
(Appropriation, current)	302	BA	**181**	**185**	**211**	**211**	**211**	**211**	**211**
(Spending authority from offsetting collections)		BA	**2**	....	....	....	....	....	....

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
(Outlays)		O	203	166	170	191	175	207	211
Abandoned mine reclamation fund (gross)		BA	**183**	**185**	**211**	**211**	**211**	**211**	**211**
		O	203	166	170	191	175	207	211
Total, offsetting collections			–2	....	....	....	....	....	....
Total (Conservation and land management) (net)		BA	**181**	**185**	**211**	**211**	**211**	**211**	**211**
		O	201	166	170	191	175	207	211
(Health care services):									
(Appropriation, permanent)	551	BA	**33**	**81**	**63** *B* **42**	**63**	**61**	**59**	**57**
(Outlays)		O	33	81	63 *B* 42	63	61	59	57
Total (Health care services)		BA	**33**	**81**	**105**	**63**	**61**	**59**	**57**
		O	33	81	105	63	61	59	57
Total Abandoned mine reclamation fund		BA	**214**	**266**	**316**	**274**	**272**	**270**	**268**
		O	234	247	275	254	236	266	268
Total Federal funds Office of Surface Mining Reclamation and Enforcement		BA	**306**	**360**	**410**	**368**	**366**	**364**	**362**
		O	329	341	368	348	330	360	362
Total Federal funds Land and Minerals Management		BA	**2,239**	**2,384**	**2,546**	**2,491**	**2,510**	**2,525**	**2,535**
		O	2,240	2,111	2,588	2,528	2,462	2,501	2,518
Total Trust funds Land and Minerals Management		BA	**17**	**15**	**15**	**15**	**15**	**15**	**15**
		O	16	15	15	16	16	16	16

Water and Science

Bureau of Reclamation

Federal funds

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
General and Special Funds:									
Water and Related Resources:									
Appropriation, current	301	BA	**641**	**595**	**624**	**624**	**624**	**624**	**624**
Spending authority from offsetting collections		BA	**165**	**175**	**176**	**176**	**176**	**176**	**176**
Outlays		O	751	1,012	794	800	800	800	800
Water and Related Resources (gross)		BA	**806**	**770**	**800**	**800**	**800**	**800**	**800**
		O	751	1,012	794	800	800	800	800
Total, offsetting collections			–165	–175	–176	–176	–176	–176	–176
Total Water and Related Resources (net)		BA	**641**	**595**	**624**	**624**	**624**	**624**	**624**
		O	586	837	618	624	624	624	624
California Bay-Delta ecosystem restoration:									
Appropriation, current	301	BA	**85**	**75**	**95**	**95**	**95**	**95**	**95**
Outlays		O	4	107	82	95	95	95	95
Policy and Administration:									
Appropriation, current	301	BA	**48**	**47**	**49**	**49**	**49**	**49**	**49**
Outlays		O	43	53	49	49	49	49	49
Central Valley Project Restoration fund:									
Appropriation, current	301	BA	**25**	**33**	**47**	**47**	**47**	**47**	**47**
Outlays		O	36	61	45	47	47	47	47
Colorado River dam fund, Boulder Canyon project:									
Appropriation, current	301	BA	**–3**	....	....	....	....	....	....
Appropriation, permanent		BA	**39**	**45**	**43**	**51**	**47**	**52**	**49**
Outlays		O	39	36	44	47	49	50	50
Total Colorado River dam fund, Boulder Canyon project		BA	**36**	**45**	**43**	**51**	**47**	**52**	**49**
		O	39	36	44	47	49	50	50
Public Enterprise Funds:									
Lower Colorado River Basin development fund:									
Appropriation, current	301	BA	**41**	**46**	**27**	**27**	**27**	**27**	**27**
Appropriation, permanent		BA	....	**14**	**15**	**15**	**15**	**15**	**13**
Spending authority from offsetting collections		BA	**128**	**139**	**136**	**136**	**136**	**136**	**136**

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	171	209	179	176	175	173	173
Lower Colorado River Basin development fund (gross)		BA	**169**	**199**	**178**	**178**	**178**	**178**	**176**
		O	171	209	179	176	175	173	173
Total, offsetting collections			–139	–210	–154	–159	–159	–163	–165
Total Lower Colorado River Basin development fund (net)		BA	**30**	**–11**	**24**	**19**	**19**	**15**	**11**
		O	32	–1	25	17	16	10	8
Upper Colorado River Basin fund:									
Appropriation, current	301	BA	**17**	**2**	**2**	**2**	**2**	**2**	**2**
Appropriation, permanent		BA	....	**1**	....	....	....	....	....
Spending authority from offsetting collections		BA	**87**	**53**	**56**	**57**	**165**	**57**	**57**
Outlays		O	96	115	55	57	40	74	57
Upper Colorado River Basin fund (gross)		BA	**104**	**56**	**58**	**59**	**167**	**59**	**59**
		O	96	115	55	57	40	74	57
Total, offsetting collections			–87	–53	–56	–57	–165	–57	–57
Total Upper Colorado River Basin fund (net)		BA	**17**	**3**	**2**	**2**	**2**	**2**	**2**
		O	9	62	–1	....	–125	17	....
Intragovernmental Funds:									
Working capital fund:									
Appropriation, current	301	BA	....	**–26**	....	....	....	....	....
Spending authority from offsetting collections		BA	**276**	**307**	**274**	**274**	**274**	**274**	**274**
Outlays		O	294	285	276	274	274	274	274
Working capital fund (gross)		BA	**276**	**281**	**274**	**274**	**274**	**274**	**274**
		O	294	285	276	274	274	274	274
Total, offsetting collections			–276	–307	–274	–274	–274	–274	–274
Total Working capital fund (net)		BA	....	**–26**	....	....	....	....	....
		O	18	–22	2	....	....	....	....
Credit Accounts:									
Bureau of reclamation loan program account:									
Appropriation, current	301	BA	**10**	**8**	**12**	**12**	**12**	**12**	**12**
Appropriation, permanent		BA	....	**3**	....	....	....	....	....
Outlays		O	19	13	10	12	12	12	12
Limitations on direct loan activity			(31)	(38)	(43)	(43)	(43)	(43)	(43)
Total Bureau of reclamation loan program account		BA	**10**	**11**	**12**	**12**	**12**	**12**	**12**
		O	19	13	10	12	12	12	12
Bureau of reclamation loan liquidating account:									
Total, offsetting collections	301		....	–3	–3	–4	–4	–4	–4
Trust funds									
Reclamation trust funds:									
Appropriation, permanent	301	BA	**32**	**39**	**14**	**6**	**2**	....	....
Outlays		O	11	63	19	8	3	1	....
Total Federal funds Bureau of Reclamation		BA	**892**	**769**	**893**	**895**	**891**	**892**	**885**
		O	786	1,143	871	887	763	900	881
Total Trust funds Bureau of Reclamation		BA	**32**	**39**	**14**	**6**	**2**	....	....
		O	11	63	19	8	3	1	....

Central Utah Project

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Central Utah Project Completion Account:									
Appropriation, current	301	BA	**30**	**32**	**27**	**27**	**27**	**27**	**27**
Outlays		O	28	35	27	27	27	27	27
Utah reclamation mitigation and conservation account:									
Appropriation, current	301	BA	**11**	**10**	**12**	**12**	**12**	**12**	**12**
Appropriation, permanent		BA	....	**1**	**1**	**1**	**1**	**1**	**1**

DEPARTMENT OF THE INTERIOR—Continued
(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	9	36	16	13	13	13	13
Total Utah reclamation mitigation and conservation account		BA	**11**	**11**	**13**	**13**	**13**	**13**	**13**
		O	9	36	16	13	13	13	13
Total Federal funds Central Utah Project		BA	**41**	**43**	**40**	**40**	**40**	**40**	**40**
		O	37	71	43	40	40	40	40
United States Geological Survey									
Federal funds									
General and Special Funds:									
Surveys, investigations and research									
(Recreational resources):									
(Appropriation, current)	303	BA	**145**	**163**	**123**	**123**	**123**	**123**	**123**
(Spending authority from offsetting collections)		BA	**43**	**44**	**42**	**42**	**42**	**42**	**42**
(Outlays)		O	189	202	176	168	165	165	165
Surveys, investigations and research (gross)		BA	**188**	**207**	**165**	**165**	**165**	**165**	**165**
		O	189	202	176	168	165	165	165
(Change in orders on hand from Federal sources)		BA	**–3**	**–2**	**–2**	**–2**	**–2**	**–2**	**–2**
Total, offsetting collections			–40	–42	–40	–40	–40	–40	–40
Total (Recreational resources) (net)		BA	**145**	**163**	**123**	**123**	**123**	**123**	**123**
		O	149	160	136	128	125	125	125
(Other natural resources):									
(Appropriation, current)	306	BA	**615**	**635**	**715**	**715**	**715**	**715**	**715**
(Spending authority from offsetting collections)		BA	**269**	**308**	**272**	**272**	**272**	**272**	**272**
(Outlays)		O	854	927	997	986	987	987	987
Surveys, investigations and research (gross)		BA	**1,029**	**1,106**	**1,110**	**1,110**	**1,110**	**1,110**	**1,110**
		O	1,003	1,087	1,133	1,114	1,112	1,112	1,112
(Change in orders on hand from Federal sources)		BA	**–19**	**–15**	**–12**	**–12**	**–12**	**–12**	**–12**
Total, offsetting collections			–250	–293	–260	–260	–260	–260	–260
Total (Other natural resources) (net)		BA	**615**	**635**	**715**	**715**	**715**	**715**	**715**
		O	604	634	737	726	727	727	727
Total Surveys, investigations and research		BA	**760**	**798**	**838**	**838**	**838**	**838**	**838**
		O	753	794	873	854	852	852	852
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	306	BA	**46**	**51**	**37**	**37**	**37**	**37**	**37**
Outlays		O	31	64	53	38	39	39	39
Working capital fund (gross)		BA	**46**	**51**	**37**	**37**	**37**	**37**	**37**
		O	31	64	53	38	39	39	39
Change in orders on hand from Federal sources		BA	**–1**	**1**	....	....	....	....	....
Total, offsetting collections			–45	–52	–37	–37	–37	–37	–37
Total Working capital fund (net)		BA	....	....	....	....	....	....	....
		O	–14	12	16	1	2	2	2
Trust funds									
Donations and contributed funds:									
Appropriation, permanent	303	BA	....	....	....	**1**	**1**	**1**	**1**
Outlays		O	–2	....	2	1	1	1	1
Total Federal funds United States Geological Survey		BA	**760**	**798**	**838**	**838**	**838**	**838**	**838**
		O	739	806	889	855	854	854	854
Total Trust funds United States Geological Survey		BA	....	....	....	**1**	**1**	**1**	**1**
		O	–2	....	2	1	1	1	1

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Bureau of Mines									
Federal funds									
General and Special Funds:									
Mines and minerals:									
Appropriation, current	306	BA	**–2**						
Outlays		O	5	4					
Total Federal funds Water and Science		BA	**1,691**	**1,610**	**1,771**	**1,773**	**1,769**	**1,770**	**1,763**
		O	1,567	2,024	1,803	1,782	1,657	1,794	1,775
Total Trust funds Water and Science		BA	**32**	**39**	**14**	**7**	**3**	**1**	**1**
		O	9	63	21	9	4	2	1
Fish and Wildlife and Parks									
United States Fish and Wildlife Service									
Federal funds									
General and Special Funds:									
Resource management:									
Appropriation, current	303	BA	**595**	**661**	**724**	**724**	**724**	**724**	**724**
Spending authority from offsetting collections		BA	**136**	**100**	**80**	**80**	**80**	**80**	**80**
Outlays		O	650	748	791	804	804	804	804
Resource management (gross)		BA	**731**	**761**	**804**	**804**	**804**	**804**	**804**
		O	650	748	791	804	804	804	804
Change in orders on hand from Federal sources		BA	**–58**						
Adjustment to orders on hand from Federal sources		BA	**–1**						
Total, offsetting collections			–77	–100	–80	–80	–80	–80	–80
Total Resource management (net)		BA	**595**	**661**	**724**	**724**	**724**	**724**	**724**
		O	573	648	711	724	724	724	724
Construction:									
Appropriation, current	303	BA	**77**	**50**	**44**	**44**	**44**	**44**	**44**
Spending authority from offsetting collections		BA	**2**	**37**	**2**	**2**	**2**	**2**	**2**
Outlays		O	85	126	58	89	88	90	91
Construction (gross)		BA	**79**	**87**	**46**	**46**	**46**	**46**	**46**
		O	85	126	58	89	88	90	91
Change in orders on hand from Federal sources		BA	**–1**						
Total, offsetting collections			–1	–37	–2	–2	–2	–2	–2
Total Construction (net)		BA	**77**	**50**	**44**	**44**	**44**	**44**	**44**
		O	84	89	56	87	86	88	89
Multi-national species conservation fund:									
Appropriation, current	303	BA	**1**	**2**	**3**	**3**	**3**	**3**	**3**
Outlays		O	1	2	3	3	3	3	3
Land acquisition:									
Appropriation, current	303	BA	**63**	**48**	**74**	**74**	**74**	**74**	**74**
Spending authority from offsetting collections		BA	**19**	**33**					
Outlays		O	64	79	78	74	74	74	74
Land acquisition (gross)		BA	**82**	**81**	**74**	**74**	**74**	**74**	**74**
		O	64	79	78	74	74	74	74
Change in orders on hand from Federal sources		BA	**–19**	**19**					
Total, offsetting collections				–52					
Total Land acquisition (net)		BA	**63**	**48**	**74**	**74**	**74**	**74**	**74**
		O	64	27	78	74	74	74	74
Wildlife conservation and appreciation fund:									
Appropriation, current	303	BA	**2**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	2	1	1	1	1	1	1
Migratory bird conservation account:									
Appropriation, permanent	303	BA	**43**	**65**	**43**	**43**	**45**	**45**	**45**
							B **–2**	*B* **–2**	*B* **–2**

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	43	59	50	43	44	45	45
							[B] –1	[B] –2	[B] –2
Total Migratory bird conservation account		BA	**43**	**65**	**43**	**43**	**43**	**43**	**43**
		O	43	59	50	43	43	43	43
North American wetlands conservation fund:									
Appropriation, current	303	BA	**12**	**15**	**15**	**15**	**15**	**15**	**15**
Appropriation, permanent		BA	....	**4**	**1**	**1**	**1**	**1**	**1**
Spending authority from offsetting collections		BA	**10**	....	....	....	....	....	....
Outlays		O	15	17	18	17	15	15	15
North American wetlands conservation fund (gross)		BA	**22**	**19**	**16**	**16**	**16**	**16**	**16**
		O	15	17	18	17	15	15	15
Total, offsetting collections			–10	....	....	....	....	....	....
Total North American wetlands conservation fund (net)		BA	**12**	**19**	**16**	**16**	**16**	**16**	**16**
		O	5	17	18	17	15	15	15
Cooperative endangered species conservation fund:									
Appropriation, current	303	BA	**14**	**14**	**80**	**80**	**80**	**80**	**80**
Appropriation, permanent		BA	**28**	**29**	**33**	**32**	**33**	**35**	**36**
Outlays		O	39	43	54	89	120	122	123
Total Cooperative endangered species conservation fund		BA	**42**	**43**	**113**	**112**	**113**	**115**	**116**
		O	39	43	54	89	120	122	123
National wildlife refuge fund:									
Appropriation, current	806	BA	**11**	**11**	**10**	**10**	**10**	**10**	**10**
Appropriation, permanent		BA	**8**	**8**	**9**	**9**	**9**	**9**	**10**
Outlays		O	20	19	19	19	19	19	20
Total National wildlife refuge fund		BA	**19**	**19**	**19**	**19**	**19**	**19**	**20**
		O	20	19	19	19	19	19	20
Recreational fee demonstration program:									
Appropriation, permanent	303	BA	**3**	**3**	**4**	**4**	....	....	....
							[B] **4**	[B] **4**	[B] **4**
Outlays		O	1	3	4	4	1	....	....
							[B] 3	[B] 4	[B] 4
Total Recreational fee demonstration program		BA	**3**	**3**	**4**	**4**	**4**	**4**	**4**
		O	1	3	4	4	4	4	4
Federal aid in wildlife restoration:									
Appropriation, permanent	303	BA	**193**	**199**	**212**	**219**	**225**	**233**	**242**
Outlays		O	210	211	200	203	211	220	227
Miscellaneous permanent appropriations:									
Appropriation, permanent	303	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	4	4	4	4	2	2	2
Trust funds									
Sport fish restoration:									
Appropriation, permanent	303	BA	**309**	**261**	**324**	**295**	**309**	**343**	**413**
Outlays		O	251	285	298	308	299	317	348
Contributed funds:									
Appropriation, permanent	303	BA	**5**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	4	5	4	4	3	3	3
Total Federal funds United States Fish and Wildlife Service		BA	**1,052**	**1,112**	**1,255**	**1,261**	**1,268**	**1,278**	**1,289**
		O	1,046	1,123	1,198	1,268	1,302	1,315	1,325
Total Trust funds United States Fish and Wildlife Service		BA	**314**	**265**	**328**	**299**	**313**	**347**	**417**
		O	255	290	302	312	302	320	351

National Park Service

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Operation of the national park system:									
Appropriation, current	303	BA	**1,246**	**1,296**	**1,390**	**1,390**	**1,390**	**1,390**	**1,390**
Spending authority from offsetting collections		BA	**14**	**28**	**14**	**14**	**14**	**14**	**14**

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	1,211	1,294	1,381	1,405	1,404	1,404	1,404
Operation of the national park system (gross)		BA	1,260	1,324	1,404	1,404	1,404	1,404	1,404
		O	1,211	1,294	1,381	1,405	1,404	1,404	1,404
Total, offsetting collections			–14	–28	–14	–14	–14	–14	–14
Total Operation of the national park system (net)		BA	1,246	1,296	1,390	1,390	1,390	1,390	1,390
		O	1,197	1,266	1,367	1,391	1,390	1,390	1,390
National recreation and preservation:									
Appropriation, current	303	BA	44	46	48	48	48	48	48
Outlays		O	41	48	48	48	48	48	48
Construction and major maintenance:									
Appropriation, current	303	BA	223	230	194	194	194	194	194
Advance appropriation		BA				57	16	15	10
Spending authority from offsetting collections		BA	80	100	80	80	80	80	80
Outlays		O	319	310	300	301	300	299	295
Construction and major maintenance (gross)		BA	303	330	274	331	290	289	284
		O	319	310	300	301	300	299	295
Total, offsetting collections			–80	–100	–80	–80	–80	–80	–80
Total Construction and major maintenance (net)		BA	223	230	194	251	210	209	204
		O	239	210	220	221	220	219	215
Urban park and recreation fund:									
Appropriation, current	303	BA			4	4	4	4	4
Outlays		O	1	2	4	4	4	4	4
Land acquisition and State assistance:									
Appropriation, current	303	BA	143	148	172	172	172	172	172
Contract authority, current		BA	–30	–30	–30	–30	–30	–30	–30
Contract authority, permanent		BA	30	30	30	30	30	30	30
Spending authority from offsetting collections		BA		107					
Outlays		O	101	227	142	158	169	170	172
Land acquisition and State assistance (gross)		BA	143	255	172	172	172	172	172
		O	101	227	142	158	169	170	172
Total, offsetting collections				–107					
Total Land acquisition and State assistance (net)		BA	143	148	172	172	172	172	172
		O	101	120	142	158	169	170	172
Conservation grants and planning assistance:									
Appropriation, current	302	BA			200	200	200	200	200
Outlays		O			80	200	200	200	200
Recreation fee permanent appropriations:									
Appropriation, permanent	303	BA	139	144	156	158	33	34	34
							B 142	B 143	B 145
Outlays		O	45	140	170	156	123	75	34
							B 41	B 96	B 143
Total Recreation fee permanent appropriations		BA	139	144	156	158	175	177	179
		O	45	140	170	156	164	171	177
Historic preservation fund:									
Appropriation, current	303	BA	41	72	81	81	81	81	81
Outlays		O	40	54	67	79	81	81	81
Other permanent appropriations:									
Appropriation, permanent	303	BA	41	61	63	68	83	88	92
					B 3	B 3	B 4	B 4	B 5
Outlays		O	41	49	56	66	66	78	87
					B 3	B 3	B 4	B 4	B 5
Total Other permanent appropriations		BA	41	61	66	71	87	92	97
		O	41	49	59	69	70	82	92
Trust funds									
Construction (trust fund):									
Outlays	401	O	5	5	5	1			

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Miscellaneous trust funds:									
Appropriation, permanent	303	BA	**14**	**10**	**10**	**10**	**10**	**10**	**10**
Outlays		O	15	10	10	10	10	10	10
Total Federal funds National Park Service		BA	**1,877**	**1,997**	**2,311**	**2,375**	**2,367**	**2,373**	**2,375**
		O	1,705	1,889	2,157	2,326	2,346	2,365	2,379
Total Trust funds National Park Service		BA	**14**	**10**	**10**	**10**	**10**	**10**	**10**
		O	20	15	15	11	10	10	10
Total Federal funds Fish and Wildlife and Parks		BA	**2,929**	**3,109**	**3,566**	**3,636**	**3,635**	**3,651**	**3,664**
		O	2,751	3,012	3,355	3,594	3,648	3,680	3,704
Total Trust funds Fish and Wildlife and Parks		BA	**328**	**275**	**338**	**309**	**323**	**357**	**427**
		O	275	305	317	323	312	330	361

Indian Affairs

Bureau of Indian Affairs

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Operation of Indian programs									
(Conservation and land management):									
(Appropriation, current)	302	BA	**132**	**127**	**133**	**133**	**133**	**133**	**133**
(Spending authority from offsetting collections)		BA	**9**	**9**	**9**	**9**	**9**	**9**	**9**
(Outlays)		O	142	136	140	142	142	142	142
Operation of Indian programs (gross)		BA	**141**	**136**	**142**	**142**	**142**	**142**	**142**
		O	142	136	140	142	142	142	142
Total, offsetting collections			–9	–9	–9	–9	–9	–9	–9
Total (Conservation and land management) (net)		BA	**132**	**127**	**133**	**133**	**133**	**133**	**133**
		O	133	127	131	133	133	133	133
(Area and regional development):									
(Appropriation, current)	452	BA	**840**	**883**	**952**	**952**	**952**	**952**	**952**
(Spending authority from offsetting collections)		BA	**6**	**16**	**6**	**6**	**6**	**6**	**6**
(Outlays)		O	843	858	931	956	958	958	958
Operation of Indian programs (gross)		BA	**978**	**1,026**	**1,091**	**1,091**	**1,091**	**1,091**	**1,091**
		O	976	985	1,062	1,089	1,091	1,091	1,091
Total, offsetting collections			–6	–16	–6	–6	–6	–6	–6
Total (Area and regional development) (net)		BA	**840**	**883**	**952**	**952**	**952**	**952**	**952**
		O	837	842	925	950	952	952	952
(Elementary, secondary, and vocational education):									
(Appropriation, current)	501	BA	**558**	**574**	**609**	**609**	**609**	**609**	**609**
(Spending authority from offsetting collections)		BA	**95**	**105**	**115**	**115**	**115**	**115**	**115**
(Outlays)		O	657	655	711	723	724	724	724
Operation of Indian programs (gross)		BA	**1,625**	**1,689**	**1,809**	**1,809**	**1,809**	**1,809**	**1,809**
		O	1,627	1,624	1,767	1,806	1,809	1,809	1,809
Total, offsetting collections			–95	–105	–115	–115	–115	–115	–115
Total (Elementary, secondary, and vocational education) (net)		BA	**558**	**574**	**609**	**609**	**609**	**609**	**609**
		O	562	550	596	608	609	609	609
Total Operation of Indian programs		BA	**1,530**	**1,584**	**1,694**	**1,694**	**1,694**	**1,694**	**1,694**
		O	1,532	1,519	1,652	1,691	1,694	1,694	1,694
Construction:									
Appropriation, current	452	BA	**125**	**123**	**174**	**174**	**174**	**174**	**174**
Spending authority from offsetting collections		BA	**12**	**10**	**10**	**10**	**10**	**10**	**10**
Outlays		O	151	128	142	159	297	308	308
Construction (gross)		BA	**137**	**133**	**184**	**184**	**184**	**184**	**184**
		O	151	128	142	159	297	308	308

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–12	–10	–10	–10	–10	–10	–10
Total Construction (net)		BA	**125**	**123**	**174**	**174**	**174**	**174**	**174**
		O	139	118	132	149	287	298	298
White Earth settlement fund:									
Appropriation, permanent	452	BA	**2**	**5**	**5**	**2**	**1**	**1**	**1**
Outlays		O	2	5	5	2	1	1	1
Indian land and water claim settlements and miscellaneous payments to Indians:									
Appropriation, current	452	BA	**43**	**29**	**28**	**28**	**28**	**28**	**28**
Outlays		O	43	30	28	28	28	28	28
Operation and maintenance of quarters:									
Appropriation, permanent	452	BA	**5**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	5	6	6	6	6	6	6
Miscellaneous permanent appropriations:									
Appropriation, permanent	452	BA	**77**	**79**	**79**	**81**	**81**	**82**	**83**
Outlays		O	69	78	79	79	80	81	82
Credit Accounts:									
Indian direct loan program account:									
Appropriation, permanent	452	BA	....	**18**	....	....	....	....	....
Outlays		O	....	18	....	....	....	....	....
Revolving fund for loans liquidating account:									
Spending authority from offsetting collections	452	BA	**8**	**3**	**3**	**3**	**3**	**1**	**1**
Revolving fund for loans liquidating account (gross)		BA	**8**	**3**	**3**	**3**	**3**	**1**	**1**
Total, offsetting collections			–8	–3	–3	–3	–3	–1	–1
Total Revolving fund for loans liquidating account (net)		BA	....	....	....	....	....	....	....
		O	–8	–3	–3	–3	–3	–1	–1
Indian guaranteed loan program account:									
Appropriation, current	452	BA	**5**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	3	5	5	5	5	5	5
Limitation on loan guarantee commitments			(35)	(60)	(69)	(69)	(69)	(69)	(69)
Indian loan guaranty and insurance fund liquidating account:									
Appropriation, permanent	452	BA	**11**	**1**	**1**	**1**	**1**	**1**	**1**
Spending authority from offsetting collections		BA	**5**	....	....	....	....	....	....
Outlays		O	....	1	1	1	1	1	1
Indian loan guaranty and insurance fund liquidating account (gross)		BA	**16**	**1**	**1**	**1**	**1**	**1**	**1**
		O	....	1	1	1	1	1	1
Total, offsetting collections			–5	....	....	....	....	....	....
Total Indian loan guaranty and insurance fund liquidating account (net)		BA	**11**	**1**	**1**	**1**	**1**	**1**	**1**
		O	–5	1	1	1	1	1	1
Total Federal funds Bureau of Indian Affairs		BA	**1,798**	**1,850**	**1,992**	**1,991**	**1,990**	**1,991**	**1,992**
		O	1,780	1,777	1,905	1,958	2,099	2,113	2,114

Departmental Offices

Departmental Management

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	306	BA	**58**	**65**	**63**	**63**	**63**	**63**	**63**
Spending authority from offsetting collections		BA	**119**	**121**	**121**	**121**	**121**	**121**	**121**
Outlays		O	171	184	185	184	184	184	184
Salaries and expenses (gross)		BA	**177**	**186**	**184**	**184**	**184**	**184**	**184**
		O	171	184	185	184	184	184	184
Change in orders on hand from Federal sources		BA	**–10**	....	....	....	....	....	....
Total, offsetting collections			–109	–121	–121	–121	–121	–121	–121
Total Salaries and expenses (net)		BA	**58**	**65**	**63**	**63**	**63**	**63**	**63**
		O	62	63	64	63	63	63	63

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
King Cove road and airstrip:									
Appropriation, current	451	BA		35					
Outlays		O		35					
Management of Federal lands for subsistence uses:									
Appropriation, current	302	BA		8					
Outlays		O		1	7				
Everglades watershed protection:									
Outlays	303	O	4	160					
Everglades restoration account:									
Appropriation, permanent	303	BA		1	1	1	1	1	2
Outlays		O		1	1	1	1	1	2
Priority Federal land aquisitions and exchanges:									
Appropriation, current	303	BA	532						
Outlays		O		532					
Intragovernmental Funds:									
Working capital fund:									
Appropriation, current	306	BA		51					
Spending authority from offsetting collections		BA	94	143	188	197	180	180	180
Outlays		O	97	198	190	197	180	180	180
Working capital fund (gross)		BA	94	194	188	197	180	180	180
		O	97	198	190	197	180	180	180
Total, offsetting collections			–94	–143	–188	–197	–180	–180	–180
Total Working capital fund (net)		BA		51					
		O	3	55	2				
Interior Franchise Fund:									
Spending authority from offsetting collections	306	BA	20	67	75	100	100	100	100
Outlays		O	20	67	75	100	100	100	100
Interior Franchise Fund (gross)		BA	20	67	75	100	100	100	100
		O	20	67	75	100	100	100	100
Total, offsetting collections			–20	–67	–75	–100	–100	–100	–100
Total Interior Franchise Fund (net)		BA							
		O							
Total Federal funds Departmental Management		BA	590	160	64	64	64	64	65
		O	69	847	74	64	64	64	65

Insular Affairs

Federal funds

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
General and Special Funds:									
Assistance to territories:									
Appropriation, current	808	BA	68	66	68	68	68	68	68
Spending authority from offsetting collections		BA		3	1	1	1	1	1
Outlays		O	69	126	127	101	69	69	69
Assistance to territories (gross)		BA	68	69	69	69	69	69	69
		O	69	126	127	101	69	69	69
Total, offsetting collections				–3	–1	–1	–1	–1	–1
Total Assistance to territories (net)		BA	68	66	68	68	68	68	68
		O	69	123	126	100	68	68	68
Trust Territory of the Pacific Islands:									
Outlays	808	O	3	9	7	6			
Compact of free association:									
Appropriation, current	808	BA	21	21	21	21	21	21	21
Appropriation, permanent		BA	127	122	124	126	152	154	154
Outlays		O	152	175	195	197	175	178	178
Total Compact of free association		BA	148	143	145	147	173	175	175
		O	152	175	195	197	175	178	178

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
Payments to the United States territories, fiscal assistance:									
Appropriation, permanent	806	BA	**80**	**77**	**77**	**77**	**77**	**77**	**77**
					[B] **12**	[B] **12**	[B] **12**	[B] **12**	[B] **12**
Outlays		O	80	77	77	77	77	77	77
					[B] 12	[B] 12	[B] 12	[B] 12	[B] 12
Total Payments to the United States territories, fiscal assistance		BA	**80**	**77**	**89**	**89**	**89**	**89**	**89**
		O	80	77	89	89	89	89	89
Total Federal funds Insular Affairs		BA	**296**	**286**	**302**	**304**	**330**	**332**	**332**
		O	304	384	417	392	332	335	335

Office of the Solicitor

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Office of the Solicitor:									
Appropriation, current	306	BA	**35**	**37**	**42**	**42**	**42**	**42**	**42**
Spending authority from offsetting collections		BA	**3**	**3**	**2**	**2**	**2**	**2**	**2**
Outlays		O	37	40	44	44	44	44	44
Office of the Solicitor (gross)		BA	**38**	**40**	**44**	**44**	**44**	**44**	**44**
		O	37	40	44	44	44	44	44
Total, offsetting collections			–3	–3	–2	–2	–2	–2	–2
Total Office of the Solicitor (net)		BA	**35**	**37**	**42**	**42**	**42**	**42**	**42**
		O	34	37	42	42	42	42	42

Office of Inspector General

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Office of Inspector General:									
Appropriation, current	306	BA	**25**	**25**	**28**	**28**	**28**	**28**	**28**
Spending authority from offsetting collections		BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	27	28	31	31	31	31	31
Office of Inspector General (gross)		BA	**28**	**28**	**31**	**31**	**31**	**31**	**31**
		O	27	28	31	31	31	31	31
Total, offsetting collections			–3	–3	–3	–3	–3	–3	–3
Total Office of Inspector General (net)		BA	**25**	**25**	**28**	**28**	**28**	**28**	**28**
		O	24	25	28	28	28	28	28

Natural Resources Damage Assessment and Restoration

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Natural resource damage assessment fund:									
Appropriation, current	303	BA	**4**	**4**	**8**	**8**	**8**	**8**	**8**
Appropriation, permanent		BA	**26**	**79**	**79**	**77**	**18**	**18**	**18**
Outlays		O	39	37	62	74	72	58	44
Total Natural resource damage assessment fund		BA	**30**	**83**	**87**	**85**	**26**	**26**	**26**
		O	39	37	62	74	72	58	44

Office of Special Trustee for American Indians

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Office of the Special Trustee for American Indians:									
Appropriation, current	306	BA	**39**	**39**	**90**	**90**	**90**	**90**	**90**
				[A] **7**					
Outlays		O	25	56	80	90	90	90	90
				[A] 5	[A] 2				
Total Office of the Special Trustee for American Indians		BA	**39**	**46**	**90**	**90**	**90**	**90**	**90**
		O	25	61	82	90	90	90	90

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Payment to tribe, Lower Brule Sioux Trust Fund:									
Appropriation, permanent	452	BA	**39**						
Outlays		O	39						
Indian land consolidation pilot:									
Appropriation, current	452	BA		**5**	**10**	**10**	**10**	**10**	**10**
Outlays		O		5	10	10	10	10	10
Tribal special fund:									
Appropriation, permanent	452	BA			**2**	**3**	**3**	**3**	**3**
Outlays		O			2	3	3	3	3
Miscellaneous permanent appropriations:									
Appropriation, permanent	452	BA	**20**	**23**					
Outlays		O	9	10					
	Trust funds								
Tribal trust fund:									
Appropriation, permanent	452	BA			**19**	**21**	**22**	**24**	**25**
Outlays		O			19	21	22	24	25
Cooperative fund (papago):									
Appropriation, permanent	452	BA	**5**	**1**					
Outlays		O		5					
Miscellaneous trust funds:									
Appropriation, permanent	452	BA	**448**	**349**					
Outlays		O	403	350					
Total Federal funds Office of Special Trustee for American Indians		BA	**98**	**74**	**102**	**103**	**103**	**103**	**103**
		O	73	76	94	103	103	103	103
Total Trust funds Office of Special Trustee for American Indians		BA	**453**	**350**	**19**	**21**	**22**	**24**	**25**
		O	403	355	19	21	22	24	25

National Indian Gaming Commission

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	806	BA	**1**						
Spending authority from offsetting collections		BA	**6**						
Outlays		O	4	8					
Salaries and expenses (gross)		BA	**7**						
		O	4	8					
Total, offsetting collections			–6						
Total Salaries and expenses (net)		BA	**1**						
		O	–2	8					
National Indian Gaming Commission, activity fees:									
Appropriation, permanent	806	BA		**6**	**7**	**7**	**7**	**7**	**7**
Outlays		O		8	7	7	7	7	7
Total Federal funds National Indian Gaming Commission		BA	**1**	**6**	**7**	**7**	**7**	**7**	**7**
		O	–2	16	7	7	7	7	7
Total Federal funds Departmental Offices		BA	**1,075**	**671**	**632**	**633**	**600**	**602**	**603**
		O	541	1,422	724	710	648	637	624
Total Trust funds Departmental Offices		BA	**453**	**350**	**19**	**21**	**22**	**24**	**25**
		O	403	355	19	21	22	24	25

Summary

Account			1998 actual	1999	2000	2001	2002	2003	2004
Federal funds:									
(As shown in detail above)		BA	**9,732**	**9,624**	**10,507**	**10,524**	**10,504**	**10,539**	**10,557**
		O	8,879	10,346	10,375	10,572	10,514	10,725	10,735
Deductions for offsetting receipts:									
Intrafund transactions	301	BA/O	*–11*	*–10*	*–10*	*–10*	*–5*	*–5*	*–5*
	303	BA/O	*–30*	*–29*	*–33*	*–32*	*–33*	*–35*	*–36*
	452	BA/O	*–19*	*–23*					
	908	BA/O	*–105*	*–126*	*–99*	*–114*	*–120*	*–127*	*–134*

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Proprietary receipts from the public	301	BA/O	*–154*	*–242*	*–233*	*–239*	*–250*	*–251*	*–238*
	302	BA/O	*–1,203*	*–1,328*	*–1,427*	*–1,420*	*–1,446*	*–1,467*	*–1,479*
					B –5	*B –15*	*B –34*	*B –34*	*B –35*
	303	BA/O	*–253*	*–335*	*–328*	*–335*	*–223*	*–228*	*–235*
							B –74	*B –76*	*B –78*
	306	BA/O	*–32*	*–4*	*–4*				
	452	BA/O	*–76*	*–97*	*–82*	*–82*	*–82*	*–84*	*–84*
	908	BA/O	*–15*	*–15*	*–15*	*–15*	*–15*	*–15*	*–14*
Total Federal funds		BA	**7,834**	**7,415**	**8,271**	**8,262**	**8,222**	**8,217**	**8,219**
		O	6,981	8,137	8,139	8,310	8,232	8,403	8,397
Trust funds:									
(As shown in detail above)		BA	**830**	**679**	**386**	**352**	**363**	**397**	**468**
		O	703	738	372	369	354	372	403
Deductions for offsetting receipts:									
Proprietary receipts from the public	301	BA/O	*–32*	*–39*	*–14*	*–6*	*–2*		
	302	BA/O	*–11*	*–9*	*–9*	*–9*	*–9*	*–9*	*–9*
	303	BA/O	*–5*	*–4*	*–4*	*–4*	*–4*	*–4*	*–4*
	452	BA/O	*–215*	*–215*	*–13*	*–15*	*–16*	*–17*	*–18*
	908	BA/O	*–113*	*–122*					
Total Trust funds		BA	**454**	**290**	**346**	**318**	**332**	**367**	**437**
		O	327	349	332	335	323	342	372
Interfund transactions	452	BA/O	*–6*		*–1*	*–1*			
	808	BA/O	*–84*	*–60*					
Total Department of the Interior		BA	**8,198**	**7,645**	**8,616**	**8,579**	**8,554**	**8,584**	**8,656**
		O	7,218	8,426	8,470	8,644	8,555	8,745	8,769

DEPARTMENT OF JUSTICE

(In millions of dollars)

General Administration

Federal funds

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses									
(Defense-related activities):									
(Appropriation, current)	054	BA	**27**	**27**	**27**	*N* **27**	**27**	**27**	**27**
(Outlays)		O	24	27	27	*N* 27	27	27	27
(Federal law enforcement activities):									
(Appropriation, current)	751	BA	**77**	**79**	**88**	**88**	**88**	**88**	**88**
(Appropriation, permanent)		BA	**–3**						
(Advance appropriation)		BA	**3**						
(Spending authority from offsetting collections)		BA	**65**	**65**	**65**	**65**	**65**	**65**	**65**
(Outlays)		O	153	135	152	153	153	153	153
Salaries and expenses (gross)		BA	**169**	**171**	**180**	**180**	**180**	**180**	**180**
		O	177	162	179	180	180	180	180
Total, offsetting collections			–65	–65	–65	–65	–65	–65	–65
Total (Federal law enforcement activities) (net)		BA	**77**	**79**	**88**	**88**	**88**	**88**	**88**
		O	88	70	87	88	88	88	88
Total Salaries and expenses		BA	**104**	**106**	**115**	**115**	**115**	**115**	**115**
		O	112	97	114	115	115	115	115
Narrowband communications:									
Appropriation, current	751	BA			**80**	**80**	**80**	**80**	**80**
Outlays		O			60	72	78	80	80
Total Narrowband communications		BA			**80**	**80**	**80**	**80**	**80**
		O			60	72	78	80	80

DEPARTMENT OF JUSTICE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Counterterrorism fund:									
Appropriation, current	751	BA	53	145	27	27	27	27	27
Outlays		O	18	109	56	27	27	27	27
Telecommunications carrier compliance fund									
(Defense-related activities):									
(Appropriation, current)	054	BA			8	[N]8	8	8	8
(Outlays)		O		30	8	[N]8	8	8	8
(Federal law enforcement activities):									
(Appropriation, current)	751	BA	......	......	7	7	7	7	7
(Spending authority from offsetting collections)		BA	......	42	......	......	......	......	......
(Outlays)		O	......	73	7	7	7	7	7
Telecommunications carrier compliance fund (gross)		BA	......	42	15	15	15	15	15
		O	......	103	15	15	15	15	15
Total, offsetting collections			......	–42	......	......	......	......	......
Total (Federal law enforcement activities) (net)		BA	......	......	7	7	7	7	7
		O	......	31	7	7	7	7	7
Total Telecommunications carrier compliance fund		BA	......	......	15	15	15	15	15
		O	......	61	15	15	15	15	15
Administrative review and appeals:									
Appropriation, current	751	BA	129	135	149	149	149	149	149
Spending authority from offsetting collections		BA	1	1	1	1	1	1	1
Outlays		O	128	122	148	150	150	150	150
Administrative review and appeals (gross)		BA	130	136	150	150	150	150	150
		O	128	122	148	150	150	150	150
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total Administrative review and appeals (net)		BA	129	135	149	149	149	149	149
		O	127	121	147	149	149	149	149
Office of the Inspector General:									
Appropriation, current	751	BA	33	38	45	45	45	45	45
Appropriation, permanent		BA	–1	......	......	......	......	......	......
Advance appropriation		BA	1	......	......	......	......	......	......
Spending authority from offsetting collections		BA	21	15	14	14	14	14	14
Outlays		O	52	51	58	59	59	59	59
Office of the Inspector General (gross)		BA	54	53	59	59	59	59	59
		O	52	51	58	59	59	59	59
Total, offsetting collections			–21	–15	–14	–14	–14	–14	–14
Total Office of the Inspector General (net)		BA	33	38	45	45	45	45	45
		O	31	36	44	45	45	45	45
Intragovernmental Funds:									
Working capital fund:									
Appropriation, current	751	BA	–100	–99	......	......	......	......	......
Appropriation, permanent		BA	275	10	......	......	......	......	......
Spending authority from offsetting collections		BA	613	724	652	652	652	652	652
Outlays		O	615	724	652	652	652	652	652
Working capital fund (gross)		BA	788	635	652	652	652	652	652
		O	615	724	652	652	652	652	652
Total, offsetting collections			–613	–724	–652	–652	–652	–652	–652
Total Working capital fund (net)		BA	175	–89	......	......	......	......	......
		O	2	......	......	......	......	......	......
Total Federal funds General Administration		BA	494	335	431	431	431	431	431
		O	290	424	436	423	429	431	431

DEPARTMENT OF JUSTICE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
United States Parole Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	751	BA	**5**	**7**	**9**	**9**	**9**	**9**	**9**
Appropriation, permanent		BA	**–1**						
Advance appropriation		BA	**1**						
Spending authority from offsetting collections		BA	**1**						
Outlays		O	5	7	9	9	9	9	9
Salaries and expenses (gross)		BA	**6**	**7**	**9**	**9**	**9**	**9**	**9**
		O	5	7	9	9	9	9	9
Total, offsetting collections			–1						
Total Salaries and expenses (net)		BA	**5**	**7**	**9**	**9**	**9**	**9**	**9**
		O	4	7	9	9	9	9	9
Legal Activities and U.S. Marshals									
Federal funds									
General and Special Funds:									
Salaries and expenses, General Legal Activities:									
Appropriation, current	752	BA	**456**	**480**	**577**	**577**	**577**	**577**	**577**
Appropriation, permanent		BA	**–6**						
Advance appropriation		BA	**6**						
Spending authority from offsetting collections		BA	**207**	**155**	**157**	**157**	**157**	**157**	**157**
Outlays		O	664	577	712	732	734	734	734
Salaries and expenses, General Legal Activities (gross)		BA	**663**	**635**	**734**	**734**	**734**	**734**	**734**
		O	664	577	712	732	734	734	734
Total, offsetting collections			–207	–155	–157	–157	–157	–157	–157
Total Salaries and expenses, General Legal Activities (net)		BA	**456**	**480**	**577**	**577**	**577**	**577**	**577**
		O	457	422	555	575	577	577	577
Salaries and expenses, Antitrust Division:									
Appropriation, current	752	BA	**5**						
Spending authority from offsetting collections		BA	**89**	**98**	**114**	**114**	**114**	**114**	**114**
Outlays		O	106	91	106	112	135	136	137
Salaries and expenses, Antitrust Division (gross)		BA	**94**	**98**	**114**	**114**	**114**	**114**	**114**
		O	106	91	106	112	135	136	137
Total, offsetting collections			–102	–115	–133	–133	–133	–133	–133
Total Salaries and expenses, Antitrust Division (net)		BA	**–8**	**–17**	**–19**	**–19**	**–19**	**–19**	**–19**
		O	4	–24	–27	–21	2	3	4
Salaries and expenses, United States Attorneys:									
Appropriation, current	752	BA	**1,042**	**1,095**	**1,275**	**1,275**	**1,275**	**1,275**	**1,275**
Appropriation, permanent		BA	**–9**						
Advance appropriation		BA	**9**						
Spending authority from offsetting collections		BA	**107**	**121**	**41**	**41**	**41**	**41**	**41**
Outlays		O	1,130	1,167	1,261	1,311	1,316	1,316	1,316
Salaries and expenses, United States Attorneys (gross)		BA	**1,149**	**1,216**	**1,316**	**1,316**	**1,316**	**1,316**	**1,316**
		O	1,130	1,167	1,261	1,311	1,316	1,316	1,316
Total, offsetting collections			–107	–121	–41	–41	–41	–41	–41
Total Salaries and expenses, United States Attorneys (net)		BA	**1,042**	**1,095**	**1,275**	**1,275**	**1,275**	**1,275**	**1,275**
		O	1,023	1,046	1,220	1,270	1,275	1,275	1,275
Salaries and expenses, Foreign Claims Settlement Commission:									
Appropriation, current	153	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
Salaries and expenses, United States Marshals Service:									
Appropriation, current	752	BA	**498**	**504**	**569**	**569**	**569**	**569**	**569**
Appropriation, permanent		BA	**–6**						
Advance appropriation		BA	**6**						

DEPARTMENT OF JUSTICE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Spending authority from offsetting collections		BA	83	52	48	48	48	48	48
Outlays		O	612	505	611	617	617	617	617
Salaries and expenses, United States Marshals Service (gross)		BA	581	556	617	617	617	617	617
		O	612	505	611	617	617	617	617
Total, offsetting collections			–83	–52	–48	–48	–48	–48	–48
Total Salaries and expenses, United States Marshals Service (net)		BA	498	504	569	569	569	569	569
		O	529	453	563	569	569	569	569
Construction:									
Appropriation, current	751	BA	....	5	9	9	9	9	9
Outlays		O	....	1	3	7	9	9	9
Federal prisoner detention:									
Appropriation, current	752	BA	405	425	550	550	550	550	550
Spending authority from offsetting collections		BA	29	29	39	39	39	39	39
Outlays		O	442	385	497	564	585	589	589
Federal prisoner detention (gross)		BA	434	454	589	589	589	589	589
		O	442	385	497	564	585	589	589
Total, offsetting collections			–29	–29	–39	–39	–39	–39	–39
Total Federal prisoner detention (net)		BA	405	425	550	550	550	550	550
		O	413	356	458	525	546	550	550
Fees and expenses of witnesses:									
Appropriation, current	752	BA	75	95	110	108	111	113	116
Outlays		O	92	90	103	108	110	112	115
Salaries and expenses, Community Relations Service:									
Appropriation, current	752	BA	5	7	10	10	10	10	10
Spending authority from offsetting collections		BA	2	1	....	....	....	....	....
Outlays		O	6	7	10	10	10	10	10
Salaries and expenses, Community Relations Service (gross)		BA	7	8	10	10	10	10	10
		O	6	7	10	10	10	10	10
Total, offsetting collections			–2	–1	....	....	....	....	....
Total Salaries and expenses, Community Relations Service (net)		BA	5	7	10	10	10	10	10
		O	4	6	10	10	10	10	10
Independent counsel:									
Appropriation, permanent	752	BA	18	10	10	10	10	10	10
Outlays		O	12	16	10	10	10	10	10
Civil liberties public education fund:									
Outlays	808	O	35	6	....	....	....	....	....
United States trustee system fund:									
Appropriation, current	752	BA	....	1	....	....	....	....	....
Spending authority from offsetting collections		BA	114	114	129	129	129	129	129
Outlays		O	116	124	129	129	129	129	129
United States trustee system fund (gross)		BA	114	115	129	129	129	129	129
		O	116	124	129	129	129	129	129
Total, offsetting collections			–114	–114	–129	–129	–129	–129	–129
Total United States trustee system fund (net)		BA	....	1	....	....	....	....	....
		O	2	10	....	....	....	....	....
Assets forfeiture fund:									
Appropriation, current	752	BA	23	23	23	23	23	23	23
Appropriation, permanent		BA	411	479	410	425	430	440	451
Spending authority from offsetting collections		BA	6	4	4	4	4	4	4
Outlays		O	379	353	527	429	430	430	430
Assets forfeiture fund (gross)		BA	440	506	437	452	457	467	478
		O	379	353	527	429	430	430	430

DEPARTMENT OF JUSTICE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–6	–4	–4	–4	–4	–4	–4
Total Assets forfeiture fund (net)		BA	**434**	**502**	**433**	**448**	**453**	**463**	**474**
		O	373	349	523	425	426	426	426
Intragovernmental Funds:									
Justice prisoner and alien transportation system, U.S. Marshals Service:									
Spending authority from offsetting collections	752	BA	.....	**69**	**78**	**78**	**78**	**78**	**78**
Outlays		O	.....	62	77	78	78	78	78
Justice prisoner and alien transportation system, U.S. Marshals Service (gross)		BA	.....	**69**	**78**	**78**	**78**	**78**	**78**
		O	.....	62	77	78	78	78	78
Total, offsetting collections			.....	–69	–78	–78	–78	–78	–78
Total Justice prisoner and alien transportation system, U.S. Marshals Service (net)		BA	.....	.....	.....	.....	.....	.....	.....
		O	.....	–7	–1	.....	.....	.....	.....
Total Federal funds Legal Activities and U.S. Marshals		BA	**2,926**	**3,108**	**3,525**	**3,538**	**3,546**	**3,558**	**3,572**
		O	2,945	2,725	3,418	3,479	3,535	3,542	3,546

Radiation Exposure Compensation

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Administrative expenses:									
Appropriation, current	054	BA	**2**	**2**	**2**	[N] **2**	**2**	**2**	**2**
Appropriation, permanent		BA	**–1**						
Advance appropriation		BA	**1**						
Outlays		O	3	2	2	[N] 2	2	2	2
Total Administrative expenses		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
		O	3	2	2	2	2	2	2
Payment to radiation exposure compensation trust fund:									
Appropriation, current	054	BA	**4**		**22**	[N] **22**	**22**	**22**	**22**
Outlays		O	4		22	[N] 22	22	22	22
Trust funds									
Radiation exposure compensation trust fund:									
Appropriation, permanent	054	BA	**4**		**22**	[N] **22**	**22**	**22**	**22**
Outlays		O	12	14	21	[N] 22	22	22	22
Total Federal funds Radiation Exposure Compensation		BA	**6**	**2**	**24**	**24**	**24**	**24**	**24**
		O	7	2	24	24	24	24	24
Total Trust funds Radiation Exposure Compensation		BA	**4**	.....	**22**	**22**	**22**	**22**	**22**
		O	12	14	21	22	22	22	22

Interagency Law Enforcement

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Interagency crime and drug enforcement:									
Appropriation, current	751	BA	**295**	**304**	.....	.....	.....	.....	.....
Outlays		O	293	302	76	.....	.....	.....	.....

Federal Bureau of Investigation

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses									
(Defense-related activities):									
(Appropriation, current)	054	BA	**221**	**292**	**260**	[N] **260**	**260**	**260**	**260**
(Outlays)		O	200	264	239	[N] 257	261	260	260
(Federal law enforcement activities):									
(Appropriation, current)	751	BA	**2,716**	**2,695**	**3,024**	**3,024**	**3,024**	**3,024**	**3,024**
(Appropriation, permanent)		BA	**–48**	.....	.....	.....	.....	.....	.....
(Advance appropriation)		BA	**48**	.....	.....	.....	.....	.....	.....
(Spending authority from offsetting collections)		BA	**491**	**468**	**362**	**362**	**362**	**362**	**362**

DEPARTMENT OF JUSTICE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
(Outlays)		O	3,224	3,120	3,037	3,301	3,380	3,386	3,386
Salaries and expenses (gross)		BA	**3,428**	**3,455**	**3,646**	**3,646**	**3,646**	**3,646**	**3,646**
		O	3,424	3,384	3,276	3,558	3,641	3,646	3,646
Total, offsetting collections			–491	–468	–362	–362	–362	–362	–362
Total (Federal law enforcement activities) (net)		BA	**2,716**	**2,695**	**3,024**	**3,024**	**3,024**	**3,024**	**3,024**
		O	2,733	2,652	2,675	2,939	3,018	3,024	3,024
Total Salaries and expenses		BA	**2,937**	**2,987**	**3,284**	**3,284**	**3,284**	**3,284**	**3,284**
		O	2,933	2,916	2,914	3,196	3,279	3,284	3,284
Construction:									
Appropriation, current	751	BA	**45**	**–3**	**10**	**10**	**10**	**10**	**10**
Outlays		O	16	18	2	9	10	10	10
Total Federal funds Federal Bureau of Investigation		BA	**2,982**	**2,984**	**3,294**	**3,294**	**3,294**	**3,294**	**3,294**
		O	2,949	2,934	2,916	3,205	3,289	3,294	3,294

Drug Enforcement Administration

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	751	BA	**1,133**	**1,232**	**1,380**	**1,380**	**1,380**	**1,380**	**1,380**
Appropriation, permanent		BA	**–12**						
Advance appropriation		BA	**12**						
Spending authority from offsetting collections		BA	**179**	**194**	**90**	**90**	**90**	**90**	**90**
Outlays		O	1,199	1,315	1,330	1,455	1,470	1,470	1,470
Salaries and expenses (gross)		BA	**1,312**	**1,426**	**1,470**	**1,470**	**1,470**	**1,470**	**1,470**
		O	1,199	1,315	1,330	1,455	1,470	1,470	1,470
Total, offsetting collections			–179	–194	–90	–90	–90	–90	–90
Total Salaries and expenses (net)		BA	**1,133**	**1,232**	**1,380**	**1,380**	**1,380**	**1,380**	**1,380**
		O	1,020	1,121	1,240	1,365	1,380	1,380	1,380
Construction:									
Appropriation, current	751	BA	**8**	**8**	**8**	**8**	**8**	**8**	**8**
Outlays		O	19	22	12	8	8	8	8
Diversion control fee account:									
Appropriation, current	751	BA	**15**						
Appropriation, permanent		BA	**58**	**77**	**80**	**88**	**67**	**70**	**73**
Outlays		O	60	58	65	78	81	84	87
Total Diversion control fee account		BA	**73**	**77**	**80**	**88**	**67**	**70**	**73**
		O	60	58	65	78	81	84	87
Total Federal funds Drug Enforcement Administration		BA	**1,214**	**1,317**	**1,468**	**1,476**	**1,455**	**1,458**	**1,461**
		O	1,099	1,201	1,317	1,451	1,469	1,472	1,475

Immigration and Naturalization Service

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	751	BA	**2,269**	**2,481**	**2,836**	**2,836**	**2,836**	**2,836**	**2,836**
Appropriation, permanent		BA	**–10**	**1**	**1**	**1**	**1**	**1**	**1**
Advance appropriation		BA	**10**						
Spending authority from offsetting collections		BA	**1,359**	**1,353**	**1,490**	**1,490**	**1,490**	**1,490**	**1,490**
Outlays		O	3,621	3,384	4,064	4,232	4,298	4,326	4,326
Salaries and expenses (gross)		BA	**3,628**	**3,835**	**4,327**	**4,327**	**4,327**	**4,327**	**4,327**
		O	3,621	3,384	4,064	4,232	4,298	4,326	4,326
Total, offsetting collections			–1,359	–1,353	–1,490	–1,490	–1,490	–1,490	–1,490
Total Salaries and expenses (net)		BA	**2,269**	**2,482**	**2,837**	**2,837**	**2,837**	**2,837**	**2,837**
		O	2,262	2,031	2,574	2,742	2,808	2,836	2,836

DEPARTMENT OF JUSTICE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Construction:									
Appropriation, current	751	BA	**76**	**90**	**100**	**100**	**100**	**100**	**100**
Outlays		O	24	42	131	91	100	100	100
Immigration support:									
Appropriation, permanent	751	BA	**1,340**	**1,306**	**1,334**	**1,272**	**1,319**	**1,319**	**1,319**
Outlays		O	1,305	1,306	1,334	1,272	1,319	1,319	1,319
Total Federal funds Immigration and Naturalization Service		BA	**3,685**	**3,878**	**4,271**	**4,209**	**4,256**	**4,256**	**4,256**
		O	3,591	3,379	4,039	4,105	4,227	4,255	4,255

Federal Prison System

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	753	BA	**2,842**	**2,888**	**3,218**	**3,374**	**3,559**	**3,637**	**3,701**
Appropriation, permanent		BA	**–178**	**–10**					
Advance appropriation		BA	**178**	**10**					
Spending authority from offsetting collections		BA	**27**	**56**	**27**	**27**	**27**	**27**	**27**
Outlays		O	2,656	2,921	3,100	3,361	3,550	3,643	3,715
Salaries and expenses (gross)		BA	**2,869**	**2,944**	**3,245**	**3,401**	**3,586**	**3,664**	**3,728**
		O	2,656	2,921	3,100	3,361	3,550	3,643	3,715
Total, offsetting collections			–27	–56	–27	–27	–27	–27	–27
Total Salaries and expenses (net)		BA	**2,842**	**2,888**	**3,218**	**3,374**	**3,559**	**3,637**	**3,701**
		O	2,629	2,865	3,073	3,334	3,523	3,616	3,688
Buildings and facilities:									
Appropriation, current	753	BA	**255**	**411**	**559**	**552**	**462**	**142**	**142**
Spending authority from offsetting collections		BA	**295**						
Outlays		O	361	564	515	625	620	572	307
Buildings and facilities (gross)		BA	**550**	**411**	**559**	**552**	**462**	**142**	**142**
		O	361	564	515	625	620	572	307
Total, offsetting collections			–295						
Total Buildings and facilities (net)		BA	**255**	**411**	**559**	**552**	**462**	**142**	**142**
		O	66	564	515	625	620	572	307
Intragovernmental Funds:									
Federal Prison Industries, Incorporated:									
Spending authority from offsetting collections	753	BA	**394**	**522**	**640**	**623**	**642**	**661**	**681**
Outlays		O	579	522	640	623	642	661	681
Federal Prison Industries, Incorporated (gross)		BA	**394**	**522**	**640**	**623**	**642**	**661**	**681**
		O	579	522	640	623	642	661	681
Change in orders on hand from Federal sources		BA	**172**						
Total, offsetting collections			–566	–522	–640	–623	–642	–661	–681
Total Federal Prison Industries, Incorporated (net)		BA							
		O	13						

Trust funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
Commissary funds, Federal prisons (trust revolving fund):									
Spending authority from offsetting collections	753	BA	**270**	**184**	**192**	**199**	**208**	**213**	**217**
Outlays		O	244	157	166	193	198	204	210
Commissary funds, Federal prisons (trust revolving fund) (gross)		BA	**270**	**184**	**192**	**199**	**208**	**213**	**217**
		O	244	157	166	193	198	204	210

DEPARTMENT OF JUSTICE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–270	–184	–192	–199	–208	–213	–217
Total Commissary funds, Federal prisons (trust revolving fund) (net)		BA	....	....	....	....	....	....	....
		O	–26	–27	–26	–6	–10	–9	–7
Total Federal funds Federal Prison System		BA	**3,097**	**3,299**	**3,777**	**3,926**	**4,021**	**3,779**	**3,843**
		O	2,708	3,429	3,588	3,959	4,143	4,188	3,995
Total Trust funds Federal Prison System		BA	....	....	....	....	....	....	....
		O	–26	–27	–26	–6	–10	–9	–7

Office of Justice Programs

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Justice assistance:									
Appropriation, current	754	BA	**186**	**154**	**346**	**346**	**346**	**346**	**346**
Spending authority from offsetting collections		BA	**95**	**300**	**85**	**85**	**85**	**85**	**85**
Outlays		O	213	365	273	395	428	431	431
Justice assistance (gross)		BA	**281**	**454**	**431**	**431**	**431**	**431**	**431**
		O	213	365	273	395	428	431	431
Total, offsetting collections			–95	–300	–85	–85	–85	–85	–85
Total Justice assistance (net)		BA	**186**	**154**	**346**	**346**	**346**	**346**	**346**
		O	118	65	188	310	343	346	346
State and local law enforcement assistance:									
Appropriation, current	754	BA	**509**	**552**	....	....	....	....	....
Spending authority from offsetting collections		BA	**20**	**20**	....	....	....	....	....
Outlays		O	435	290	574	330	62	....	....
State and local law enforcement assistance (gross)		BA	**529**	**572**	....	....	....	....	....
		O	435	290	574	330	62	....	....
Total, offsetting collections			–20	–20	....	....	....	....	....
Total State and local law enforcement assistance (net)		BA	**509**	**552**	....	....	....	....	....
		O	415	270	574	330	62	....	....
Violent crime reduction programs, State and local law enforcement assistance:									
Appropriation, current	754	BA	**2,382**	**2,370**	**1,612**	**1,612**	**1,612**	**1,612**	**1,612**
Spending authority from offsetting collections		BA	**8**	....	....	....	....	....	....
Outlays		O	1,485	1,218	2,351	2,504	1,650	1,612	1,612
Violent crime reduction programs, State and local law enforcement assistance (gross)		BA	**2,390**	**2,370**	**1,612**	**1,612**	**1,612**	**1,612**	**1,612**
		O	1,485	1,218	2,351	2,504	1,650	1,612	1,612
Total, offsetting collections			–8	....	....	....	....	....	....
Total Violent crime reduction programs, State and local law enforcement assistance (net)		BA	**2,382**	**2,370**	**1,612**	**1,612**	**1,612**	**1,612**	**1,612**
		O	1,477	1,218	2,351	2,504	1,650	1,612	1,612
Weed and seed program fund:									
Appropriation, current	751	BA	**34**	**34**	....	....	....	....	....
Spending authority from offsetting collections		BA	**1**	**8**	**34**	**34**	**34**	**34**	**34**
Outlays		O	–8	28	69	66	39	34	34
Weed and seed program fund (gross)		BA	**35**	**42**	**34**	**34**	**34**	**34**	**34**
		O	–8	28	69	66	39	34	34
Total, offsetting collections			–1	–8	–34	–34	–34	–34	–34
Total Weed and seed program fund (net)		BA	**34**	**34**	....	....	....	....	....
		O	–9	20	35	32	5	....	....
Community oriented policing services:									
Appropriation, current	754	BA	**1,430**	**1,430**	**1,275**	**1,275**	**1,275**	**1,275**	**1,275**

DEPARTMENT OF JUSTICE—Continued

(In millions of dollars)

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
Outlays		O	968	1,209	1,529	1,737	1,247	1,281	1,275
Total Community oriented policing services		BA	1,430	1,430	1,275	1,275	1,275	1,275	1,275
		O	968	1,209	1,529	1,737	1,247	1,281	1,275
Juvenile justice programs:									
Appropriation, current	754	BA	233	278	282	282	282	282	282
Spending authority from offsetting collections		BA	10	20	20	20	20	20	20
Outlays		O	156	171	322	341	322	302	302
Juvenile justice programs (gross)		BA	243	298	302	302	302	302	302
		O	156	171	322	341	322	302	302
Total, offsetting collections			–10	–20	–20	–20	–20	–20	–20
Total Juvenile justice programs (net)		BA	233	278	282	282	282	282	282
		O	146	151	302	321	302	282	282
Public safety officers' benefits:									
Appropriation, current	754	BA	33	32	36	36	37	38	39
Outlays		O	45	37	37	36	37	38	39
Crime victims fund:									
Appropriation, permanent	754	BA	363	324	375	375	375	375	375
Outlays		O	261	500	487	500	375	375	375
Total Federal funds Office of Justice Programs		BA	5,170	5,174	3,926	3,926	3,927	3,928	3,929
		O	3,421	3,470	5,503	5,770	4,021	3,934	3,929
Summary									
Federal funds:									
(As shown in detail above)		BA	19,874	20,408	20,725	20,833	20,963	20,737	20,819
		O	17,307	17,873	21,326	22,425	21,146	21,149	20,958
Deductions for offsetting receipts:									
Intrafund transactions	908	BA/O	–47	–31	–31	–31	–31	–31	–31
Offsetting governmental receipts	751	BA/O	–1,074	–1,371	–1,474	–1,461	–1,375	–1,398	–1,401
Total Federal funds		BA	18,753	19,006	19,220	19,341	19,557	19,308	19,387
		O	16,186	16,471	19,821	20,933	19,740	19,720	19,526
Trust funds:									
(As shown in detail above)		BA	4	....	22	22	22	22	22
		O	–14	–13	–5	16	12	13	15
Interfund transactions	054	BA/O	–4	....	–22	–22	–22	–22	–22
Total Department of Justice		BA	18,753	19,006	19,220	19,341	19,557	19,308	19,387
		O	16,168	16,458	19,794	20,927	19,730	19,711	19,519

DEPARTMENT OF LABOR

(In millions of dollars)

Employment and Training Administration

Federal funds

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
General and Special Funds:									
Training and employment services:									
Appropriation, current	504	BA	4,988	5,281	5,500	5,500	5,500	5,500	5,500
					[J] –40	[J] –40	[J] –40	[J] –40	[J] –40
Appropriation, permanent		BA	....	42	50	48	....	....	....
Spending authority from offsetting collections		BA	2	4	4	4	4	4	4
					[J] 40	[J] 40	[J] 40	[J] 40	[J] 40
Outlays		O	4,646	5,156	5,149	5,456	5,514	5,527	5,510
Training and employment services (gross)		BA	4,990	5,327	5,554	5,552	5,504	5,504	5,504
		O	4,646	5,156	5,149	5,456	5,514	5,527	5,510

DEPARTMENT OF LABOR—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–2	–4	–4	–4	–4	–4	–4
					[J] –40	[J] –40	[J] –40	[J] –40	[J] –40
Total Training and employment services (net)		BA	**4,988**	**5,323**	**5,510**	**5,508**	**5,460**	**5,460**	**5,460**
		O	4,644	5,152	5,105	5,412	5,470	5,483	5,466
Welfare to work jobs:									
Appropriation, current	504	BA	....	**–79**	....	....	....	....	....
Appropriation, permanent		BA	**1,488**	**1,488**	....	....	....	....	....
					[B] **1,000**				
Outlays		O	16	872	1,464	523	22	....	....
					[B] 133	[B] 518	[B] 333	[B] 16	
Total Welfare to work jobs		BA	**1,488**	**1,409**	**1,000**	....	....	....	....
		O	16	872	1,597	1,041	355	16	....
Community service employment for older Americans:									
Appropriation, current	504	BA	**440**	**440**	**440**	**440**	**440**	**440**	**440**
Outlays		O	448	444	440	440	440	440	440
Federal unemployment benefits and allowances (Training and employment):									
(Appropriation, current)	504	BA	**127**	**131**	**94**	**94**	**94**	**95**	**95**
					[B] **82**	[B] **82**			
(Spending authority from offsetting collections)		BA	....	**3**	....	....	....	....	....
(Outlays)		O	95	127	113	47	94	95	95
					[B] 26	[B] 66	[B] 56	[B] 16	
Federal unemployment benefits and allowances (gross)		BA	**127**	**134**	**176**	**176**	**94**	**95**	**95**
		O	95	127	139	113	150	111	95
Total, offsetting collections			....	–3	....	....	....	....	....
Total (Training and employment) (net)		BA	**127**	**131**	**176**	**176**	**94**	**95**	**95**
		O	95	124	139	113	150	111	95
(Unemployment compensation):									
(Appropriation, current)	603	BA	**222**	**230**	**220**	**218**	**225**	**231**	**239**
					[B] **75**	[B] **84**	[B] **9**		
(Spending authority from offsetting collections)		BA	**16**	**40**	**40**	**40**	**40**	**40**	**40**
(Outlays)		O	204	270	260	258	265	271	279
					[B] 75	[B] 84	[B] 9		
Federal unemployment benefits and allowances (gross)		BA	**365**	**401**	**511**	**518**	**368**	**366**	**374**
		O	299	394	474	455	424	382	374
Total, offsetting collections			–16	–40	–40	–40	–40	–40	–40
Total (Unemployment compensation) (net)		BA	**222**	**230**	**295**	**302**	**234**	**231**	**239**
		O	188	230	295	302	234	231	239
Total Federal unemployment benefits and allowances		BA	**349**	**361**	**471**	**478**	**328**	**326**	**334**
		O	283	354	434	415	384	342	334
State unemployment insurance and employment service operations (Training and employment):									
(Appropriation, current)	504	BA	**172**	**162**	**232**	**232**	**232**	**232**	**232**
(Spending authority from offsetting collections)		BA	**813**	**807**	**793**	**793**	**793**	**793**	**793**
(Outlays)		O	1,032	939	1,032	991	1,019	1,025	1,025
State unemployment insurance and employment service operations (gross)		BA	**985**	**969**	**1,025**	**1,025**	**1,025**	**1,025**	**1,025**
		O	1,032	939	1,032	991	1,019	1,025	1,025
Total, offsetting collections			–813	–807	–793	–793	–793	–793	–793
Total (Training and employment) (net)		BA	**172**	**162**	**232**	**232**	**232**	**232**	**232**
		O	219	132	239	198	226	232	232
(Unemployment compensation):									
(Spending authority from offsetting collections)	603	BA	**2,482**	**2,376**	**2,469**	**2,469**	**2,469**	**2,469**	**2,469**
				[A] **–6**					

DEPARTMENT OF LABOR—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
(Outlays)		O	2,482	2,376	2,469	2,469	2,469	2,469	2,469
				[A] –6					
State unemployment insurance and employment service operations (gross)		BA	2,654	2,532	2,701	2,701	2,701	2,701	2,701
		O	2,701	2,502	2,708	2,667	2,695	2,701	2,701
Total, offsetting collections			–2,482	–2,376	–2,469	–2,469	–2,469	–2,469	–2,469
				[A] 6					
Total (Unemployment compensation) (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....
Total State unemployment insurance and employment service operations		BA	172	162	232	232	232	232	232
		O	219	132	239	198	226	232	232
Advances to the unemployment trust fund and other funds:									
Appropriation, current	603	BA	....	3	....	....	....	....	....
Outlays		O	....	3	....	....	....	....	....
Program administration:									
Appropriation, current	504	BA	90	96	103	103	103	103	103
Spending authority from offsetting collections		BA	41	44	38	38	38	38	38
Outlays		O	130	143	143	141	141	141	141
Program administration (gross)		BA	131	140	141	141	141	141	141
		O	130	143	143	141	141	141	141
Total, offsetting collections			–41	–44	–38	–38	–38	–38	–38
Total Program administration (net)		BA	90	96	103	103	103	103	103
		O	89	99	105	103	103	103	103
Trust funds									
Unemployment trust fund									
(Training and employment):									
(Appropriation, current)	504	BA	1,077	1,087	1,094	1,094	1,094	1,094	1,094
					[J] –20	[J] –20	[J] –20	[J] –20	[J] –20
(Outlays)		O	1,077	1,079	1,055	1,099	1,095	1,094	1,094
					[J] –20	[J] –20	[J] –20	[J] –20	[J] –20
Total (Training and employment)		BA	1,077	1,087	1,074	1,074	1,074	1,074	1,074
		O	1,077	1,079	1,035	1,079	1,075	1,074	1,074
(Unemployment compensation):									
(Appropriation, current)	603	BA	2,484	2,330	2,464	2,464	2,464	2,464	2,464
				[A] –6					
(Appropriation, permanent)		BA	19,847	22,890	25,683	28,002	29,337	30,625	31,899
					[B] 90	[B] 190	[B] 260	[B] 20	[B] 40
(Advance appropriation)		BA	....	40	....	....	....	....	....
(Outlays)		O	22,331	25,332	28,163	30,466	31,801	33,089	34,363
				[A] –6					
					[B] 90	[B] 190	[B] 260	[B] 20	[B] 40
Total (Unemployment compensation)		BA	22,331	25,254	28,237	30,656	32,061	33,109	34,403
		O	22,331	25,326	28,253	30,656	32,061	33,109	34,403
Total Unemployment trust fund		BA	23,408	26,341	29,311	31,730	33,135	34,183	35,477
		O	23,408	26,405	29,288	31,735	33,136	34,183	35,477
Total Federal funds Employment and Training Administration		BA	7,527	7,794	7,756	6,761	6,563	6,561	6,569
		O	5,699	7,056	7,920	7,609	6,978	6,616	6,575
Total Trust funds Employment and Training Administration		BA	23,408	26,341	29,311	31,730	33,135	34,183	35,477
		O	23,408	26,405	29,288	31,735	33,136	34,183	35,477

Pension and welfare benefit administration

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	601	BA	82	90	102	102	102	102	102
Spending authority from offsetting collections		BA	....	1	6	6	6	6	6

DEPARTMENT OF LABOR—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	80	96	107	108	108	108	108
Salaries and expenses (gross)		BA	**82**	**91**	**108**	**108**	**108**	**108**	**108**
		O	80	96	107	108	108	108	108
Total, offsetting collections			....	–1	–6	–6	–6	–6	–6
Total Salaries and expenses (net)		BA	**82**	**90**	**102**	**102**	**102**	**102**	**102**
		O	80	95	101	102	102	102	102

Pension Benefit Guaranty Corporation

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
Public Enterprise Funds:									
Pension benefit guaranty corporation fund:									
Spending authority from offsetting collections	601	BA	**2,252**	**2,088**	**2,361**	**2,546**	**2,646**	**2,745**	**2,840**
						[B] **1**	[B] **1**	[B] **1**	[B] **1**
Outlays		O	1,035	1,245	1,321	1,297	1,282	1,365	1,470
					[B] 1	[B] 2	[B] 3	[B] 4	[B] 4
Pension benefit guaranty corporation fund (gross)		BA	**2,252**	**2,088**	**2,361**	**2,547**	**2,647**	**2,746**	**2,841**
		O	1,035	1,245	1,322	1,299	1,285	1,369	1,474
Total, offsetting collections			–2,252	–2,088	–2,361	–2,547	–2,647	–2,746	–2,842
						[B] –1	[B] –1	[B] –1	[B] –1
Total Pension benefit guaranty corporation fund (net)		BA	....	....	....	**–1**	**–1**	**–1**	**–2**
		O	–1,217	–843	–1,039	–1,249	–1,363	–1,378	–1,369

Employment Standards Administration

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	505	BA	**300**	**312**	**375**	**375**	**375**	**375**	**375**
					[J] **–25**	[J] **–25**	[J] **–25**	[J] **–25**	[J] **–25**
Appropriation, permanent		BA	....	**5**	**5**	**5**	....	....	....
Spending authority from offsetting collections		BA	**32**	**37**	**35**	**35**	**35**	**35**	**35**
					[J] **25**	[J] **25**	[J] **25**	[J] **25**	[J] **25**
Outlays		O	339	353	409	415	410	410	410
Salaries and expenses (gross)		BA	**332**	**354**	**415**	**415**	**410**	**410**	**410**
		O	339	353	409	415	410	410	410
Total, offsetting collections			–32	–37	–35	–35	–35	–35	–35
					[J] –25	[J] –25	[J] –25	[J] –25	[J] –25
Total Salaries and expenses (net)		BA	**300**	**317**	**355**	**355**	**350**	**350**	**350**
		O	307	316	349	355	350	350	350
Special benefits									
(General retirement and disability insurance (excluding social se):									
(Appropriation, current)	601	BA	**4**	**4**	**4**	**3**	**3**	**3**	**3**
(Outlays)		O	4	4	4	3	3	3	3
(Federal employee retirement and disability):									
(Appropriation, current)	602	BA	**197**	**175**	**75**	**75**	**67**	**60**	**57**
(Spending authority from offsetting collections)		BA	**1,902**	**1,846**	**1,923**	**1,924**	**1,993**	**2,055**	**2,104**
(Outlays)		O	1,954	1,917	2,032	2,076	2,126	2,177	2,233
Special benefits (gross)		BA	**2,103**	**2,025**	**2,002**	**2,002**	**2,063**	**2,118**	**2,164**
		O	1,958	1,921	2,036	2,079	2,129	2,180	2,236
Total, offsetting collections			–1,902	–1,846	–1,923	–1,924	–1,993	–2,055	–2,104
Total (Federal employee retirement and disability) (net)		BA	**197**	**175**	**75**	**75**	**67**	**60**	**57**
		O	52	71	109	152	133	122	129
Total Special benefits		BA	**201**	**179**	**79**	**78**	**70**	**63**	**60**
		O	56	75	113	155	136	125	132
Panama Canal Commission compensation fund:									
Appropriation, permanent	602	BA	**9**	**11**	**7**	**7**	**6**	**6**	**6**

DEPARTMENT OF LABOR—Continued

(In millions of dollars)

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
Outlays		O	6	7	7	7	7	7	7
Trust funds									
Black lung disability trust fund:									
Appropriation, current	601	BA	623	659	658	676	692	707	722
Authority to borrow, current		BA	370	362	356	343	331	319	306
Outlays		O	993	1,021	1,014	1,019	1,023	1,026	1,028
Total Black lung disability trust fund		BA	993	1,021	1,014	1,019	1,023	1,026	1,028
		O	993	1,021	1,014	1,019	1,023	1,026	1,028
Special workers' compensation expenses:									
Appropriation, current	601	BA	1	2	2	2	2	2	2
Appropriation, permanent		BA	128	152	160	164	168	171	174
Outlays		O	142	149	157	161	165	168	171
Total Special workers' compensation expenses		BA	129	154	162	166	170	173	176
		O	142	149	157	161	165	168	171
Total Federal funds Employment Standards Administration		BA	510	507	441	440	426	419	416
		O	369	398	469	517	493	482	489
Total Trust funds Employment Standards Administration		BA	1,122	1,175	1,176	1,185	1,193	1,199	1,204
		O	1,135	1,170	1,171	1,180	1,188	1,194	1,199

Occupational Safety and Health Administration

Federal funds

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	554	BA	336	353	388	388	388	388	388
Spending authority from offsetting collections		BA	2	1	1	1	1	1	1
Outlays		O	341	351	383	388	389	389	389
Salaries and expenses (gross)		BA	338	354	389	389	389	389	389
		O	341	351	383	388	389	389	389
Change in orders on hand from Federal sources		BA	–1	1	....	....	....	....	....
Total, offsetting collections			–1	–2	–1	–1	–1	–1	–1
Total Salaries and expenses (net)		BA	336	353	388	388	388	388	388
		O	340	349	382	387	388	388	388

Mine Safety and Health Administration

Federal funds

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	554	BA	203	215	228	228	228	228	228
Spending authority from offsetting collections		BA	....	1	2	2	2	2	2
Outlays		O	203	217	228	229	230	230	230
Salaries and expenses (gross)		BA	203	216	230	230	230	230	230
		O	203	217	228	229	230	230	230
Total, offsetting collections			....	–1	–2	–2	–2	–2	–2
Total Salaries and expenses (net)		BA	203	215	228	228	228	228	228
		O	203	216	226	227	228	228	228

Bureau of Labor Statistics

Federal funds

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	505	BA	327	345	365	365	365	365	365
Spending authority from offsetting collections		BA	75	76	77	77	77	77	77
Outlays		O	395	420	423	442	442	442	442
Salaries and expenses (gross)		BA	402	421	442	442	442	442	442
		O	395	420	423	442	442	442	442

DEPARTMENT OF LABOR—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–75	–76	–77	–77	–77	–77	–77
Total Salaries and expenses (net)		BA	**327**	**345**	**365**	**365**	**365**	**365**	**365**
		O	320	344	346	365	365	365	365

Departmental Management

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	505	BA	**152**	**195**	**257**	**257**	**257**	**257**	**257**
Spending authority from offsetting collections		BA	**33**	**31**	**32**	**32**	**32**	**32**	**32**
Outlays		O	181	209	279	289	289	289	289
Salaries and expenses (gross)		BA	**185**	**226**	**289**	**289**	**289**	**289**	**289**
		O	181	209	279	289	289	289	289
Total, offsetting collections			–33	–31	–32	–32	–32	–32	–32
Total Salaries and expenses (net)		BA	**152**	**195**	**257**	**257**	**257**	**257**	**257**
		O	148	178	247	257	257	257	257
Office of the Inspector General:									
Appropriation, current	505	BA	**43**	**45**	**50**	**50**	**50**	**50**	**50**
Spending authority from offsetting collections		BA	**6**	**16**	**17**	**17**	**17**	**17**	**17**
Outlays		O	50	59	67	67	67	67	67
Office of the Inspector General (gross)		BA	**49**	**61**	**67**	**67**	**67**	**67**	**67**
		O	50	59	67	67	67	67	67
Total, offsetting collections			–6	–16	–17	–17	–17	–17	–17
Total Office of the Inspector General (net)		BA	**43**	**45**	**50**	**50**	**50**	**50**	**50**
		O	44	43	50	50	50	50	50
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	505	BA	**109**	**116**	**121**	**121**	**121**	**121**	**121**
Outlays		O	107	116	119	119	119	119	119
Working capital fund (gross)		BA	**109**	**116**	**121**	**121**	**121**	**121**	**121**
		O	107	116	119	119	119	119	119
Total, offsetting collections			–109	–116	–121	–121	–121	–121	–121
Total Working capital fund (net)		BA	....	....	....	....	....	....	....
		O	–2	....	–2	–2	–2	–2	–2
Total Federal funds Departmental Management		BA	**195**	**240**	**307**	**307**	**307**	**307**	**307**
		O	190	221	295	305	305	305	305

Summary

Account			1998 actual	1999	2000	2001	2002	2003	2004
Federal funds:									
(As shown in detail above)		BA	**9,180**	**9,544**	**9,587**	**8,590**	**8,378**	**8,369**	**8,373**
		O	5,984	7,836	8,700	8,263	7,496	7,108	7,083
Deductions for offsetting receipts:									
Intrafund transactions	602	BA/O	*–5*	*–5*	*–1*	....	....	....	....
	908	BA/O	*–4*	*–6*	*–6*	*–6*	*–6*	*–6*	*–6*
Total Federal funds		BA	**9,171**	**9,533**	**9,580**	**8,584**	**8,372**	**8,363**	**8,367**
		O	5,975	7,825	8,693	8,257	7,490	7,102	7,077
Trust funds:									
(As shown in detail above)		BA	**24,530**	**27,516**	**30,487**	**32,915**	**34,328**	**35,382**	**36,681**
		O	24,543	27,575	30,459	32,915	34,324	35,377	36,676
Deductions for offsetting receipts:									
Proprietary receipts from the public	908	BA/O	*–3*	*–4*	*–4*	*–4*	*–4*	*–4*	*–4*
Total Trust funds		BA	**24,527**	**27,512**	**30,483**	**32,911**	**34,324**	**35,378**	**36,677**
		O	24,540	27,571	30,455	32,911	34,320	35,373	36,672

DEPARTMENT OF LABOR—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Interfund transactions	603	BA/O	*–508*	*–473*	*–496*	*–571*	*–574*	*–570*	*–584*
Total Department of Labor		BA	**33,190**	**36,572**	**39,567**	**40,924**	**42,122**	**43,171**	**44,460**
		O	30,007	34,923	38,652	40,597	41,236	41,905	43,165

DEPARTMENT OF STATE

(In millions of dollars)

Administration of Foreign Affairs

Federal funds

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
General and Special Funds:									
Diplomatic and consular programs:									
Appropriation, current	153	BA	**2,001**	**2,784**	**2,839**	**2,839**	**2,839**	**2,839**	**2,839**
Spending authority from offsetting collections		BA	**713**	**762**	**774**	**774**	**774**	**774**	**774**
Outlays		O	2,481	3,195	3,763	3,674	3,612	3,613	3,613
Diplomatic and consular programs (gross)		BA	**2,714**	**3,546**	**3,613**	**3,613**	**3,613**	**3,613**	**3,613**
		O	2,481	3,195	3,763	3,674	3,612	3,613	3,613
Total, offsetting collections			–713	–762	–774	–774	–774	–774	–774
Total Diplomatic and consular programs (net)		BA	**2,001**	**2,784**	**2,839**	**2,839**	**2,839**	**2,839**	**2,839**
		O	1,768	2,433	2,989	2,900	2,838	2,839	2,839
International information programs:									
Appropriation, current	154	BA	**459**	**455**	....	....	....	....	....
Spending authority from offsetting collections		BA	**11**	**11**	....	....	....	....	....
Outlays		O	454	511	73	....	....	....	....
International information programs (gross)		BA	**470**	**466**	....	....	....	....	....
		O	454	511	73	....	....	....	....
Total, offsetting collections			–11	–11	....	....	....	....	....
Total International information programs (net)		BA	**459**	**455**	....	....	....	....	....
		O	443	500	73	....	....	....	....
Arms control and disarmament activities:									
Appropriation, current	153	BA	**43**	**42**	....	....	....	....	....
Outlays		O	41	43	18	5	....	....	....
Capital investment fund:									
Appropriation, current	153	BA	**86**	**138**	**90**	**90**	**90**	**90**	**90**
Outlays		O	56	155	98	90	90	90	90
Technology fund:									
Appropriation, current	154	BA	**5**	**9**	....	....	....	....	....
Outlays		O	5	13	1	....	....	....	....
Office of the Inspector General:									
Appropriation, current	153	BA	**27**	**28**	**30**	**30**	**30**	**30**	**30**
Outlays		O	28	28	30	30	30	30	30
Security and maintenance of United States missions:									
Appropriation, current	153	BA	**389**	**1,031**	**484**	**484**	**484**	**484**	**484**
Advance appropriation		BA	....	....	....	**300**	**450**	**600**	**750**
Spending authority from offsetting collections		BA	**155**	**204**	**205**	**205**	**205**	**205**	**205**
Outlays		O	390	712	815	930	982	1,090	1,234
Security and maintenance of United States missions (gross)		BA	**544**	**1,235**	**689**	**989**	**1,139**	**1,289**	**1,439**
		O	390	712	815	930	982	1,090	1,234
Total, offsetting collections			–155	–204	–205	–205	–205	–205	–205
Total Security and maintenance of United States missions (net)		BA	**389**	**1,031**	**484**	**784**	**934**	**1,084**	**1,234**
		O	235	508	610	725	777	885	1,029
Security and maintenance of United States missions (special foreign currency program):									
Outlays	153	O	....	2	....	....	....	....	....

DEPARTMENT OF STATE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Representation allowances:									
Appropriation, current	153	BA	**4**	**4**	**6**	**6**	**6**	**6**	**6**
Outlays		O	4	4	6	6	6	6	6
Protection of foreign missions and officials:									
Appropriation, current	153	BA	**8**	**8**	**9**	**9**	**9**	**9**	**9**
Outlays		O	4	8	9	9	9	9	9
Emergencies in the diplomatic and consular service:									
Appropriation, current	153	BA	**6**	**16**	**17**	**17**	**17**	**17**	**17**
Outlays		O	12	11	19	17	17	17	17
USIA buying power maintenance:									
Appropriation, current	154	BA	**7**						
Payment to the American Institute in Taiwan:									
Appropriation, current	153	BA	**14**	**15**	**16**	**16**	**16**	**16**	**16**
Outlays		O	18	14	16	16	16	16	16
Payment to the Foreign Service retirement and disability fund:									
Appropriation, current	153	BA	**130**	**132**	**129**	**130**	**132**	**139**	**140**
Appropriation, permanent		BA	**84**	**84**	**84**	**85**	**86**	**87**	**88**
Outlays		O	214	216	213	215	218	226	228
Total Payment to the Foreign Service retirement and disability fund		BA	**214**	**216**	**213**	**215**	**218**	**226**	**228**
		O	214	216	213	215	218	226	228
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	153	BA	**790**	**1,038**	**1,059**	**1,059**	**1,059**	**1,059**	**1,059**
Outlays		O	840	1,038	1,059	1,059	1,059	1,059	1,059
Working capital fund (gross)		BA	**790**	**1,038**	**1,059**	**1,059**	**1,059**	**1,059**	**1,059**
		O	840	1,038	1,059	1,059	1,059	1,059	1,059
Total, offsetting collections			–790	–1,038	–1,059	–1,059	–1,059	–1,059	–1,059
Total Working capital fund (net)		BA							
		O	50						
Credit Accounts:									
Repatriation loans program account:									
Appropriation, current	153	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
	Trust funds								
Foreign Service retirement and disability fund:									
Appropriation, permanent	602	BA	**517**	**536**	**556**	**576**	**597**	**619**	**642**
Outlays		O	517	536	556	576	597	619	642
Foreign service national separation liability trust fund:									
Appropriation, permanent	602	BA	**7**	**7**	**8**	**8**	**8**	**8**	**8**
Outlays		O	6	7	8	8	8	8	8
USIA foreign service national separation liability trust fund:									
Appropriation, permanent	602	BA	**3**	**2**					
Outlays		O	3	2					
Miscellaneous trust funds:									
Appropriation, permanent	153	BA	**2**	**12**	**3**	**3**	**3**	**3**	**3**
Outlays		O	2	10	4	3	3	3	3
USIA miscellaneous trust funds:									
Appropriation, permanent	154	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	2	2	2	2	2	2	2
Total Federal funds Administration of Foreign Affairs		BA	**3,264**	**4,747**	**3,705**	**4,007**	**4,160**	**4,318**	**4,470**
		O	2,879	3,936	4,083	4,014	4,002	4,119	4,265
Total Trust funds Administration of Foreign Affairs		BA	**531**	**559**	**569**	**589**	**610**	**632**	**655**
		O	530	557	570	589	610	632	655

International Organizations and Conferences

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Contributions to international organizations:									
Appropriation, current	153	BA	**943**	**922**	**963**	**963**	**963**	**963**	**963**
Outlays		O	829	1,000	962	963	963	963	963

DEPARTMENT OF STATE—Continued

(In millions of dollars)

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
Contributions for international peacekeeping activities:									
Appropriation, current	153	BA	**257**	**231**	**235**	**235**	**235**	**235**	**235**
Outlays		O	151	336	235	235	235	235	235
Arrearage payments:									
Appropriation, current	153	BA	....	**475**	**446**	....	....	....	....
Outlays		O	....	....	....	475	446	....	....
International conferences and contingencies:									
Appropriation, current	153	BA	**12**	....	....	....	....	....	....
Outlays		O	17	2	....	....	....	....	....
Total Federal funds International Organizations and Conferences		BA	**1,212**	**1,628**	**1,644**	**1,198**	**1,198**	**1,198**	**1,198**
		O	997	1,338	1,197	1,673	1,644	1,198	1,198

International Commissions

International Boundary and Water Commission, United States and Mexico:

Federal funds

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
General and Special Funds:									
Salaries and expenses, IBWC:									
Appropriation, current	301	BA	**17**	**20**	**20**	**20**	**20**	**20**	**20**
Spending authority from offsetting collections		BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	19	22	23	23	23	23	23
Salaries and expenses, IBWC (gross)		BA	**20**	**23**	**23**	**23**	**23**	**23**	**23**
		O	19	22	23	23	23	23	23
Total, offsetting collections			–3	–3	–3	–3	–3	–3	–3
Total Salaries and expenses, IBWC (net)		BA	**17**	**20**	**20**	**20**	**20**	**20**	**20**
		O	16	19	20	20	20	20	20
Construction, IBWC:									
Appropriation, current	301	BA	**6**	**6**	**8**	**8**	**8**	**8**	**8**
Spending authority from offsetting collections		BA	**12**	**38**	**25**	**25**	**25**	**25**	**25**
Outlays		O	6	44	32	32	33	33	33
Construction, IBWC (gross)		BA	**18**	**44**	**33**	**33**	**33**	**33**	**33**
		O	6	44	32	32	33	33	33
Total, offsetting collections			–12	–38	–25	–25	–25	–25	–25
Total Construction, IBWC (net)		BA	**6**	**6**	**8**	**8**	**8**	**8**	**8**
		O	–6	6	7	7	8	8	8
Total Federal funds International Boundary and Water Commission, United States and Mexico:		BA	**23**	**26**	**28**	**28**	**28**	**28**	**28**
		O	10	25	27	27	28	28	28

Federal funds

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
General and Special Funds:									
American sections, international commissions:									
Appropriation, current	301	BA	**5**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	5	5	6	6	6	6	6
International fisheries commissions:									
Appropriation, current	302	BA	**15**	**15**	**17**	**17**	**17**	**17**	**17**
Outlays		O	15	15	17	17	17	17	17
Total Federal funds International Commissions		BA	**43**	**47**	**51**	**51**	**51**	**51**	**51**
		O	30	45	50	50	51	51	51

Other

Federal funds

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
General and Special Funds:									
Migration and refugee assistance:									
Appropriation, current	151	BA	**650**	**640**	**660**	**660**	**660**	**660**	**660**
Spending authority from offsetting collections		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**

DEPARTMENT OF STATE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	656	645	656	662	662	662	662
Migration and refugee assistance (gross)		BA	**652**	**642**	**662**	**662**	**662**	**662**	**662**
		O	656	645	656	662	662	662	662
Total, offsetting collections			–2	–2	–2	–2	–2	–2	–2
Total Migration and refugee assistance (net)		BA	**650**	**640**	**660**	**660**	**660**	**660**	**660**
		O	654	643	654	660	660	660	660
United States emergency refugee and migration assistance fund:									
Appropriation, current	151	BA	**50**	**30**	**30**	**30**	**30**	**30**	**30**
Outlays		O	68	44	40	32	30	30	30
International narcotics control and law enforcement:									
Appropriation, current	151	BA	**240**	**494**	**295**	**295**	**295**	**295**	**295**
Spending authority from offsetting collections		BA	**24**	**100**					
Outlays		O	200	309	357	293	318	295	295
International narcotics control and law enforcement (gross)		BA	**264**	**594**	**295**	**295**	**295**	**295**	**295**
		O	200	309	357	293	318	295	295
Total, offsetting collections			–24	–100					
Total International narcotics control and law enforcement (net)		BA	**240**	**494**	**295**	**295**	**295**	**295**	**295**
		O	176	209	357	293	318	295	295
Narcotics interdiction:									
Appropriation, current	151	BA	**15**						
Outlays		O	15						
Anti-terrorism assistance:									
Outlays	152	O	2	2	2				
Payment to the Asia Foundation:									
Appropriation, current	154	BA	**8**	**8**	**15**	**15**	**15**	**15**	**15**
Outlays		O	9	8	14	15	15	15	15
Educational and cultural exchange programs:									
Appropriation, current	154	BA	**268**	**200**	**210**	**210**	**210**	**210**	**210**
Spending authority from offsetting collections		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	253	231	214	218	212	212	212
Educational and cultural exchange programs (gross)		BA	**270**	**202**	**212**	**212**	**212**	**212**	**212**
		O	253	231	214	218	212	212	212
Total, offsetting collections			–2	–2	–2	–2	–2	–2	–2
Total Educational and cultural exchange programs (net)		BA	**268**	**200**	**210**	**210**	**210**	**210**	**210**
		O	251	229	212	216	210	210	210
National Endowment for Democracy:									
Appropriation, current	154	BA	**33**	**31**	**32**	**32**	**32**	**32**	**32**
Outlays		O	32	32	31	32	32	32	32
East West Center:									
Appropriation, current	154	BA	**12**	**13**	**13**	**13**	**13**	**13**	**13**
Outlays		O	11	12	13	13	13	13	13
North/South Center:									
Appropriation, current	154	BA	**2**	**2**	**3**	**3**	**3**	**3**	**3**
Outlays		O	1	2	2	3	3	3	3
International litigation fund:									
Appropriation, permanent	153	BA		**1**	**1**	**1**	**1**	**1**	**1**
Spending authority from offsetting collections		BA	**7**						
Outlays		O	2	6	1	1	1	1	1
International litigation fund (gross)		BA	**7**	**1**	**1**	**1**	**1**	**1**	**1**
		O	2	6	1	1	1	1	1
Total, offsetting collections			–7						
Total International litigation fund (net)		BA		**1**	**1**	**1**	**1**	**1**	**1**
		O	–5	6	1	1	1	1	1
International Center, Washington, D.C:									
Spending authority from offsetting collections	153	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**

DEPARTMENT OF STATE—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	1	1	1	1	1	1	1
International Center, Washington, D.C (gross)		BA	1	1	1	1	1	1	1
		O	1	1	1	1	1	1	1
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total International Center, Washington, D.C. (net)		BA	......	......	......	......	......	......	......
		O	......	......	......	......	......	......	......
Trust funds									
Israeli Arab and Eisenhower exchange fellowship programs:									
Appropriation, current	154	BA	1	1	1	1	1	1	1
Outlays		O	1	1	1	1	1	1	1
Total Federal funds Other		BA	1,278	1,419	1,259	1,259	1,259	1,259	1,259
		O	1,214	1,187	1,326	1,265	1,282	1,259	1,259
Total Trust funds Other		BA	1	1	1	1	1	1	1
		O	1	1	1	1	1	1	1
Summary									
Federal funds:									
(As shown in detail above)		BA	5,797	7,841	6,659	6,515	6,668	6,826	6,978
		O	5,120	6,506	6,656	7,002	6,979	6,627	6,773
Deductions for offsetting receipts:									
Intrafund transactions	153	BA/O	......	–1	–1	–1	–1	–1	–1
Proprietary receipts from the public	153	BA/O	–1	......	......	......	......	......	......
Total Federal funds		BA	5,796	7,840	6,658	6,514	6,667	6,825	6,977
		O	5,119	6,505	6,655	7,001	6,978	6,626	6,772
Trust funds:									
(As shown in detail above)		BA	532	560	570	590	611	633	656
		O	531	558	571	590	611	633	656
Deductions for offsetting receipts:									
Intrafund transactions	602	BA/O	......	–1	–1	–1	–1	–1	–1
Proprietary receipts from the public	154	BA/O	–1	–1	–1	–1	–1	–1	–1
Total Trust funds		BA	531	558	568	588	609	631	654
		O	530	556	569	588	609	631	654
Interfund transactions	153	BA/O	–258	–261	–257	–260	–264	–273	–276
	602	BA/O	–9	–9	–8	–8	–8	–8	–8
Total Department of State		BA	6,060	8,128	6,961	6,834	7,004	7,175	7,347
		O	5,382	6,791	6,959	7,321	7,315	6,976	7,142

DEPARTMENT OF TRANSPORTATION

(In millions of dollars)

Office of the Secretary

Federal funds

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	407	BA	61	66	63	63	63	63	63
Spending authority from offsetting collections		BA	2	3	3	3	3	3	3
Outlays		O	63	76	67	66	66	66	66
Salaries and expenses (gross)		BA	63	69	66	66	66	66	66
		O	63	76	67	66	66	66	66
Change in orders on hand from Federal sources		BA	–1	......	......	......	......	......	......
Adjustment to orders on hand from Federal sources		BA	2	......	......	......	......	......	......

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–3	–3	–3	–3	–3	–3	–3
Total Salaries and expenses (net)		BA	**61**	**66**	**63**	**63**	**63**	**63**	**63**
		O	60	73	64	63	63	63	63
Office of civil rights:									
Appropriation, current	407	BA	**6**	**7**	**8**	**8**	**8**	**8**	**8**
Outlays		O	5	6	8	8	8	8	8
Minority business outreach:									
Appropriation, current	407	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	3	6	3	3	3	3	3
Rental payments:									
Outlays	407	O	1	....	....	....	....	....	....
Rental payments (gross)		O	1	....	....	....	....	....	....
Change in orders on hand from Federal sources		BA	**5**	....	....	....	....	....	....
Total, offsetting collections			–5	....	....	....	....	....	....
Total Rental payments (net)		BA	....	....	....	....	....	....	....
		O	–4	....	....	....	....	....	....
Transportation planning, research, and development:									
Appropriation, current	407	BA	**4**	**9**	**6**	**6**	**6**	**6**	**6**
Outlays		O	5	5	7	7	6	6	6
Payments to air carriers:									
Appropriation, current	402	BA	**–2**	....	....	....	....	....	....
Essential air service and rural airport improvement fund:									
Appropriation, current	402	BA	**50**	....	....	....	....	....	....
Appropriation, permanent		BA	....	....	**50**	**50**	**50**	**50**	**50**
Spending authority from offsetting collections		BA	....	**50**	....	....	....	....	....
Outlays		O	37	39	50	50	50	50	50
Essential air service and rural airport improvement fund (gross)		BA	**50**	**50**	**50**	**50**	**50**	**50**	**50**
		O	37	39	50	50	50	50	50
Total, offsetting collections			....	–50	....	....	....	....	....
Total Essential air service and rural airport improvement fund (net)		BA	**50**	....	**50**	**50**	**50**	**50**	**50**
		O	37	–11	50	50	50	50	50
Intragovernmental Funds:									
Transportation administrative service center:									
Spending authority from offsetting collections	407	BA	**154**	**166**	**227**	**227**	**227**	**227**	**227**
Outlays		O	134	166	227	227	227	227	227
Transportation administrative service center (gross)		BA	**154**	**166**	**227**	**227**	**227**	**227**	**227**
		O	134	166	227	227	227	227	227
Change in orders on hand from Federal sources		BA	**–22**	....	....	....	....	....	....
Total, offsetting collections			–132	–166	–227	–227	–227	–227	–227
Total Transportation administrative service center (net)		BA	....	....	....	....	....	....	....
		O	2	....	....	....	....	....	....
Credit Accounts:									
Minority business resource center program account:									
Appropriation, current	407	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	....	2	2	2	2	2	2
Limitation on direct loan activity			(15)	(14)	(14)	(14)	(14)	(14)	(14)
Trust funds									
Payments to air carriers (trust fund):									
Appropriation, permanent	402	BA	....	**–3**	....	....	....	....	....
Contract authority, permanent		BA	....	....	....	....	....	....	....

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	3	8					
Total Payments to air carriers (trust fund)		BA		**–3**					
		O	3	8					
Total Federal funds Office of the Secretary		BA	**124**	**87**	**132**	**132**	**132**	**132**	**132**
		O	108	81	134	133	132	132	132
Total Trust funds Office of the Secretary		BA		**–3**					
		O	3	8					

Coast Guard

Federal funds

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
General and Special Funds:									
Operating expenses									
(Defense-related activities):									
(Appropriation, current)	054	BA	**300**	**300**	**334**	[N] **334**	**334**	**334**	**334**
(Outlays)		O	300	300	327	[N] 331	334	334	334
(Water transportation):									
(Appropriation, current)	403	BA	**2,390**	**2,509**	**2,582**	**2,582**	**2,582**	**2,582**	**2,582**
(Spending authority from offsetting collections)		BA	**98**	**117**	**119**	**119**	**119**	**119**	**119**
(Outlays)		O	2,479	2,478	2,638	2,696	2,701	2,701	2,701
Operating expenses (gross)		BA	**2,788**	**2,926**	**3,035**	**3,035**	**3,035**	**3,035**	**3,035**
		O	2,779	2,778	2,965	3,027	3,035	3,035	3,035
(Change in orders on hand from Federal sources)		BA	**65**						
(Adjustment to orders on hand from Federal sources)		BA	**–39**						
Total, offsetting collections			–124	–117	–119	–119	–119	–119	–119
Total (Water transportation) (net)		BA	**2,390**	**2,509**	**2,582**	**2,582**	**2,582**	**2,582**	**2,582**
		O	2,355	2,361	2,519	2,577	2,582	2,582	2,582
Total Operating expenses		BA	**2,690**	**2,809**	**2,916**	**2,916**	**2,916**	**2,916**	**2,916**
		O	2,655	2,661	2,846	2,908	2,916	2,916	2,916
Acquisition, construction, and improvements:									
Appropriation, current	403	BA	**376**	**604**	**330**	**454**	**454**	**454**	**454**
					[J] **–41**	[J] **–165**	[J] **–165**	[J] **–165**	[J] **–165**
Spending authority from offsetting collections		BA	**40**	**32**	**31**	**31**	**31**	**31**	**31**
					[J] **41**	[J] **165**	[J] **165**	[J] **165**	[J] **165**
Outlays		O	374	420	495	422	471	471	484
Acquisition, construction, and improvements (gross)		BA	**416**	**636**	**361**	**485**	**485**	**485**	**485**
		O	374	420	495	422	471	471	484
Change in orders on hand from Federal sources		BA	**–16**						
Adjustment to orders on hand from Federal sources		BA	**–2**						
Total, offsetting collections			–22	–32	–31	–31	–31	–31	–31
					[J] –41	[J] –165	[J] –165	[J] –165	[J] –165
Total Acquisition, construction, and improvements (net)		BA	**376**	**604**	**289**	**289**	**289**	**289**	**289**
		O	352	388	423	226	275	275	288
Environmental compliance and restoration:									
Appropriation, current	304	BA	**21**	**21**	**20**	**20**	**20**	**20**	**20**
Outlays		O	21	16	18	18	20	20	20
Alteration of bridges:									
Appropriation, current	403	BA	**17**	**43**					
Outlays		O	10	50	36	22	6		
Retired pay:									
Appropriation, current	403	BA	**653**	**684**	**730**	**778**	**825**	**877**	**926**
Outlays		O	647	651	714	771	818	869	919
Reserve training:									
Appropriation, current	403	BA	**67**	**74**	**72**	**72**	**72**	**72**	**72**
Outlays		O	65	73	72	72	72	72	72
Research, development, test, and evaluation:									
Appropriation, current	403	BA	**16**	**14**	**18**	**18**	**18**	**18**	**18**
Spending authority from offsetting collections		BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	19	21	21	22	22	22	22
Research, development, test, and evaluation (gross)		BA	**20**	**18**	**22**	**22**	**22**	**22**	**22**
		O	19	21	21	22	22	22	22
Total, offsetting collections			–4	–4	–4	–4	–4	–4	–4
Total Research, development, test, and evaluation (net)		BA	**16**	**14**	**18**	**18**	**18**	**18**	**18**
		O	15	17	17	18	18	18	18
Intragovernmental Funds:									
Coast Guard supply fund:									
Spending authority from offsetting collections	403	BA	**80**	**87**	**88**	**88**	**88**	**88**	**88**
Outlays		O	86	87	88	88	88	88	88
Coast Guard supply fund (gross)		BA	**80**	**87**	**88**	**88**	**88**	**88**	**88**
		O	86	87	88	88	88	88	88
Total, offsetting collections			–80	–87	–88	–88	–88	–88	–88
Total Coast Guard supply fund (net)		BA							
		O	6						
Coast Guard yard fund:									
Spending authority from offsetting collections	403	BA	**57**	**75**	**77**	**77**	**77**	**77**	**77**
Outlays		O	65	75	77	77	77	77	77
Coast Guard yard fund (gross)		BA	**57**	**75**	**77**	**77**	**77**	**77**	**77**
		O	65	75	77	77	77	77	77
Total, offsetting collections			–57	–75	–77	–77	–77	–77	–77
Total Coast Guard yard fund (net)		BA							
		O	8						
Trust funds									
Boat safety:									
Appropriation, current	403	BA	**35**						
Appropriation, permanent		BA	**20**	**64**	**64**	**64**	**64**	**64**	**64**
Outlays		O	46	53	61	64	64	64	64
Total Boat safety		BA	**55**	**64**	**64**	**64**	**64**	**64**	**64**
		O	46	53	61	64	64	64	64
Oil spill recovery, coast guard:									
Appropriation, permanent	304	BA	**59**	**61**	**61**	**61**	**61**	**61**	**61**
Outlays		O	43	61	61	61	61	61	61
Trust fund share of expenses:									
Appropriation, current	304	BA	**48**	**48**	**48**	**48**	**48**	**48**	**48**
Appropriation, permanent		BA		**4**					
Outlays		O	48	52	48	48	48	48	48
Total Trust fund share of expenses		BA	**48**	**52**	**48**	**48**	**48**	**48**	**48**
		O	48	52	48	48	48	48	48
Miscellaneous trust revolving funds:									
Spending authority from offsetting collections	403	BA	**6**	**8**	**8**	**8**	**7**	**7**	**7**
Outlays		O	6	8	8	8	7	7	7
Miscellaneous trust revolving funds (gross)		BA	**6**	**8**	**8**	**8**	**7**	**7**	**7**
		O	6	8	8	8	7	7	7
Total, offsetting collections			–6	–8	–8	–8	–7	–7	–7
Total Miscellaneous trust revolving funds (net)		BA							
		O							
Total Federal funds Coast Guard		BA	**3,840**	**4,249**	**4,045**	**4,093**	**4,140**	**4,192**	**4,241**
		O	3,779	3,856	4,126	4,035	4,125	4,170	4,233
Total Trust funds Coast Guard		BA	**162**	**177**	**173**	**173**	**173**	**173**	**173**
		O	137	166	170	173	173	173	173

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	estimate 2000	estimate 2001	estimate 2002	estimate 2003	estimate 2004
Federal Aviation Administration									
Federal funds									
General and Special Funds:									
Operations:									
Appropriation, current	402	BA	**3,351**	**1,455**	....	....	....	....	....
Spending authority from offsetting collections		BA	**1,964**	**4,181**	**6,110**	**6,546**	**6,918**	**7,359**	**7,717**
Outlays		O	5,316	5,659	6,053	6,494	6,873	7,306	7,674
Operations (gross)		BA	**5,315**	**5,636**	**6,110**	**6,546**	**6,918**	**7,359**	**7,717**
		O	5,316	5,659	6,053	6,494	6,873	7,306	7,674
Total, offsetting collections			–1,964	–4,181	–6,110	–6,546	–6,918	–7,359	–7,717
Total Operations (net)		BA	**3,351**	**1,455**	....	....	....	....	....
		O	3,352	1,478	–57	–52	–45	–53	–43
National Civil Aviation Review Commission:									
Appropriation, current	402	BA	....	**–1**	....	....	....	....	....
Miscellaneous expired accounts:									
Appropriation, current	402	BA	**–1**	....	....	....	....	....	....
Aviation user fees:									
Appropriation, permanent	402	BA	**28**	....	....	....	....	....	....
Outlays		O	28	....	....	....	....	....	....
Public Enterprise Funds:									
Aviation insurance revolving fund:									
Spending authority from offsetting collections	402	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Aviation insurance revolving fund (gross)		BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Total, offsetting collections			–3	–3	–3	–3	–3	–3	–3
Total Aviation insurance revolving fund (net)		BA	....	....	....	....	....	....	....
		O	–3	–3	–3	–3	–3	–3	–3
Intragovernmental Funds:									
Administrative services franchise fund:									
Spending authority from offsetting collections	402	BA	**22**	**25**	**218**	**218**	**218**	**218**	**218**
Outlays		O	19	29	218	218	218	218	218
Administrative services franchise fund (gross)		BA	**22**	**25**	**218**	**218**	**218**	**218**	**218**
		O	19	29	218	218	218	218	218
Total, offsetting collections			–22	–25	–218	–218	–218	–218	–218
Total Administrative services franchise fund (net)		BA	....	....	....	....	....	....	....
		O	–3	4	....	....	....	....	....
Trust funds									
Grants-in-aid for airports (Airport and airway trust fund):									
Contract authority, permanent	402	BA	**1,640**	**2,322**	**1,600**	**1,600**	**1,600**	**1,600**	**1,600**
Outlays		O	1,511	1,670	1,750	1,680	1,641	1,628	1,620
Limitation on program level (obligations)			(1,700)	(1,950)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)
Facilities and equipment (Airport and airway trust fund):									
Appropriation, current	402	BA	**1,900**	**2,087**	**2,319**	**1,747**	**2,190**	**2,444**	**2,745**
Advance appropriation		BA	....	....	....	**739**	**439**	**355**	**191**
Spending authority from offsetting collections		BA	**33**	**75**	**75**	**75**	**75**	**75**	**75**
Outlays		O	2,259	1,996	2,081	2,252	2,431	2,680	2,834
Facilities and equipment (Airport and airway trust fund) (gross)		BA	**1,933**	**2,162**	**2,394**	**2,561**	**2,704**	**2,874**	**3,011**
		O	2,259	1,996	2,081	2,252	2,431	2,680	2,834
Total, offsetting collections			–33	–75	–75	–75	–75	–75	–75
Total Facilities and equipment (Airport and airway trust fund) (net)		BA	**1,900**	**2,087**	**2,319**	**2,486**	**2,629**	**2,799**	**2,936**
		O	2,226	1,921	2,006	2,177	2,356	2,605	2,759
Research, engineering and development (Airport and airway trust fund):									
Appropriation, current	402	BA	**199**	**150**	**173**	**186**	**196**	**209**	**219**
Spending authority from offsetting collections		BA	**9**	**15**	**15**	**15**	**15**	**15**	**15**

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
Outlays		O	212	219	217	228	206	218	229
Research, engineering and development (Airport and airway trust fund) (gross)		BA	**208**	**165**	**188**	**201**	**211**	**224**	**234**
		O	212	219	217	228	206	218	229
Total, offsetting collections			–9	–15	–15	–15	–15	–15	–15
Total Research, engineering and development (Airport and airway trust fund) (net)		BA	**199**	**150**	**173**	**186**	**196**	**209**	**219**
		O	203	204	202	213	191	203	214
Trust fund share of FAA operations:									
Appropriation, current	402	BA	**1,902**	**4,112**	**6,039**	**6,475**	**6,847**	**7,288**	**7,646**
Outlays		O	1,929	4,124	6,039	6,475	6,847	7,288	7,646
Total Federal funds Federal Aviation Administration		BA	**3,378**	**1,454**					
		O	3,374	1,479	–60	–55	–48	–56	–46
Total Trust funds Federal Aviation Administration		BA	**5,641**	**8,671**	**10,131**	**10,747**	**11,272**	**11,896**	**12,401**
		O	5,869	7,919	9,997	10,545	11,035	11,724	12,239
Federal Highway Administration									
Federal funds									
General and Special Funds:									
Miscellaneous appropriations:									
Appropriation, current	401	BA		**200**					
Outlays		O	111	134	156	98	71	50	28
Appalachian development highway system:									
Appropriation, current	401	BA	**300**	**132**					
Outlays		O	73	150	112	41	17	13	10
State infrastructure banks:									
Outlays	401	O	64	37	17	11	9	5	3
Trust funds									
Federal-aid highways:									
Appropriation, current	401	BA	**259**						
Appropriation, permanent		BA			**–451**	**–125**	**–125**	**–125**	**–128**
Contract authority, permanent		BA	**24,537**	**29,307**	**31,398**	**30,548**	**31,100**	**31,650**	**32,299**
Spending authority from offsetting collections		BA	**48**	**75**	**75**	**75**	**75**	**75**	**75**
Outlays		O	20,016	23,019	25,613	27,025	27,285	27,532	28,116
Limitation on program level (obligations)			(21,500)	(25,512)	(27,313)	(26,636)	(26,967)	(27,686)	(28,267)
Limitation on direct loan obligations				(1,600)	(1,800)	(2,200)	(2,400)	(2,600)	(2,600)
Federal-aid highways (gross)		BA	**24,844**	**29,382**	**31,022**	**30,498**	**31,050**	**31,600**	**32,246**
		O	20,016	23,019	25,613	27,025	27,285	27,532	28,116
Total, offsetting collections			–48	–75	–75	–75	–75	–75	–75
Total Federal-aid highways (net)		BA	**24,796**	**29,307**	**30,947**	**30,423**	**30,975**	**31,525**	**32,171**
		O	19,968	22,944	25,538	26,950	27,210	27,457	28,041
Highway-related safety grants:									
Outlays	401	O	3	2					
National motor carrier safety program:									
Contract authority, permanent	401	BA	**84**	**100**	**105**	**112**	**117**	**125**	**128**
Outlays		O	73	95	101	107	113	119	126
Limitation on program level (obligations)			(84)	(100)	(105)	(112)	(117)	(125)	(128)
Miscellaneous trust funds									
(International development and humanitarian assistance):									
(Outlays)	151	O					1	1	1
(Ground transportation):									
(Appropriation, permanent)	401	BA	**45**	**8**	**8**	**8**	**8**	**8**	**8**
(Outlays)		O	15	35	8	8	7	7	7
Total Miscellaneous trust funds		BA	**45**	**8**	**8**	**8**	**8**	**8**	**8**
		O	15	35	8	8	8	8	8
Miscellaneous highway trust funds:									
Outlays	401	O	46	60	43	35	26	12	5

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Right-of-way revolving fund liquidating account:									
Outlays	401	O	7	20	20	3			
Right-of-way revolving fund liquidating account (gross)		O	7	20	20	3			
Total, offsetting collections			–9	–22	–24	–24	–24	–24	–24
Total Right-of-way revolving fund liquidating account (net)		BA	**–9**	**–22**	**–24**	**–24**	**–24**	**–24**	**–24**
		O	–2	–2	–4	–21	–24	–24	–24
Total Federal funds Federal Highway Administration		BA	**300**	**332**					
		O	248	321	285	150	97	68	41
Total Trust funds Federal Highway Administration		BA	**24,916**	**29,393**	**31,036**	**30,519**	**31,076**	**31,634**	**32,283**
		O	20,103	23,134	25,686	27,079	27,333	27,572	28,156

National Highway Traffic Safety Administration

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Operations and research:									
Appropriation, current	401	BA	**75**						
Spending authority from offsetting collections		BA	**105**						
Outlays		O	157	65	39	29			
Operations and research (gross)		BA	**180**						
		O	157	65	39	29			
Total, offsetting collections			–105						
Total Operations and research (net)		BA	**75**						
		O	52	65	39	29			
Trust funds									
Operations and research (Highway trust fund):									
Appropriation, current	401	BA	**72**	**88**					
Appropriation, permanent		BA			**125**	**125**	**125**	**125**	**128**
Contract authority, permanent		BA		**72**	**72**	**72**	**72**	**72**	**72**
Spending authority from offsetting collections		BA		**22**	**21**	**21**	**21**	**21**	**21**
Outlays		O	100	115	178	204	216	218	218
Limitation on program level (obligations)				(72)	(197)	(197)	(197)	(197)	(197)
Operations and research (Highway trust fund) (gross)		BA	**72**	**182**	**218**	**218**	**218**	**218**	**221**
		O	100	115	178	204	216	218	218
Total, offsetting collections				–22	–21	–21	–21	–21	–21
Total Operations and research (Highway trust fund) (net)		BA	**72**	**160**	**197**	**197**	**197**	**197**	**200**
		O	100	93	157	183	195	197	197
Highway traffic safety grants:									
Contract authority, permanent	401	BA	**184**	**200**	**207**	**213**	**223**	**225**	**225**
Outlays		O	152	197	209	218	215	221	225
Limitation on program level (obligations)			(184)	(200)	(207)	(213)	(223)	(225)	(230)
Total Federal funds National Highway Traffic Safety Administration		BA	**75**						
		O	52	65	39	29			
Total Trust funds National Highway Traffic Safety Administration		BA	**256**	**360**	**404**	**410**	**420**	**422**	**425**
		O	252	290	366	401	410	418	422

Federal Railroad Administration

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Safety and operations:									
Appropriation, current	401	BA	**77**	**82**	**95** [J] **–66**	**95** [J] **–66**	**95** [J] **–66**	**95** [J] **–66**	**95** [J] **–66**
Spending authority from offsetting collections		BA	**2**	**2**	**2** [J] **66**	**2** [J] **66**	**2** [J] **66**	**2** [J] **66**	**2** [J] **66**

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	72	93	102	98	97	97	97
Safety and operations (gross)		BA	**79**	**84**	**97**	**97**	**97**	**97**	**97**
		O	72	93	102	98	97	97	97
Total, offsetting collections			–2	–2	–2	–2	–2	–2	–2
					[J] –66	[J] –66	[J] –66	[J] –66	[J] –66
Total Safety and operations (net)		BA	**77**	**82**	**29**	**29**	**29**	**29**	**29**
		O	70	91	34	30	29	29	29
AMTRAK reform council:									
Appropriation, current	407	BA	**2**	......	**1**	**1**	**1**	**1**	**1**
Outlays		O	......	2	1	1	1	1	1
Emergency railroad rehabilitation and repair:									
Appropriation, current	401	BA	**10**	......	......	......	......	......	......
Outlays		O	14	14	......	......	......	......	......
Local rail freight assistance:									
Outlays	401	O	4	6	......	......	......	......	......
Railroad research and development:									
Appropriation, current	401	BA	**21**	**22**	**22**	**22**	**22**	**22**	**22**
					[J] **–21**	[J] **–21**	[J] **–21**	[J] **–21**	[J] **–21**
Spending authority from offsetting collections		BA	......	**1**	......	......	......	......	......
					[J] **21**	[J] **21**	[J] **21**	[J] **21**	[J] **21**
Outlays		O	23	29	29	20	22	22	22
Railroad research and development (gross)		BA	**21**	**23**	**22**	**22**	**22**	**22**	**22**
		O	23	29	29	20	22	22	22
Total, offsetting collections			......	–1	......	......	......	......	......
					[J] –21	[J] –21	[J] –21	[J] –21	[J] –21
Total Railroad research and development (net)		BA	**21**	**22**	**1**	**1**	**1**	**1**	**1**
		O	23	28	8	–1	1	1	1
Conrail commuter transition assistance:									
Outlays	401	O	5	9	2	......	......	......	......
Northeast corridor improvement program:									
Appropriation, current	401	BA	**250**	......	......	......	......	......	......
Outlays		O	418	45	......	......	......	......	......
Rhode island rail development:									
Appropriation, current	401	BA	**10**	**5**	**10**	**10**	**10**	**10**	**10**
Outlays		O	2	13	13	9	10	10	10
High-speed rail trainsets and facilities:									
Outlays	401	O	30	......	......	......	......	......	......
Pennsylvania station redevelopment project:									
Outlays	401	O	......	1	......	......	......	......	......
Alaska railroad rehabilitation:									
Appropriation, current	401	BA	**15**	**38**	......	......	......	......	......
Outlays		O	9	24	23	......	......	......	......
Capital grants to the National Railroad Passenger Corporation:									
Appropriation, current	401	BA	**344**	**609**	**571**	**571**	**571**	**571**	**571**
Outlays		O	478	247	441	580	571	571	571
Next generation high-speed rail:									
Appropriation, current	401	BA	**20**	**21**	**12**	**12**	**12**	**12**	**12**
Outlays		O	9	19	17	21	25	15	12
Public Enterprise Funds:									
Railroad rehabilitation and improvement liquidating account:									
Spending authority from offsetting collections	401	BA	**3**	**3**	**3**	**2**	**2**	**2**	**2**
Outlays		O	3	3	3	2	2	2	2
Railroad rehabilitation and improvement liquidating account (gross)		BA	**3**	**3**	**3**	**2**	**2**	**2**	**2**
		O	3	3	3	2	2	2	2
Total, offsetting collections			–7	–6	–8	–6	–6	–6	–6
Total Railroad rehabilitation and improvement liquidating account (net)		BA	**–4**	**–3**	**–5**	**–4**	**–4**	**–4**	**–4**
		O	–4	–3	–5	–4	–4	–4	–4

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Credit Accounts:									
Alameda Corridor direct loan financing program:									
Outlays	401	O	21	18					
Amtrak corridor improvement loans liquidating account:									
Total, offsetting collections	401		–1	–1	–1	–1	–1	–1	–1
	Trust funds								
Rail initiatives trust fund:									
Appropriation, permanent	401	BA			**35**				
Spending authority from offsetting collections		BA			**20**				
Outlays		O			32	9	7	4	3
Rail initiatives trust fund (gross)		BA			**55**				
		O			32	9	7	4	3
Total, offsetting collections					–20				
Total Rail initiatives trust fund (net)		BA			**35**				
		O			12	9	7	4	3
Trust fund share of next generation high-speed rail:									
Outlays	401	O	3	4	2				
Total Federal funds Federal Railroad Administration		BA	**744**	**773**	**618**	**619**	**619**	**619**	**619**
		O	1,078	513	533	635	632	622	619
Total Trust funds Federal Railroad Administration		BA			**35**				
		O	3	4	14	9	7	4	3

Federal Transit Administration

Federal funds

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
General and Special Funds:									
Administrative expenses:									
Appropriation, current	401	BA	**46**	**10**	**12**	**13**	**13**	**15**	**15**
Spending authority from offsetting collections		BA	**2**	**45**	**50**	**53**	**56**	**60**	**62**
Outlays		O	48	52	62	66	69	74	77
Administrative expenses (gross)		BA	**48**	**55**	**62**	**66**	**69**	**75**	**77**
		O	48	52	62	66	69	74	77
Total, offsetting collections			–2	–45	–50	–53	–56	–60	–62
Total Administrative expenses (net)		BA	**46**	**10**	**12**	**13**	**13**	**15**	**15**
		O	46	7	12	13	13	14	15
Research, training, and human resources:									
Outlays	401	O	1	3	2	1			
Interstate transfer grants-transit:									
Outlays	401	O	3	14	6	2			
Washington metropolitan area transit authority:									
Appropriation, current	401	BA	**200**	**50**					
Outlays		O	184	207	142	102	33	10	10
Formula grants:									
Appropriation, current	401	BA	**240**	**519**	**620**	**669**	**718**	**767**	**784**
Spending authority from offsetting collections		BA	**2,260**	**2,280**	**2,690**	**2,676**	**2,874**	**3,071**	**3,136**
Outlays		O	2,079	2,069	2,027	2,603	2,931	3,353	3,566
Formula grants (gross)		BA	**2,500**	**2,799**	**3,310**	**3,345**	**3,592**	**3,838**	**3,920**
		O	2,079	2,069	2,027	2,603	2,931	3,353	3,566
Total, offsetting collections			–2,260	–2,280	–2,690	–2,676	–2,874	–3,071	–3,136
Total Formula grants (net)		BA	**240**	**519**	**620**	**669**	**718**	**767**	**784**
		O	–181	–211	–663	–73	57	282	430
University transportation research:									
Appropriation, current	401	BA	**6**	**1**	**1**	**1**	**1**	**1**	**1**
Spending authority from offsetting collections		BA		**5**	**5**	**5**	**5**	**5**	**5**

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
Outlays		O	6	7	7	8	5	6	6
University transportation research (gross)		BA	**6**	**6**	**6**	**6**	**6**	**6**	**6**
		O	6	7	7	8	5	6	6
Total, offsetting collections			....	–5	–5	–5	–5	–5	–5
Total University transportation research (net)		BA	**6**	**1**	**1**	**1**	**1**	**1**	**1**
		O	6	2	2	3	....	1	1
Transit planning and research:									
Appropriation, current	401	BA	**92**	**20**	**21**	**23**	**23**	**24**	**24**
Spending authority from offsetting collections		BA	**5**	**90**	**102**	**100**	**106**	**110**	**113**
Outlays		O	104	103	112	141	122	129	132
Transit planning and research (gross)		BA	**97**	**110**	**123**	**123**	**129**	**134**	**137**
		O	104	103	112	141	122	129	132
Change in orders on hand from Federal sources		BA	**–3**	**16**	....	....	....	....	....
Total, offsetting collections			–2	–106	–102	–100	–106	–110	–113
Total Transit planning and research (net)		BA	**92**	**20**	**21**	**23**	**23**	**24**	**24**
		O	102	–3	10	41	16	19	19
Job Access and Reverse Commute Grants:									
Appropriation, current	401	BA	....	**35**	**15**	**20**	**25**	**30**	**31**
Spending authority from offsetting collections		BA	....	**40**	**135**	**80**	**100**	**120**	**123**
Outlays		O	....	4	23	58	87	108	129
Job Access and Reverse Commute Grants (gross)		BA	....	**75**	**150**	**100**	**125**	**150**	**154**
		O	....	4	23	58	87	108	129
Total, offsetting collections			....	–40	–135	–80	–100	–120	–123
Total Job Access and Reverse Commute Grants (net)		BA	....	**35**	**15**	**20**	**25**	**30**	**31**
		O	....	–36	–112	–22	–13	–12	6
Capital Investment Grants:									
Appropriation, current	401	BA	....	**501**	**490**	**529**	**568**	**607**	**620**
Spending authority from offsetting collections		BA	....	**1,806**	**1,961**	**2,116**	**2,273**	**2,429**	**2,480**
Outlays		O	....	115	630	1,179	1,725	2,218	2,600
Capital Investment Grants (gross)		BA	....	**2,307**	**2,451**	**2,645**	**2,841**	**3,036**	**3,100**
		O	....	115	630	1,179	1,725	2,218	2,600
Total, offsetting collections			....	–1,806	–1,961	–2,116	–2,273	–2,429	–2,480
Total Capital Investment Grants (net)		BA	....	**501**	**490**	**529**	**568**	**607**	**620**
		O	....	–1,691	–1,331	–937	–548	–211	120
Miscellaneous expired accounts:									
Appropriation, current	401	BA	....	**–4**	....	....	....	....	....
Outlays		O	3	....	....	....	....	....	....
	Trust funds								
Discretionary grants (Highway trust fund, Mass transit account):									
Contract authority, permanent	401	BA	**2,000**	**–392**	....	....	....	....	....
Outlays		O	1,875	1,459	1,144	821	526	295	100
Limitation on program level (obligations)			(2,000)	....	....	....	....	....	....
Discretionary grants (Highway trust fund, Mass transit account) (gross)		BA	**2,000**	**–392**	....	....	....	....	....
		O	1,875	1,459	1,144	821	526	295	100
Change in orders on hand from Federal sources		BA	**2**	**1**	....	....	....	....	....
Total, offsetting collections			–2	–1	....	....	....	....	....
Total Discretionary grants (Highway trust fund, Mass transit account) (net)		BA	**2,000**	**–392**	....	....	....	....	....
		O	1,873	1,458	1,144	821	526	295	100
Trust fund share of expenses:									
Appropriation, permanent	401	BA	....	....	**291**	....	....	....	....
Contract authority, permanent		BA	**2,260**	**4,252**	**4,638**	**5,017**	**5,398**	**5,781**	**5,781**
Outlays		O	2,260	4,252	4,929	5,017	5,398	5,781	5,902

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Limitation on program level (obligations)			(2,260)	(4,252)	(4,638)	(5,017)	(5,398)	(5,781)	(5,902)
Total Trust fund share of expenses		BA	**2,260**	**4,252**	**4,929**	**5,017**	**5,398**	**5,781**	**5,781**
		O	2,260	4,252	4,929	5,017	5,398	5,781	5,902
Total Federal funds Federal Transit Administration		BA	**584**	**1,132**	**1,159**	**1,255**	**1,348**	**1,444**	**1,475**
		O	164	–1,708	–1,932	–870	–442	103	601
Total Trust funds Federal Transit Administration		BA	**4,260**	**3,860**	**4,929**	**5,017**	**5,398**	**5,781**	**5,781**
		O	4,133	5,710	6,073	5,838	5,924	6,076	6,002
Saint Lawrence Seaway Development Corporation									
Federal funds									
Public Enterprise Funds:									
Saint Lawrence Seaway Development Corporation:									
Spending authority from offsetting collections	403	BA	**13**	**12**	**13**	**13**	**13**	**13**	**13**
Outlays		O	13	12	13	13	13	13	13
Saint Lawrence Seaway Development Corporation (gross)		BA	**13**	**12**	**13**	**13**	**13**	**13**	**13**
		O	13	12	13	13	13	13	13
Total, offsetting collections			–13	–12	–13	–13	–13	–13	–13
Total Saint Lawrence Seaway Development Corporation (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....
Trust funds									
Operations and maintenance:									
Appropriation, current	403	BA	**11**	**11**	....	....	....	....	....
Appropriation, permanent		BA			[B] **12**	[B] **12**	[B] **13**	[B] **14**	[B] **14**
Spending authority from offsetting collections		BA			[B] **–12**	[B] **–12**	[B] **–13**	[B] **–14**	[B] **–14**
Outlays		O	11	11	....	....	....	....	....
Operations and maintenance (gross)		BA	**11**	**11**	....	....	....	....	....
		O	11	11	....	....	....	....	....
Total, offsetting collections					[B] 12	[B] 12	[B] 13	[B] 14	[B] 14
Total Operations and maintenance (net)		BA	**11**	**11**	**12**	**12**	**13**	**14**	**14**
		O	11	11	12	12	13	14	14
Research and Special Programs Administration									
Federal funds									
General and Special Funds:									
Research and special programs:									
Appropriation, current	407	BA	**29**	**29**	**33**	**33**	**33**	**33**	**33**
					[J] **–5**	[J] **–5**	[J] **–5**	[J] **–5**	[J] **–5**
Spending authority from offsetting collections		BA	**16**	**64**	**64**	**64**	**64**	**64**	**64**
					[J] **18**	[J] **18**	[J] **18**	[J] **18**	[J] **18**
Outlays		O	63	95	96	97	97	97	97
						[J] 8	[J] 13	[J] 13	[J] 13
Research and special programs (gross)		BA	**45**	**93**	**110**	**110**	**110**	**110**	**110**
		O	63	95	96	105	110	110	110
Change in orders on hand from Federal sources		BA	**16**	....	....	....	....	....	....
Adjustment to orders on hand from Federal sources		BA	**5**	....	....	....	....	....	....
Total, offsetting collections			–36	–64	–64	–64	–64	–64	–64
					[J] –18	[J] –18	[J] –18	[J] –18	[J] –18
Total Research and special programs (net)		BA	**30**	**29**	**28**	**28**	**28**	**28**	**28**
		O	27	31	14	23	28	28	28
Pipeline safety:									
Appropriation, current	407	BA	**29**	**30**	**34**	**34**	**34**	**34**	**34**
Spending authority from offsetting collections		BA	**3**	**5**	**4**	**4**	**4**	**4**	**4**

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	34	35	36	37	38	38	38
Pipeline safety (gross)		BA	**32**	**35**	**38**	**38**	**38**	**38**	**38**
		O	34	35	36	37	38	38	38
Change in orders on hand from Federal sources		BA	**–1**						
Adjustment to orders on hand from Federal sources		BA	**1**						
Total, offsetting collections			–2	–5	–4	–4	–4	–4	–4
Total Pipeline safety (net)		BA	**30**	**30**	**34**	**34**	**34**	**34**	**34**
		O	32	30	32	33	34	34	34
Emergency preparedness grants:									
Appropriation, permanent	407	BA	**8**	**8**	**14**	**14**	**14**	**14**	**14**
Outlays		O	6	8	9	14	14	14	14
Intragovernmental Funds:									
Working capital fund, Volpe National Transportation Systems Center:									
Spending authority from offsetting collections	407	BA	**184**	**202**	**205**	**205**	**205**	**205**	**205**
Outlays		O	202	202	205	205	205	205	205
Working capital fund, Volpe National Transportation Systems Center (gross)		BA	**184**	**202**	**205**	**205**	**205**	**205**	**205**
		O	202	202	205	205	205	205	205
Change in orders on hand from Federal sources		BA	**19**						
Total, offsetting collections			–203	–202	–205	–205	–205	–205	–205
Total Working capital fund, Volpe National Transportation Systems Center (net)		BA							
		O	–1						
Trust funds									
Trust fund share of pipeline safety:									
Appropriation, current	407	BA	**3**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	2	5	5	5	5	4	4
Total Federal funds Research and Special Programs Administration		BA	**68**	**67**	**76**	**76**	**76**	**76**	**76**
		O	64	69	55	70	76	76	76
Total Trust funds Research and Special Programs Administration		BA	**3**	**4**	**4**	**4**	**4**	**4**	**4**
		O	2	5	5	5	5	4	4

Office of Inspector General

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	407	BA	**42**	**44**	**45**	**45**	**45**	**45**	**45**
Spending authority from offsetting collections		BA		**1**	**3**	**3**	**3**	**3**	**3**
Outlays		O	41	47	48	49	48	48	48
Salaries and expenses (gross)		BA	**42**	**45**	**48**	**48**	**48**	**48**	**48**
		O	41	47	48	49	48	48	48
Total, offsetting collections				–1	–3	–3	–3	–3	–3
Total Salaries and expenses (net)		BA	**42**	**44**	**45**	**45**	**45**	**45**	**45**
		O	41	46	45	46	45	45	45

Surface Transportation Board

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	401	BA	**14**	**13**	**14** [J] **–14**	**14** [J] **–14**	**14** [J] **–14**	**14** [J] **–14**	**14** [J] **–14**
Spending authority from offsetting collections		BA	**2**	**3**	**3** [J] **14**	**3** [J] **14**	**3** [J] **14**	**3** [J] **14**	**3** [J] **14**
Outlays		O	16	16	17	17	17	17	17
Salaries and expenses (gross)		BA	**16**	**16**	**17**	**17**	**17**	**17**	**17**
		O	16	16	17	17	17	17	17

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
Total, offsetting collections			–2	–3	–3 [J] –14	–3 [J] –14	–3 [J] –14	–3 [J] –14	–3 [J] –14
Total Salaries and expenses (net)		BA	**14**	**13**	....	....	....	....	....
		O	14	13	....	....	....	....	....
Maritime Administration									
Federal funds									
General and Special Funds:									
Ship construction:									
Appropriation, current	403	BA	....	**–17**	....	....	....	....	....
Outlays		O	–6	–4	–4	–4	....	....	....
Operating-differential subsidies:									
Outlays	403	O	37	19	15	9	1	....	....
Maritime security program:									
Appropriation, current	054	BA	**36**	**90**	**99**	[N] **99**	**99**	**99**	**99**
Outlays		O	81	98	99	[N] 99	99	99	99
Ocean freight differential:									
Authority to borrow, permanent	403	BA	**19**	**24**	**25**	**25**	**25**	**25**	**26**
Outlays		O	19	24	25	25	25	25	26
Operations and training:									
Appropriation, current	403	BA	**68**	**72**	**72**	**72**	**72**	**72**	**72**
Spending authority from offsetting collections		BA	**61**	**57**	**57**	**57**	**57**	**57**	**57**
Outlays		O	135	137	131	129	129	129	129
Operations and training (gross)		BA	**129**	**129**	**129**	**129**	**129**	**129**	**129**
		O	135	137	131	129	129	129	129
Change in orders on hand from Federal sources		BA	**–35**	....	....	....	....	....	....
Adjustment to orders on hand from Federal sources		BA	**58**	....	....	....	....	....	....
Total, offsetting collections			–84	–57	–57	–57	–57	–57	–57
Total Operations and training (net)		BA	**68**	**72**	**72**	**72**	**72**	**72**	**72**
		O	51	80	74	72	72	72	72
Ready reserve force:									
Outlays	054	O	7	30					
Public Enterprise Funds:									
Vessel operations revolving fund:									
Spending authority from offsetting collections	403	BA	**372**	**350**	**400**	**400**	**400**	**400**	**400**
Outlays		O	391	278	317	397	400	395	364
Vessel operations revolving fund (gross)		BA	**372**	**350**	**400**	**400**	**400**	**400**	**400**
		O	391	278	317	397	400	395	364
Change in orders on hand from Federal sources		BA	**22**	....	....	....	....	....	....
Adjustment to orders on hand from Federal sources		BA	**–10**	....	....	....	....	....	....
Total, offsetting collections			–384	–350	–400	–400	–400	–400	–400
Total Vessel operations revolving fund (net)		BA	....	....	....	....	....	....	....
		O	7	–72	–83	–3	....	–5	–36
War risk insurance revolving fund:									
Spending authority from offsetting collections	403	BA	**1**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	....	1	1	1	1	1	1
War risk insurance revolving fund (gross)		BA	**1**	**2**	**2**	**2**	**2**	**2**	**2**
		O	....	1	1	1	1	1	1
Total, offsetting collections			–1	–2	–2	–2	–2	–2	–2
Total War risk insurance revolving fund (net)		BA	....	....	....	....	....	....	....
		O	–1	–1	–1	–1	–1	–1	–1
Credit Accounts:									
Federal ship financing fund liquidating account:									
Spending authority from offsetting collections	403	BA	**13**	**32**	**27**	**33**	**33**	**33**	**33**

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
Outlays		O	4			–16	–14	–11	–7
Federal ship financing fund liquidating account (gross)		BA	**13**	**32**	**27**	**33**	**33**	**33**	**33**
		O	4			–16	–14	–11	–7
Total, offsetting collections			–13	–32	–27	–33	–33	–33	–33
Total Federal ship financing fund liquidating account (net)		BA							
		O	–9	–32	–27	–49	–47	–44	–40
Maritime guaranteed loan (Title XI) program account:									
Appropriation, current	403	BA	**36**	**10**	**10**	**10**	**10**	**10**	**10**
Spending authority from offsetting collections		BA	**15**						
Outlays		O	27	60	10	10	10	10	10
Limitation on loan guarantee commitments			(1,000)	(120)	(120)	(120)	(120)	(120)	(120)
Maritime guaranteed loan (Title XI) program account (gross)		BA	**51**	**10**	**10**	**10**	**10**	**10**	**10**
		O	27	60	10	10	10	10	10
Total, offsetting collections			–15						
Total Maritime guaranteed loan (Title XI) program account (net)		BA	**36**	**10**	**10**	**10**	**10**	**10**	**10**
		O	12	60	10	10	10	10	10
Total Federal funds Maritime Administration		BA	**159**	**179**	**206**	**206**	**206**	**206**	**207**
		O	198	202	108	158	159	156	130

Summary

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
Federal funds:									
(As shown in detail above)		BA	**9,328**	**8,330**	**6,281**	**6,426**	**6,566**	**6,714**	**6,795**
		O	9,120	4,937	3,333	4,331	4,776	5,316	5,831
Deductions for offsetting receipts:									
Proprietary receipts from the public	401	BA/O	*–3*						
	403	BA/O	*–1*	*–86*	*–1*	*–1*	*–1*	*–1*	*–1*
	407	BA/O	*–8*	*–8*	*–14*	*–14*	*–14*	*–14*	*–14*
Offsetting governmental receipts	403	BA/O	*–82*	*–87*	*–89*	*–91*	*–93*	*–18*	*–18*
	407	BA/O	*–30*	*–30*	*–36*	*–38*	*–39*	*–40*	*–41*
Total Federal funds		BA	**9,204**	**8,119**	**6,141**	**6,282**	**6,419**	**6,641**	**6,721**
		O	8,996	4,726	3,193	4,187	4,629	5,243	5,757
Trust funds:									
(As shown in detail above)		BA	**35,249**	**42,473**	**46,724**	**46,882**	**48,356**	**49,924**	**51,081**
		O	30,513	37,247	42,323	44,062	44,900	45,985	47,013
Deductions for offsetting receipts:									
Proprietary receipts from the public	151	BA/O		*–1*	*–1*	*–1*	*–1*	*–1*	*–1*
	401	BA/O	*–9*	*–7*	*–7*	*–7*	*–7*	*–7*	*–7*
	908	BA/O	*–1*						
Total Trust funds		BA	**35,239**	**42,465**	**46,716**	**46,874**	**48,348**	**49,916**	**51,073**
		O	30,503	37,239	42,315	44,054	44,892	45,977	47,005
Interfund transactions	401	BA/O	*–36*	*–5*	*–5*	*–5*	*–5*	*–5*	*–5*
	402	BA/O		*–87*					
Total Department of Transportation		BA	**44,407**	**50,492**	**52,852**	**53,151**	**54,762**	**56,552**	**57,789**
		O	39,463	41,873	45,503	48,236	49,516	51,215	52,757

DEPARTMENT OF THE TREASURY

(In millions of dollars)

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate

Departmental Offices

Federal funds

General and Special Funds:

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
Salaries and expenses:									
Appropriation, current	803	BA	**136**	**141**	**135**	**135**	**135**	**135**	**135**
Spending authority from offsetting collections		BA	**32**	**32**	**32**	**32**	**32**	**32**	**32**

DEPARTMENT OF THE TREASURY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	159	160	159	167	167	167	167
Salaries and expenses (gross)		BA	161	173	167	167	167	167	167
		O	159	160	159	167	167	167	167
Total, offsetting collections			–25	–32	–32	–32	–32	–32	–32
Total Salaries and expenses (net)		BA	136	141	135	135	135	135	135
		O	134	128	127	135	135	135	135
United States community adjustment and investment program:									
Appropriation, current	451	BA	....	10	17	17	17	17	17
Outlays		O	....	10	9	18	17	17	17
Department-wide systems and Capital Investments Programs:									
Appropriation, current	803	BA	44	56	54	54	54	54	54
Outlays		O	44	13	41	55	54	54	54
Office of Inspector General:									
Appropriation, current	803	BA	30	30	32	32	32	32	32
Spending authority from offsetting collections		BA	1	1	....	....	....	....	....
Outlays		O	31	31	32	32	32	32	32
Office of Inspector General (gross)		BA	31	31	32	32	32	32	32
		O	31	31	32	32	32	32	32
Change in orders on hand from Federal sources		BA	....	1	....	....	....	....	....
Total, offsetting collections			–1	–1	....	....	....	....	....
Total Office of Inspector General (net)		BA	30	31	32	32	32	32	32
		O	30	30	32	32	32	32	32
Inspector General for Tax Administration:									
Appropriation, current	803	BA	....	108	112	112	112	112	112
Outlays		O	....	97	111	112	112	112	112
Treasury buildings and annex repair and restoration:									
Appropriation, current	803	BA	10	27	23	23	23	23	23
Outlays		O	11	19	21	24	23	23	23
Financial crimes enforcement network:									
Appropriation, current	751	BA	23	24	28	28	28	28	28
Spending authority from offsetting collections		BA	2	4	1	1	1	1	1
Outlays		O	26	29	28	29	29	29	29
Financial crimes enforcement network (gross)		BA	25	28	29	29	29	29	29
		O	26	29	28	29	29	29	29
Total, offsetting collections			–2	–4	–1	–1	–1	–1	–1
Total Financial crimes enforcement network (net)		BA	23	24	28	28	28	28	28
		O	24	25	27	28	28	28	28
Counterterrorism Fund:									
Appropriation, current	751	BA	8	....	....	....	....	....	....
Outlays		O	....	11	....	....	....	....	....
Violent crime reduction program:									
Appropriation, current	751	BA	109	129	132	132	132	132	132
Spending authority from offsetting collections		BA	11	....	....	....	....	....	....
Outlays		O	70	146	131	132	132	132	132
Violent crime reduction program (gross)		BA	120	129	132	132	132	132	132
		O	70	146	131	132	132	132	132
Change in orders on hand from Federal sources		BA	–11	11	....	....	....	....	....
Total, offsetting collections			....	–11	....	....	....	....	....
Total Violent crime reduction program (net)		BA	109	129	132	132	132	132	132
		O	70	135	131	132	132	132	132
Sallie Mae Assessments:									
Appropriation, permanent	808	BA	....	1	1	1	1	1	1
Department of the Treasury forfeiture fund:									
Appropriation, permanent	751	BA	295	233	190	180	180	180	180
Outlays		O	274	263	258	170	170	170	170
Presidential election campaign fund:									
Appropriation, permanent	808	BA	63	63	63	63	63	63	63

DEPARTMENT OF THE TREASURY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O		26	231	7		29	216
Public Enterprise Funds:									
Exchange stabilization fund:									
Spending authority from offsetting collections	155	BA	**1,266**	**1,254**	**1,312**	**1,380**	**1,394**	**1,408**	**1,422**
Exchange stabilization fund (gross)		BA	**1,266**	**1,254**	**1,312**	**1,380**	**1,394**	**1,408**	**1,422**
Total, offsetting collections			–1,236	–1,254	–1,312	–1,380	–1,394	–1,408	–1,422
Total Exchange stabilization fund (net)		BA	**30**						
		O	–1,236	–1,254	–1,312	–1,380	–1,394	–1,408	–1,422
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	803	BA	**294**	**338**	**305**	**305**	**305**	**305**	**305**
Outlays		O	107	338	305	305	305	305	305
Working capital fund (gross)		BA	**294**	**338**	**305**	**305**	**305**	**305**	**305**
		O	107	338	305	305	305	305	305
Change in orders on hand from Federal sources		BA	**–103**						
Total, offsetting collections			–191	–338	–305	–305	–305	–305	–305
Total Working capital fund (net)		BA							
		O	–84						
Treasury franchise fund:									
Spending authority from offsetting collections	803	BA	**87**	**114**	**120**	**120**	**120**	**120**	**120**
Outlays		O	70	100	106	120	120	120	120
Treasury franchise fund (gross)		BA	**87**	**114**	**120**	**120**	**120**	**120**	**120**
		O	70	100	106	120	120	120	120
Change in orders on hand from Federal sources		BA	**–14**	**–10**	**–10**	**–10**	**–10**	**–10**	**–10**
Total, offsetting collections			–73	–104	–110	–110	–110	–110	–110
Total Treasury franchise fund (net)		BA							
		O	–3	–4	–4	10	10	10	10
Credit Accounts:									
Community development financial institutions fund program account:									
Appropriation, current	451	BA	**80**	**95**	**110**	**110**	**110**	**110**	**110**
					[J] 15	**[J] 15**	**[J] 15**	**[J] 15**	**[J] 15**
Outlays		O	39	64	75	109	109	110	110
					[J] 5	[J] 16	[J] 15	[J] 15	[J] 15
Limitation on direct loan activity			(32)	(32)	(53)	(53)	(53)	(53)	(53)
Total Community development financial institutions fund program account		BA	**80**	**95**	**125**	**125**	**125**	**125**	**125**
		O	39	64	80	125	124	125	125
Total Federal funds Departmental Offices		BA	**828**	**918**	**912**	**902**	**902**	**902**	**902**
		O	–697	–437	–248	–532	–557	–541	–368

Federal Law Enforcement Training Center

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	751	BA	**65**	**75**	**87**	**87**	**87**	**87**	**87**
Spending authority from offsetting collections		BA	**32**	**32**	**32**	**32**	**32**	**32**	**32**
Outlays		O	95	98	116	119	119	119	119
Salaries and expenses (gross)		BA	**97**	**107**	**119**	**119**	**119**	**119**	**119**
		O	95	98	116	119	119	119	119
Total, offsetting collections			–32	–32	–32	–32	–32	–32	–32
Total Salaries and expenses (net)		BA	**65**	**75**	**87**	**87**	**87**	**87**	**87**
		O	63	66	84	87	87	87	87
Acquisitions, construction, improvements, and related expenses:									
Appropriation, current	751	BA	**33**	**35**	**21**	**21**	**21**	**21**	**21**

DEPARTMENT OF THE TREASURY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	20	14	32	28	21	21	21
Total Federal funds Federal Law Enforcement Training Center		BA	**98**	**110**	**108**	**108**	**108**	**108**	**108**
		O	83	80	116	115	108	108	108
Interagency Law Enforcement									
Federal funds									
General and Special Funds:									
Interagency crime and drug enforcement:									
Appropriation, current	751	BA	**74**	**52**	**26**	**26**	**26**	**26**	**26**
Outlays		O	42	64	31	26	26	26	26
Financial Management Service									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	803	BA	**208**	**202**	**203**	**203**	**203**	**203**	**203**
Spending authority from offsetting collections		BA	**123**	**130**	**111**	**111**	**111**	**111**	**111**
Outlays		O	311	340	313	314	314	314	314
Salaries and expenses (gross)		BA	**331**	**332**	**314**	**314**	**314**	**314**	**314**
		O	311	340	313	314	314	314	314
Change in orders on hand from Federal sources		BA	**–2**						
Total, offsetting collections			–121	–130	–111	–111	–111	–111	–111
Total Salaries and expenses (net)		BA	**208**	**202**	**203**	**203**	**203**	**203**	**203**
		O	190	210	202	203	203	203	203
Payment to Department of Justice, FIRREA related claims:									
Appropriation, current	752	BA	**34**						
Outlays		O	14	28					
Payment to the Resolution Funding Corporation:									
Appropriation, permanent	908	BA	**2,328**	**2,328**	**2,328**	**2,328**	**2,328**	**2,328**	**2,328**
Outlays		O	2,328	2,328	2,328	2,328	2,328	2,328	2,328
Federal Reserve Bank reimbursement fund:									
Appropriation, permanent	803	BA	**122**	**124**	**127**	**129**	**132**	**135**	**138**
Outlays		O	36	146	127	129	124	135	138
Interest on uninvested funds:									
Appropriation, permanent	908	BA	**8**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	4	4	4	4	4	4	4
Federal interest liabilities to the states:									
Appropriation, permanent	908	BA	**7**	**15**	**14**	**13**	**12**	**11**	**10**
Outlays		O	7	15	14	13	12	11	10
Net interest paid to loan guarantee financing accounts:									
Appropriation, permanent	908	BA	**3,435**	**2,693**	**2,773**	**2,862**	**2,973**	**3,087**	**3,205**
Outlays		O	3,435	2,693	2,773	2,862	2,973	3,087	3,205
Claims, judgments, and relief acts:									
Appropriation, permanent	808	BA	**678**	**764**	**712**	**712**	**712**	**712**	**712**
Outlays		O	678	764	712	712	712	712	712
Biomass energy development:									
Appropriation, current	271	BA			**–49**	**–49**	**–49**	**–49**	**–49**
Spending authority from offsetting collections		BA	**5**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O				4	4	5	5
Biomass energy development (gross)		BA	**5**	**4**	**–45**	**–45**	**–45**	**–45**	**–45**
		O				4	4	5	5
Total, offsetting collections			–5	–4	–4	–4	–4	–4	–4
Total Biomass energy development (net)		BA			**–49**	**–49**	**–49**	**–49**	**–49**
		O	–5	–4	–4			1	1
Payments to the farm credit system financial assistance corporation liquidating account:									
Appropriation, current	908	BA	**8**	**3**			**1**	**1**	**1**
Outlays		O	8	3			1	1	1

DEPARTMENT OF THE TREASURY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Public Enterprise Funds:									
Check forgery insurance fund:									
Appropriation, permanent	803	BA	5	3	3	4	4	4	5
Spending authority from offsetting collections		BA	9	39	39	25	25	25	25
Outlays		O	17	49	42	29	29	29	30
Check forgery insurance fund (gross)		BA	14	42	42	29	29	29	30
		O	17	49	42	29	29	29	30
Total, offsetting collections			–9	–39	–39	–25	–25	–25	–25
Total Check forgery insurance fund (net)		BA	5	3	3	4	4	4	5
		O	8	10	3	4	4	4	5
Total Federal funds Financial Management Service		BA	6,833	6,136	6,115	6,206	6,320	6,436	6,557
		O	6,703	6,197	6,159	6,255	6,361	6,486	6,607

Federal Financing Bank

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
Intragovernmental Funds:									
Federal Financing Bank:									
Appropriation, current	803	BA		1,155					
Authority to borrow, permanent		BA	3,081	145	31	32	34	36	32
Spending authority from offsetting collections		BA	4,641	3,893	3,661	3,461	3,302	3,149	2,973
Outlays		O	7,712	5,203	3,692	3,493	3,336	3,185	3,005
Federal Financing Bank (gross)		BA	7,722	5,193	3,692	3,493	3,336	3,185	3,005
		O	7,712	5,203	3,692	3,493	3,336	3,185	3,005
Total, offsetting collections			–4,641	–3,893	–3,661	–3,461	–3,302	–3,149	–2,973
Total Federal Financing Bank (net)		BA	3,081	1,300	31	32	34	36	32
		O	3,071	1,310	31	32	34	36	32

Bureau of Alcohol, Tobacco and Firearms

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	751	BA	478	549	585	585	585	585	585
Spending authority from offsetting collections		BA	36	51	51	51	51	51	51
Outlays		O	485	556	633	634	636	634	636
Salaries and expenses (gross)		BA	514	600	636	636	636	636	636
		O	485	556	633	634	636	634	636
Change in orders on hand from Federal sources		BA	–18						
Total, offsetting collections			–18	–51	–51	–51	–51	–51	–51
Total Salaries and expenses (net)		BA	478	549	585	585	585	585	585
		O	467	505	582	583	585	583	585
Laboratory facilities and headquarters:									
Appropriation, current	751	BA	55		15	15	15	15	15
Outlays		O		21	43	15	15	15	15
Internal revenue collections for Puerto Rico:									
Appropriation, permanent	806	BA	230	217	217 B 34	217 B 34	217 B 34	217 B 34	217 B 34
Outlays		O	230	217	217 B 34	217 B 34	217 B 34	217 B 34	217 B 34
Total Internal revenue collections for Puerto Rico		BA	230	217	251	251	251	251	251
		O	230	217	251	251	251	251	251
Total Federal funds Bureau of Alcohol, Tobacco and Firearms		BA	763	766	851	851	851	851	851
		O	697	743	876	849	851	849	851

DEPARTMENT OF THE TREASURY—Continued

(In millions of dollars)

United States Customs Service

Federal funds

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	751	BA	1,549	1,776	1,720	1,720	1,720	1,720	1,720
					[J]–312	[J]–312	[J]–312	[J]–312	[J]–312
Appropriation, permanent		BA	336	317	375	402	431	463	497
Reappropriation		BA	2	....	....	....	....	....	....
Spending authority from offsetting collections		BA	438	455	536	536	536	536	536
					[J]312	[J]312	[J]312	[J]312	[J]312
Outlays		O	2,254	2,715	2,636	2,690	2,684	2,716	2,750
Salaries and expenses (gross)		BA	2,325	2,548	2,631	2,658	2,687	2,719	2,753
		O	2,254	2,715	2,636	2,690	2,684	2,716	2,750
Change in orders on hand from Federal sources		BA	–6	....	....	....	....	....	....
Adjustment to orders on hand from Federal sources		BA	–15	....	....	....	....	....	....
Total, offsetting collections			–417	–455	–536	–536	–536	–536	–536
					[J]–312	[J]–312	[J]–312	[J]–312	[J]–312
Total Salaries and expenses (net)		BA	1,887	2,093	1,783	1,810	1,839	1,871	1,905
		O	1,837	2,260	1,788	1,842	1,836	1,868	1,902
Operation and maintenance, air and marine interdiction programs:									
Appropriation, current	751	BA	93	277	109	109	109	109	109
Spending authority from offsetting collections		BA	37	8	8	8	8	8	8
Outlays		O	114	208	176	117	117	117	117
Operation and maintenance, air and marine interdiction programs (gross)		BA	130	285	117	117	117	117	117
		O	114	208	176	117	117	117	117
Change in orders on hand from Federal sources		BA	8	....	....	....	....	....	....
Total, offsetting collections			–45	–8	–8	–8	–8	–8	–8
Total Operation and maintenance, air and marine interdiction programs (net)		BA	93	277	109	109	109	109	109
		O	69	200	168	109	109	109	109
Customs facilities, construction, improvements and related expenses:									
Appropriation, current	751	BA	....	7	....	....	....	....	....
Outlays		O	2	2	7	10	....	....	....
Automation modernization:									
Appropriation, current	751	BA				[J]57	[J]57	[J]82	[J]82
Advance appropriation		BA				[J]163			
Spending authority from offsetting collections		BA					[J]163	[J]163	[J]163
Outlays		O				[J]143	[J]187	[J]225	[J]241
Automation modernization (gross)		BA	....	....	....	220	220	245	245
		O	....	....	....	143	187	225	241
Total, offsetting collections					[J]–163	[J]–163	[J]–163	[J]–163	[J]–163
Total Automation modernization (net)		BA	....	....	–163	57	57	82	82
		O	....	....	–163	–20	24	62	78
Customs services at small airports:									
Appropriation, current	751	BA	2	....	....	....	....	....	....
Appropriation, permanent		BA	....	2	2	2	2	2	2
Spending authority from offsetting collections		BA	1	1	1	1	1	1	1
Outlays		O	3	3	1	1	1	1	1
Customs services at small airports (gross)		BA	3	3	3	3	3	3	3
		O	3	3	1	1	1	1	1
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total Customs services at small airports (net)		BA	2	2	2	2	2	2	2
		O	2	2	....	....	....	....	....
Refunds, transfers, and expenses of operation, Puerto Rico:									
Appropriation, permanent	806	BA	112	111	112	119	121	124	127
Spending authority from offsetting collections		BA	5	....	....	....	....	....	....

DEPARTMENT OF THE TREASURY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	115	111	112	119	121	124	127
Refunds, transfers, and expenses of operation, Puerto Rico (gross)		BA	**117**	**111**	**112**	**119**	**121**	**124**	**127**
		O	115	111	112	119	121	124	127
Total, offsetting collections			–5						
Total Refunds, transfers, and expenses of operation, Puerto Rico (net)		BA	**112**	**111**	**112**	**119**	**121**	**124**	**127**
		O	110	111	112	119	121	124	127
Trust funds									
Harbor maintenance fee collection:									
Appropriation, current	751	BA	**3**	**3**					
Outlays		O	3	3					
Refunds, transfers and expenses, unclaimed, and abandoned goods:									
Appropriation, permanent	751	BA	**5**	**7**	**7**	**7**	**7**	**7**	**7**
Outlays		O	6	5	7	7	7	7	7
Total Federal funds United States Customs Service		BA	**2,094**	**2,490**	**1,843**	**2,097**	**2,128**	**2,188**	**2,225**
		O	2,020	2,575	1,912	2,060	2,090	2,163	2,216
Total Trust funds United States Customs Service		BA	**8**	**10**	**7**	**7**	**7**	**7**	**7**
		O	9	8	7	7	7	7	7
Bureau of Engraving and Printing									
Federal funds									
Intragovernmental Funds:									
Bureau of Engraving and Printing fund:									
Spending authority from offsetting collections	803	BA	**452**	**584**	**572**	**572**	**572**	**572**	**572**
Outlays		O	497	574	552	572	572	572	572
Bureau of Engraving and Printing fund (gross)		BA	**452**	**584**	**572**	**572**	**572**	**572**	**572**
		O	497	574	552	572	572	572	572
Total, offsetting collections			–452	–584	–572	–572	–572	–572	–572
Total Bureau of Engraving and Printing fund (net)		BA							
		O	45	–10	–20				
United States Mint									
Federal funds									
Public Enterprise Funds:									
United States mint public enterprise fund:									
Spending authority from offsetting collections	803	BA	**1,021**	**1,134**	**1,171**	**1,171**	**1,171**	**1,171**	**1,171**
Outlays		O	925	1,134	1,171	1,171	1,171	1,171	1,171
United States mint public enterprise fund (gross)		BA	**1,021**	**1,134**	**1,171**	**1,171**	**1,171**	**1,171**	**1,171**
		O	925	1,134	1,171	1,171	1,171	1,171	1,171
Total, offsetting collections			–1,021	–1,134	–1,171	–1,171	–1,171	–1,171	–1,171
Total United States mint public enterprise fund (net)		BA							
		O	–96						
Bureau of the Public Debt									
Federal funds									
General and Special Funds:									
Administering the public debt:									
Appropriation, current	803	BA	**170**	**174**	**178**	**178**	**178**	**178**	**178**
Appropriation, permanent		BA	**135**	**139**	**169**	**169**	**169**	**169**	**169**
Spending authority from offsetting collections		BA	**6**	**8**	**8**	**8**	**8**	**8**	**8**
Outlays		O	276	318	336	307	307	307	307
Administering the public debt (gross)		BA	**311**	**321**	**355**	**355**	**355**	**355**	**355**
		O	276	318	336	307	307	307	307

DEPARTMENT OF THE TREASURY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–6	–8	–8	–8	–8	–8	–8
Total Administering the public debt (net)		BA	305	313	347	347	347	347	347
		O	270	310	328	299	299	299	299
Payment of Government losses in shipment:									
Appropriation, permanent	803	BA	1	1	1	1	1	1	1
Outlays		O	1	1	1	1	1	1	1
Total Federal funds Bureau of the Public Debt		BA	306	314	348	348	348	348	348
		O	271	311	329	300	300	300	300

Internal Revenue Service

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Processing, assistance, and management:									
Appropriation, current	803	BA	2,945	2,985	3,313	3,393	3,313	3,313	3,313
Appropriation, permanent		BA	19	86	82	82	82	82	82
Spending authority from offsetting collections		BA	33	33	34	34	34	34	34
Outlays		O	2,723	2,980	3,400	3,502	3,436	3,429	3,429
Processing, assistance, and management (gross)		BA	2,997	3,104	3,429	3,509	3,429	3,429	3,429
		O	2,723	2,980	3,400	3,502	3,436	3,429	3,429
Total, offsetting collections			–33	–33	–34	–34	–34	–34	–34
Total Processing, assistance, and management (net)		BA	2,964	3,071	3,395	3,475	3,395	3,395	3,395
		O	2,690	2,947	3,366	3,468	3,402	3,395	3,395
Tax law enforcement									
(Federal law enforcement activities):									
(Appropriation, current)	751	BA	372	371	376	376	376	376	376
(Outlays)		O	364	371	375	376	376	376	376
(Central fiscal operations):									
(Appropriation, current)	803	BA	2,701	2,794	2,961	3,040	2,961	2,961	2,961
(Appropriation, permanent)		BA	2	19	19	19	19	19	19
(Spending authority from offsetting collections)		BA	62	63	65	65	65	65	65
(Outlays)		O	2,844	2,791	3,035	3,120	3,050	3,045	3,045
Tax law enforcement (gross)		BA	3,137	3,247	3,421	3,500	3,421	3,421	3,421
		O	3,208	3,162	3,410	3,496	3,426	3,421	3,421
Total, offsetting collections			–62	–63	–65	–65	–65	–65	–65
Total (Central fiscal operations) (net)		BA	2,703	2,813	2,980	3,059	2,980	2,980	2,980
		O	2,782	2,728	2,970	3,055	2,985	2,980	2,980
Total Tax law enforcement		BA	3,075	3,184	3,356	3,435	3,356	3,356	3,356
		O	3,146	3,099	3,345	3,431	3,361	3,356	3,356
Earned income tax credit compliance initiative:									
Appropriation, current	803	BA	138	143	144	145	146	146	146
Outlays		O	110	133	144	145	146	146	146
Information systems:									
Appropriation, current	803	BA	1,292	1,742	1,455	1,490	1,455	1,455	1,455
Appropriation, permanent		BA	77						
Spending authority from offsetting collections		BA	6	6	6	6	6	6	6
Outlays		O	1,369	1,747	1,399	1,392	1,458	1,465	1,463
Information systems (gross)		BA	1,375	1,748	1,461	1,496	1,461	1,461	1,461
		O	1,369	1,747	1,399	1,392	1,458	1,465	1,463
Total, offsetting collections			–6	–6	–6	–6	–6	–6	–6
Total Information systems (net)		BA	1,369	1,742	1,455	1,490	1,455	1,455	1,455
		O	1,363	1,741	1,393	1,386	1,452	1,459	1,457
Information technology investments:									
Appropriation, current	803	BA	295	211			325	325	325
Advance appropriation		BA				325			

DEPARTMENT OF THE TREASURY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	....	74	141	348	356	318	309
Total Information technology investments		BA	**295**	**211**	....	**325**	**325**	**325**	**325**
		O	....	74	141	348	356	318	309
Payment where earned income credit exceeds liability for tax:									
Appropriation, permanent	609	BA	**23,239**	**26,273**	**26,880**	**27,631**	**28,595**	**29,529**	**30,538**
					[B] **–2**	[B] **–36**	[B] **–37**	[B] **–39**	[B] **–40**
Outlays		O	23,239	26,273	26,880	27,631	28,595	29,529	30,538
					[B] –2	[B] –36	[B] –37	[B] –39	[B] –40
Total Payment where earned income credit exceeds liability for tax		BA	**23,239**	**26,273**	**26,878**	**27,595**	**28,558**	**29,490**	**30,498**
		O	23,239	26,273	26,878	27,595	28,558	29,490	30,498
Payment where child credit exceeds liability for tax									
(Health care services):									
(Appropriation, permanent)	551	BA			[B] **6**	[B] **123**	[B] **127**	[B] **146**	[B] **156**
(Outlays)		O			[B] 6	[B] 123	[B] 127	[B] 146	[B] 156
(Other income security):									
(Appropriation, permanent)	609	BA	....	**415**	**528**	**496**	**483**	**453**	**425**
(Outlays)		O	....	415	528	496	483	453	425
Total Payment where child credit exceeds liability for tax		BA	....	**415**	**534**	**619**	**610**	**599**	**581**
		O	....	415	534	619	610	599	581
Refunding internal revenue collections, interest:									
Appropriation, permanent	908	BA	**2,599**	**2,904**	**3,036**	**3,180**	**3,304**	**3,423**	**3,560**
Outlays		O	2,599	2,904	3,036	3,180	3,304	3,423	3,560
Informant payments:									
Appropriation, permanent	803	BA	**6**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	6	6	6	6	6	6	6
Public Enterprise Funds:									
Federal tax lien revolving fund:									
Spending authority from offsetting collections	803	BA	**10**	**10**	**10**	**10**	**10**	**10**	**10**
Outlays		O	10	10	10	10	8	8	8
Federal tax lien revolving fund (gross)		BA	**10**	**10**	**10**	**10**	**10**	**10**	**10**
		O	10	10	10	10	8	8	8
Total, offsetting collections			–10	–10	–10	–10	–10	–10	–10
Total Federal tax lien revolving fund (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	–2	–2	–2
Total Federal funds Internal Revenue Service		BA	**33,685**	**37,949**	**38,804**	**40,270**	**41,155**	**42,195**	**43,322**
		O	33,153	37,592	38,843	40,178	41,193	42,190	43,306

United States Secret Service

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	751	BA	**567**	**684**	**661**	**661**	**661**	**661**	**661**
Spending authority from offsetting collections		BA	**28**	**19**	**19**	**19**	**19**	**19**	**19**
Outlays		O	562	637	682	680	680	680	680
Salaries and expenses (gross)		BA	**595**	**703**	**680**	**680**	**680**	**680**	**680**
		O	562	637	682	680	680	680	680
Change in orders on hand from Federal sources		BA	**–23**	....	....	....	....	....	....
Total, offsetting collections			–5	–19	–19	–19	–19	–19	–19
Total Salaries and expenses (net)		BA	**567**	**684**	**661**	**661**	**661**	**661**	**661**
		O	557	618	663	661	661	661	661
Acquisition, construction, improvements and related expenses:									
Appropriation, current	751	BA	**9**	**8**	**5**	**5**	**5**	**5**	**5**
Outlays		O	11	19	8	7	5	5	5
Contribution for annuity benefits:									
Appropriation, permanent	751	BA	**72**	**80**	**80**	**80**	**80**	**80**	**80**

DEPARTMENT OF THE TREASURY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	73	79	79	79	80	80	80
Total Federal funds United States Secret Service		BA	648	772	746	746	746	746	746
		O	641	716	750	747	746	746	746

Comptroller of the Currency

Trust funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
Assessment funds:									
Spending authority from offsetting collections	373	BA	385	405	405	414	424	434	444
Outlays		O	353	393	393	414	424	434	444
Assessment funds (gross)		BA	385	405	405	414	424	434	444
		O	353	393	393	414	424	434	444
Total, offsetting collections			–385	–405	–405	–414	–424	–434	–444
Total Assessment funds (net)		BA							
		O	–32	–12	–12				

Office of Thrift Supervision

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
Public Enterprise Funds:									
Office of Thrift Supervision:									
Spending authority from offsetting collections	373	BA	140	142	144	144	144	144	144
Outlays		O	137	142	144	144	144	144	144
Office of Thrift Supervision (gross)		BA	140	142	144	144	144	144	144
		O	137	142	144	144	144	144	144
Total, offsetting collections			–140	–142	–144	–144	–144	–144	–144
Total Office of Thrift Supervision (net)		BA							
		O	–3						

Interest on the Public Debt

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Interest on the public debt:									
Appropriation, permanent	901	BA	363,824	353,356	346,297	344,325	341,427	339,018	338,013
				[J] 73	[J] 207	[J] 301	[J] 419	[J] 508	[J] 579
						[O] 93	[O] 195	[O] 296	[O] 396
Outlays		O	363,824	353,356	346,297	344,325	341,427	339,018	338,013
				[J] 73	[J] 207	[J] 301	[J] 419	[J] 508	[J] 579
						[O] 93	[O] 195	[O] 296	[O] 396
Total Interest on the public debt		BA	363,824	353,429	346,504	344,719	342,041	339,822	338,988
		O	363,824	353,429	346,504	344,719	342,041	339,822	338,988

Summary

Account			1998 actual	1999	2000	2001	2002	2003	2004
Federal funds:									
(As shown in detail above)		BA	412,234	404,236	396,288	396,305	394,659	393,658	394,105
		O	409,754	402,570	395,283	394,749	393,193	392,185	392,812
Deductions for offsetting receipts:									
Intrafund transactions	803	BA/O	*–2,212*	*–6*	*–6*	*–6*	*–6*	*–6*	*–6*
	809	BA/O	*–243*	*–200*	*–200*	*–200*	*–200*	*–200*	*–200*
	908	BA/O	*–5,920*	*–4,189*	*–3,733*	*–3,380*	*–3,099*	*–2,850*	*–2,785*
Proprietary receipts from the public	151	BA/O	*–4*	*–4*	*–4*	*–4*	*–4*	*–4*	*–4*
	155	BA/O	*–134*	*–285*	*–251*	*–252*	*–134*	*–72*	*–80*
	751	BA/O	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*
	803	BA/O	*–98*	*–110*	*–112*	*–112*	*–112*	*–112*	*–112*
	809	BA/O	*–826*	*–960*	*–960*	*–960*	*–960*	*–960*	*–960*
	901	BA/O	*–31*						
	908	BA/O	*–7,758*	*–8,533*	*–9,726*	*–10,818*	*–11,828*	*–12,943*	*–13,921*

DEPARTMENT OF THE TREASURY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Offsetting governmental receipts	751	BA/O	*–1,240*	*–1,239*	*–1,316*	*–1,363*	*–1,413*	*–1,466*	[B] *–1,522*
Total Federal funds		BA	**393,766**	**388,708**	**379,978**	**379,208**	**376,901**	**375,043**	**374,513**
		O	391,286	387,042	378,973	377,652	375,435	373,570	373,220
Trust funds:									
(As shown in detail above)		BA	**8**	**10**	**7**	**7**	**7**	**7**	**7**
		O	–23	–4	–5	7	7	7	7
Interfund transactions	601	BA/O	*–741*	*–755*	*–743*	*–765*	*–791*	*–813*	*–834*
	803	BA/O	*–382*	*–307*	*–309*	*–311*	*–312*	*–318*	*–326*
Total Department of the Treasury		BA	**392,651**	**387,656**	**378,933**	**378,139**	**375,805**	**373,919**	**373,360**
		O	390,140	385,976	377,916	376,583	374,339	372,446	372,067

DEPARTMENT OF VETERANS AFFAIRS

(In millions of dollars)

Veterans Health Administration

Federal funds

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
General and Special Funds:									
Medical care:									
Appropriation, current	703	BA	**17,724**	**17,904**	**18,055**	**18,216**	**18,428**	**18,453**	**18,480**
Spending authority from offsetting collections		BA	**92**	**147**	**186**	**186**	**186**	**186**	**186**
Outlays		O	17,363	17,907	17,895	18,372	18,502	18,626	18,652
Medical care (gross)		BA	**17,816**	**18,051**	**18,241**	**18,402**	**18,614**	**18,639**	**18,666**
		O	17,363	17,907	17,895	18,372	18,502	18,626	18,652
Total, offsetting collections			–92	–147	–186	–186	–186	–186	–186
Total Medical care (net)		BA	**17,724**	**17,904**	**18,055**	**18,216**	**18,428**	**18,453**	**18,480**
		O	17,271	17,760	17,709	18,186	18,316	18,440	18,466
Other medical, smoking cessation:									
Appropriation, current	703	BA			[J] **56**	[J] **56**	[J] **56**	[J] **56**	[J] **56**
Outlays		O			[J] 56	[J] 56	[J] 56	[J] 56	[J] 56
Medical and prosthetic research:									
Appropriation, current	703	BA	**272**	**316**	**316**	**316**	**316**	**316**	**316**
Spending authority from offsetting collections		BA	**52**	**35**	**29**	**29**	**29**	**29**	**29**
Outlays		O	299	339	344	345	345	345	345
Medical and prosthetic research (gross)		BA	**324**	**351**	**345**	**345**	**345**	**345**	**345**
		O	299	339	344	345	345	345	345
Total, offsetting collections			–52	–35	–29	–29	–29	–29	–29
Total Medical and prosthetic research (net)		BA	**272**	**316**	**316**	**316**	**316**	**316**	**316**
		O	247	304	315	316	316	316	316
Medical administration and miscellaneous operating expenses:									
Appropriation, current	703	BA	**60**	**63**	**61**	**61**	**61**	**61**	**61**
Spending authority from offsetting collections		BA			**7**	**7**	**7**	**7**	**7**
Outlays		O	58	63	67	68	68	68	68
Medical administration and miscellaneous operating expenses (gross)		BA	**60**	**63**	**68**	**68**	**68**	**68**	**68**
		O	58	63	67	68	68	68	68
Total, offsetting collections					–7	–7	–7	–7	–7
Total Medical administration and miscellaneous operating expenses (net)		BA	**60**	**63**	**61**	**61**	**61**	**61**	**61**
		O	58	63	60	61	61	61	61
Medical care cost recovery fund:									
Outlays	703	O	11	1					

DEPARTMENT OF VETERANS AFFAIRS—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Public Enterprise Funds:									
Medical facilities revolving fund:									
Spending authority from offsetting collections	703	BA	....	5	2	3	3	3	3
Outlays		O	2	5	4	3	3	3	3
Medical facilities revolving fund (gross)		BA	....	5	2	3	3	3	3
		O	2	5	4	3	3	3	3
Total, offsetting collections			....	–5	–2	–3	–3	–3	–3
Total Medical facilities revolving fund (net)		BA	....	....	....	....	....	....	....
		O	2	....	2	....	....	....	....
Canteen service revolving fund:									
Spending authority from offsetting collections	705	BA	209	223	228	230	230	230	231
Outlays		O	209	223	229	231	230	230	231
Canteen service revolving fund (gross)		BA	209	223	228	230	230	230	231
		O	209	223	229	231	230	230	231
Total, offsetting collections			–209	–223	–228	–230	–230	–230	–231
Total Canteen service revolving fund (net)		BA	....	....	....	....	....	....	....
		O	....	....	1	1	....	....	....
Special therapeutic and rehabilitation activities fund:									
Spending authority from offsetting collections	703	BA	42	45	49	50	52	53	54
Outlays		O	39	43	47	49	50	51	52
Special therapeutic and rehabilitation activities fund (gross)		BA	42	45	49	50	52	53	54
		O	39	43	47	49	50	51	52
Total, offsetting collections			–42	–45	–49	–50	–52	–53	–54
Total Special therapeutic and rehabilitation activities fund (net)		BA	....	....	....	....	....	....	....
		O	–3	–2	–2	–1	–2	–2	–2
Medical center research organizations:									
Spending authority from offsetting collections	703	BA	85	87	89	91	93	95	97
Outlays		O	85	87	89	91	93	95	97
Medical center research organizations (gross)		BA	85	87	89	91	93	95	97
		O	85	87	89	91	93	95	97
Total, offsetting collections			–85	–87	–89	–91	–93	–95	–97
Total Medical center research organizations (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....
Trust funds									
General post fund, national homes:									
Appropriation, permanent	705	BA	31	32	32	32	33	34	35
Outlays		O	26	28	29	31	30	31	33
Total Federal funds Veterans Health Administration		BA	18,056	18,283	18,488	18,649	18,861	18,886	18,913
		O	17,586	18,126	18,141	18,619	18,747	18,871	18,897
Total Trust funds Veterans Health Administration		BA	31	32	32	32	33	34	35
		O	26	28	29	31	30	31	33

Veterans Benefits Administration

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Compensation:									
Appropriation, current	701	BA	17,295	18,623	18,310	19,003	19,565	20,162	20,754
					[B] 5	[B] 5	[B] 5	[B] –10	[B] –19
					[J] 293	[J] 639	[J] 988	[J] 1,338	[J] 1,707

DEPARTMENT OF VETERANS AFFAIRS—Continued

(In millions of dollars)

Account			1998 actual	estimate					
				1999	2000	2001	2002	2003	2004
Outlays		O	17,114	18,295	18,658	18,991	19,553	20,156	20,745
					[B] 5	[B] 5	[B] 5	[B] –10	[B] –19
					[J] 264	[J] 639	[J] 959	[J] 1,280	[J] 1,676
Total Compensation		BA	**17,295**	**18,623**	**18,608**	**19,647**	**20,558**	**21,490**	**22,442**
		O	17,114	18,295	18,927	19,635	20,517	21,426	22,402
Pensions:									
Appropriation, current	701	BA	**3,071**	**3,106**	**3,136**	**3,161**	**3,180**	**3,712**	**3,732**
								[B] –513	**[B] –520**
Spending authority from offsetting collections		BA	......	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	3,059	3,105	3,138	3,158	3,178	3,703	3,725
								[B] –513	[B] –520
Pensions (gross)		BA	**3,071**	**3,109**	**3,139**	**3,164**	**3,183**	**3,202**	**3,215**
		O	3,059	3,105	3,138	3,158	3,178	3,190	3,205
Total, offsetting collections			......	–3	–3	–3	–3	–3	–3
Total Pensions (net)		BA	**3,071**	**3,106**	**3,136**	**3,161**	**3,180**	**3,199**	**3,212**
		O	3,059	3,102	3,135	3,155	3,175	3,187	3,202
Burial benefits and miscellaneous assistance:									
Appropriation, current	701	BA	**117**	**129**	**123**	**125**	**127**	**128**	**130**
Outlays		O	117	129	123	125	127	128	130
Readjustment benefits:									
Appropriation, current	702	BA	**1,366**	**1,175**	**1,469**	**1,722**	**1,714**	**1,712**	**1,740**
Spending authority from offsetting collections		BA	**172**	**194**	**192**	**204**	**205**	**205**	**202**
Outlays		O	1,482	1,669	1,658	1,947	1,917	1,914	1,940
Readjustment benefits (gross)		BA	**1,538**	**1,369**	**1,661**	**1,926**	**1,919**	**1,917**	**1,942**
		O	1,482	1,669	1,658	1,947	1,917	1,914	1,940
Total, offsetting collections			–172	–194	–192	–204	–205	–205	–202
Total Readjustment benefits (net)		BA	**1,366**	**1,175**	**1,469**	**1,722**	**1,714**	**1,712**	**1,740**
		O	1,310	1,475	1,466	1,743	1,712	1,709	1,738
Reinstated entitlement program for survivors under Public Law 97–377:									
Spending authority from offsetting collections	701	BA	**25**	**17**	**16**	**15**	**14**	**13**	**12**
Outlays		O	34	17	16	15	14	13	12
Reinstated entitlement program for survivors under Public Law 97–377 (gross)		BA	**25**	**17**	**16**	**15**	**14**	**13**	**12**
		O	34	17	16	15	14	13	12
Total, offsetting collections			–25	–17	–16	–15	–14	–13	–12
Total Reinstated entitlement program for survivors under Public Law 97–377 (net)		BA	......	......	......	......	......	......	......
		O	9	......	......	......	......	......	......
Veterans insurance and indemnities:									
Appropriation, current	701	BA	**51**	**46**	**29**	**38**	**39**	**39**	**39**
Spending authority from offsetting collections		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	53	48	29	38	39	39	39
Veterans insurance and indemnities (gross)		BA	**53**	**48**	**31**	**40**	**41**	**41**	**41**
		O	53	48	29	38	39	39	39
Total, offsetting collections			–2	–2	–2	–2	–2	–2	–2
Total Veterans insurance and indemnities (net)		BA	**51**	**46**	**29**	**38**	**39**	**39**	**39**
		O	51	46	27	36	37	37	37
Public Enterprise Funds:									
Service-disabled veterans insurance fund:									
Spending authority from offsetting collections	701	BA	**83**	**73**	**58**	**69**	**70**	**71**	**71**
Outlays		O	64	75	76	70	70	71	71
Service-disabled veterans insurance fund (gross)		BA	**83**	**73**	**58**	**69**	**70**	**71**	**71**
		O	64	75	76	70	70	71	71

DEPARTMENT OF VETERANS AFFAIRS—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–83	–73	–58	–69	–70	–71	–71
Total Service-disabled veterans insurance fund (net)		BA							
		O	–19	2	18	1			
Veterans reopened insurance fund:									
Spending authority from offsetting collections	701	BA	67	63	59	55	52	49	45
Outlays		O	73	76	74	73	73	72	71
Veterans reopened insurance fund (gross)		BA	67	63	59	55	52	49	45
		O	73	76	74	73	73	72	71
Total, offsetting collections			–67	–63	–59	–55	–52	–49	–45
Total Veterans reopened insurance fund (net)		BA							
		O	6	13	15	18	21	23	26
Servicemembers' group life insurance fund:									
Spending authority from offsetting collections	701	BA	434	413	407	402	398	397	396
Outlays		O	434	413	407	402	398	397	396
Servicemembers' group life insurance fund (gross)		BA	434	413	407	402	398	397	396
		O	434	413	407	402	398	397	396
Total, offsetting collections			–434	–413	–407	–402	–398	–397	–396
Total Servicemembers' group life insurance fund (net)		BA							
		O							
Credit Accounts:									
Veterans housing benefit program fund program account:									
Appropriation, current	704	BA	371	459	439	401	401	381	157
Appropriation, permanent		BA	709	446				244 [B]–188	505 [B]–190
Outlays		O	1,080	906	439	401	439	401 [B]–188	401 [B]–190
Total Veterans housing benefit program fund program account		BA	1,080	905	439	401	401	437	472
		O	1,080	906	439	401	439	213	211
Veterans Housing Benefit Program Fund Liquidating Account:									
Appropriation, current	704	BA	270						
Spending authority from offsetting collections		BA	602	621	560	467	401	346	298
Outlays		O	564	617	539	460	398	343	293
Veterans Housing Benefit Program Fund Liquidating Account (gross)		BA	872	621	560	467	401	346	298
		O	564	617	539	460	398	343	293
Total, offsetting collections			–602	–621	–560	–467	–401	–346	–298
Total Veterans Housing Benefit Program Fund Liquidating Account (net)		BA	270						
		O	–38	–4	–21	–7	–3	–3	–5
Miscellaneous veterans housing loans program account:									
Appropriation, current	704	BA	1	1	1	1	1	1	1
Appropriation, permanent		BA			3	7	7	16	16
Outlays		O	1	1	5	7	8	17	17
Total Miscellaneous veterans housing loans program account		BA	1	1	4	8	8	17	17
		O	1	1	5	7	8	17	17
Miscellaneous Veterans Programs loan fund program account:									
Appropriation, current	702	BA	1	1	1	1	1	1	1
Outlays		O	1	1	1	1	1	1	1
Limitation on direct loan activity			(2)	(2)	(3)	(3)	(3)	(3)	(3)
Trust funds									
Post-Vietnam era veterans education account:									
Appropriation, permanent	702	BA	38	2	3	3	2	1	1
Outlays		O	39	39	35	11	11	9	9
National Service Life Insurance fund:									
Appropriation, permanent	701	BA	1,196	1,122	1,050	1,001	949	890	829
Spending authority from offsetting collections		BA	535	521	509	486	463	440	417

DEPARTMENT OF VETERANS AFFAIRS—Continued

(In millions of dollars)

Account			1998 actual	estimate					
				1999	2000	2001	2002	2003	2004
Outlays		O	1,745	1,783	1,782	1,847	1,761	1,746	1,721
National Service Life Insurance fund (gross)		BA	**1,731**	**1,643**	**1,559**	**1,487**	**1,412**	**1,330**	**1,246**
		O	1,745	1,783	1,782	1,847	1,761	1,746	1,721
Total, offsetting collections			–535	–521	–509	–486	–463	–440	–417
Total National Service Life Insurance fund (net)		BA	**1,196**	**1,122**	**1,050**	**1,001**	**949**	**890**	**829**
		O	1,210	1,262	1,273	1,361	1,298	1,306	1,304
United States government life insurance fund:									
Appropriation, permanent	701	BA	**6**	**6**	**5**	**5**	**4**	**4**	**4**
Spending authority from offsetting collections		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	13	14	12	12	11	11	10
United States government life insurance fund (gross)		BA	**7**	**7**	**6**	**6**	**5**	**5**	**5**
		O	13	14	12	12	11	11	10
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total United States government life insurance fund (net)		BA	**6**	**6**	**5**	**5**	**4**	**4**	**4**
		O	12	13	11	11	10	10	9
Veterans special life insurance fund:									
Spending authority from offsetting collections	701	BA	**240**	**236**	**233**	**232**	**230**	**228**	**224**
Outlays		O	222	227	218	214	215	227	231
Veterans special life insurance fund (gross)		BA	**240**	**236**	**233**	**232**	**230**	**228**	**224**
		O	222	227	218	214	215	227	231
Total, offsetting collections			–240	–236	–233	–232	–230	–228	–224
Total Veterans special life insurance fund (net)		BA	....	....	....	....	....	....	....
		O	–18	–9	–15	–18	–15	–1	7
Total Federal funds Veterans Benefits Administration		BA	**23,252**	**23,986**	**23,809**	**25,103**	**26,028**	**27,023**	**28,053**
		O	22,691	23,966	24,135	25,115	26,034	26,738	27,759
Total Trust funds Veterans Benefits Administration		BA	**1,240**	**1,130**	**1,058**	**1,009**	**955**	**895**	**834**
		O	1,243	1,305	1,304	1,365	1,304	1,324	1,329

Construction

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Construction, major projects:									
Appropriation, current	703	BA	**178**	**142**	**60**	**60**	**60**	**60**	**60**
Advance appropriation		BA	**32**	....	....	....	....	....	....
Spending authority from offsetting collections		BA	**18**	....	....	....	....	....	....
Outlays		O	325	209	184	140	97	72	63
Construction, major projects (gross)		BA	**228**	**142**	**60**	**60**	**60**	**60**	**60**
		O	325	209	184	140	97	72	63
Total, offsetting collections			–18	....	....	....	....	....	....
Total Construction, major projects (net)		BA	**210**	**142**	**60**	**60**	**60**	**60**	**60**
		O	307	209	184	140	97	72	63
Construction, minor projects:									
Appropriation, current	703	BA	**175**	**175**	**175**	**175**	**175**	**175**	**175**
Outlays		O	155	177	176	176	175	175	175
Grants for construction of State extended care facilities:									
Appropriation, current	703	BA	**80**	**90**	**40**	**40**	**40**	**40**	**40**
Outlays		O	50	52	64	64	66	40	40
Grants for the construction of State veterans cemeteries:									
Appropriation, current	705	BA	**10**	**10**	**11**	**11**	**11**	**11**	**11**
Outlays		O	3	5	8	12	11	11	11
Capital asset fund:									
Appropriation, current	705	BA			[J] **10**	[J] **10**	[J] **10**	[J] **10**	[J] **10**
Outlays		O			[J] 3	[J] 7	[J] 9	[J] 10	[J] 10

DEPARTMENT OF VETERANS AFFAIRS—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Public Enterprise Funds:									
Parking revolving fund:									
Spending authority from offsetting collections	703	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	12	10	8	8	3	3	3
Parking revolving fund (gross)		BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
		O	12	10	8	8	3	3	3
Total, offsetting collections			–3	–3	–3	–3	–3	–3	–3
Total Parking revolving fund (net)		BA	....	....	....	....	....	....	....
		O	9	7	5	5	....	....	....
Total Federal funds Construction		BA	**475**	**417**	**296**	**296**	**296**	**296**	**296**
		O	524	450	440	404	358	308	299

Departmental Administration

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
General operating expenses:									
Appropriation, current	705	BA	**787**	**883**	**912**	**912**	**912**	**912**	**912**
Spending authority from offsetting collections		BA	**302**	**327**	**343**	**343**	**343**	**343**	**343**
Outlays		O	1,088	1,258	1,252	1,255	1,255	1,255	1,255
General operating expenses (gross)		BA	**1,089**	**1,210**	**1,255**	**1,255**	**1,255**	**1,255**	**1,255**
		O	1,088	1,258	1,252	1,255	1,255	1,255	1,255
Total, offsetting collections			–302	–327	–343	–343	–343	–343	–343
Total General operating expenses (net)		BA	**787**	**883**	**912**	**912**	**912**	**912**	**912**
		O	786	931	909	912	912	912	912
Office of Inspector General:									
Appropriation, current	705	BA	**31**	**36**	**43**	**43**	**43**	**43**	**43**
Spending authority from offsetting collections		BA	**2**	**2**	**3**	**3**	**3**	**3**	**3**
Outlays		O	31	40	46	46	46	46	46
Office of Inspector General (gross)		BA	**33**	**38**	**46**	**46**	**46**	**46**	**46**
		O	31	40	46	46	46	46	46
Total, offsetting collections			–2	–2	–3	–3	–3	–3	–3
Total Office of Inspector General (net)		BA	**31**	**36**	**43**	**43**	**43**	**43**	**43**
		O	29	38	43	43	43	43	43
National Cemetery Administration:									
Appropriation, current	705	BA	**84**	**92**	**97**	**97**	**97**	**97**	**97**
Outlays		O	81	91	96	97	97	97	97
Intragovernmental Funds:									
Supply fund:									
Spending authority from offsetting collections	705	BA	**576**	**736**	**764**	**859**	**901**	**945**	**991**
					B **5**	*B* **5**	*B* **5**		
Outlays		O	494	736	764	859	901	945	991
					B 5	*B* 5	*B* 5		
Supply fund (gross)		BA	**576**	**736**	**769**	**864**	**906**	**945**	**991**
		O	494	736	769	864	906	945	991
Change in orders on hand from Federal sources		BA	**–98**	....	....	....	....	....	....
Total, offsetting collections			–478	–736	–764	–859	–901	–945	–991
					B –5	*B* –5	*B* –5		
Total Supply fund (net)		BA	....	....	....	....	....	....	....
		O	16	....	....	....	....	....	....
Franchise fund:									
Spending authority from offsetting collections	705	BA	**87**	**96**	**97**	**107**	**117**	**129**	**142**
Outlays		O	68	96	97	107	117	129	142
Franchise fund (gross)		BA	**87**	**96**	**97**	**107**	**117**	**129**	**142**
		O	68	96	97	107	117	129	142

DEPARTMENT OF VETERANS AFFAIRS—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–87	–96	–97	–107	–117	–129	–142
Total Franchise fund (net)		BA							
		O	–19						
Total Federal funds Departmental Administration		BA	**902**	**1,011**	**1,052**	**1,052**	**1,052**	**1,052**	**1,052**
		O	893	1,060	1,048	1,052	1,052	1,052	1,052
Summary									
Federal funds:									
(As shown in detail above)		BA	**42,685**	**43,697**	**43,645**	**45,100**	**46,237**	**47,257**	**48,314**
		O	41,694	43,602	43,764	45,190	46,191	46,969	48,007
Deductions for offsetting receipts:									
Proprietary receipts from the public	702	BA/O	*–164*	*–173*	*–181*	*–186*	*–187*	*–189*	*–192*
	703	BA/O	*–562*	*–638*	*–762*	*–926*	*–1,143*	*–1,150*	*–1,176*
	704	BA/O	*–206*	*–435*					
Total Federal funds		BA	**41,753**	**42,451**	**42,702**	**43,988**	**44,907**	**45,918**	**46,946**
		O	40,762	42,356	42,821	44,078	44,861	45,630	46,639
Trust funds:									
(As shown in detail above)		BA	**1,271**	**1,162**	**1,090**	**1,041**	**988**	**929**	**869**
		O	1,269	1,333	1,333	1,396	1,334	1,355	1,362
Deductions for offsetting receipts:									
Proprietary receipts from the public	701	BA/O	*–217*	*–207*	*–196*	*–184*	*–171*	*–159*	*–147*
	702	BA/O	*–3*	*–2*	*–1*				
Total Trust funds		BA	**1,051**	**953**	**893**	**857**	**817**	**770**	**722**
		O	1,049	1,124	1,136	1,212	1,163	1,196	1,215
Interfund transactions	701	BA/O	*–2*	*–6*	*–2*	*–2*	*–2*	*–2*	*–2*
	702	BA/O	*–36*		*–2*	*–3*	*–2*	*–1*	*–1*
Total Department of Veterans Affairs		BA	**42,766**	**43,398**	**43,591**	**44,840**	**45,720**	**46,685**	**47,665**
		O	41,773	43,474	43,953	45,285	46,020	46,823	47,851

CORPS OF ENGINEERS

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Federal funds									
General and Special Funds:									
General investigations:									
Appropriation, current	301	BA	**157**	**162**	**135**	**135**	**135**	**135**	**135**
Spending authority from offsetting collections		BA	**9**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	152	170	152	141	141	141	141
General investigations (gross)		BA	**166**	**168**	**141**	**141**	**141**	**141**	**141**
		O	152	170	152	141	141	141	141
Total, offsetting collections			–9	–6	–6	–6	–6	–6	–6
Total General investigations (net)		BA	**157**	**162**	**135**	**135**	**135**	**135**	**135**
		O	143	164	146	135	135	135	135
Construction, general:									
Appropriation, current	301	BA	**1,396**	**1,388**	**1,185**	**1,176**	**1,161**	**1,155**	**1,174**
Spending authority from offsetting collections		BA	**286**	**350**	**350**	**350**	**350**	**350**	**350**
Outlays		O	1,446	1,782	1,616	1,530	1,517	1,507	1,516
Construction, general (gross)		BA	**1,682**	**1,738**	**1,535**	**1,526**	**1,511**	**1,505**	**1,524**
		O	1,446	1,782	1,616	1,530	1,517	1,507	1,516
Total, offsetting collections			–286	–350	–350	–350	–350	–350	–350
Total Construction, general (net)		BA	**1,396**	**1,388**	**1,185**	**1,176**	**1,161**	**1,155**	**1,174**
		O	1,160	1,432	1,266	1,180	1,167	1,157	1,166

CORPS OF ENGINEERS—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Operation and maintenance, general									
(Water resources):									
(Appropriation, current)	301	BA	1,312	1,717	1,800	1,842	1,853	1,895	1,893
(Spending authority from offsetting collections)		BA	467	35	35	35	35	35	35
(Outlays)		O	1,758	1,638	1,814	1,867	1,885	1,920	1,929
Operation and maintenance, general (gross)		BA	1,779	1,752	1,835	1,877	1,888	1,930	1,928
		O	1,758	1,638	1,814	1,867	1,885	1,920	1,929
Total, offsetting collections			–467	–35	–35	–35	–35	–35	–35
Total (Water resources) (net)		BA	1,312	1,717	1,800	1,842	1,853	1,895	1,893
		O	1,291	1,603	1,779	1,832	1,850	1,885	1,894
(Recreational resources):									
(Appropriation, current)	303	BA	36	36	36	36	36	36	36
(Outlays)		O	36	36	36	36	36	36	36
Total Operation and maintenance, general		BA	1,348	1,753	1,836	1,878	1,889	1,931	1,929
		O	1,327	1,639	1,815	1,868	1,886	1,921	1,930
Regulatory program:									
Appropriation, current	301	BA	106	106	117	117	117	117	117
Outlays		O	104	109	116	117	117	117	117
Regulatory program (gross)		BA	106	106	117	117	117	117	117
		O	104	109	116	117	117	117	117
Total, offsetting collections			....	....	–7	–7	–7	–7	–7
Total Regulatory program (net)		BA	106	106	110	110	110	110	110
		O	104	109	109	110	110	110	110
Flood control and coastal emergencies:									
Appropriation, current	301	BA	4	....	....	....	....	....	....
Spending authority from offsetting collections		BA	803	100	100	100	100	100	100
Outlays		O	171	160	114	114	114	114	114
Flood control and coastal emergencies (gross)		BA	807	100	100	100	100	100	100
		O	171	160	114	114	114	114	114
Change in orders on hand from Federal sources		BA	–766	....	....	....	....	....	....
Total, offsetting collections			–37	–100	–100	–100	–100	–100	–100
Total Flood control and coastal emergencies (net)		BA	4	....	....	....	....	....	....
		O	134	60	14	14	14	14	14
Formerly utilized sites remedial action program:									
Appropriation, current	053	BA	140	140	150	[N] 150	150	150	150
Outlays		O	71	169	146	[N] 150	150	150	150
General expenses:									
Appropriation, current	301	BA	148	148	148	148	148	148	148
Outlays		O	149	164	148	148	148	148	148
Flood control, Mississippi River and tributaries:									
Appropriation, current	301	BA	296	324	280	280	280	280	280
Spending authority from offsetting collections		BA	1	....	....	....	....	....	....
Outlays		O	313	310	291	280	280	280	280
Flood control, Mississippi River and tributaries (gross)		BA	297	324	280	280	280	280	280
		O	313	310	291	280	280	280	280
Total, offsetting collections			–1	....	....	....	....	....	....
Total Flood control, Mississippi River and tributaries (net)		BA	296	324	280	280	280	280	280
		O	312	310	291	280	280	280	280
Washington aqueduct:									
Authority to borrow, permanent	301	BA	24	22	....	....	....	....	....
Outlays		O	10	56	9	....	....	....	....
Permanent appropriations									
(Water resources):									
(Appropriation, permanent)	301	BA	8	7	7	7	7	7	7
(Outlays)		O	....	7	7	7	7	7	7
(General purpose fiscal assistance):									
(Appropriation, permanent)	806	BA	7	12	12	6	6	6	6

CORPS OF ENGINEERS—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
(Outlays)		O	7	12	12	6	6	6	6
Total Permanent appropriations		BA	**15**	**19**	**19**	**13**	**13**	**13**	**13**
		O	7	19	19	13	13	13	13
Intragovernmental Funds:									
Revolving fund:									
Spending authority from offsetting collections	301	BA	**3,039**	**3,050**	**3,050**	**3,050**	**3,050**	**3,050**	**3,050**
Outlays		O	2,944	3,040	3,045	3,045	3,050	3,050	3,050
Revolving fund (gross)		BA	**3,039**	**3,050**	**3,050**	**3,050**	**3,050**	**3,050**	**3,050**
		O	2,944	3,040	3,045	3,045	3,050	3,050	3,050
Total, offsetting collections			–3,039	–3,050	–3,050	–3,050	–3,050	–3,050	–3,050
Total Revolving fund (net)		BA							
		O	–95	–10	–5	–5			
Trust funds									
Inland waterways trust fund:									
Appropriation, current	301	BA	**79**	**73**	**55**	**55**	**55**	**55**	**55**
Outlays		O	76	74	58	55	55	55	55
Rivers and harbors contributed funds:									
Appropriation, permanent	301	BA	**264**	**281**	**251**	**251**	**251**	**251**	**251**
Outlays		O	241	296	303	337	250	251	239
Harbor maintenance trust fund:									
Appropriation, current	301	BA	**497**	**4**					
					[J] **1,847**				
Outlays		O	497	4					
					[J] 1,847				
Total Harbor maintenance trust fund		BA	**497**	**4**	**1,847**				
		O	497	4	1,847				
Coastal wetlands restoration trust fund:									
Appropriation, permanent	301	BA	**48**	**47**	**56**	**54**	**54**	**54**	**54**
Outlays		O	16	47	56	54	54	54	54
Summary									
Federal funds:									
(As shown in detail above)		BA	**3,634**	**4,062**	**3,863**	**3,890**	**3,886**	**3,922**	**3,939**
		O	3,322	4,112	3,958	3,893	3,903	3,928	3,946
Deductions for offsetting receipts:									
Intrafund transactions	908	BA/O			[J] *–50*	[J] *–50*	[J] *–50*	[J] *–50*	[J] *–50*
Proprietary receipts from the public	301	BA/O	*–7*	*–7*	*–973*	*–970*	*–967*	*–1,003*	*–1,021*
	303	BA/O	*–36*	*–36*	*–36*	*–36*	*–36*	*–36*	*–36*
Total Federal funds		BA	**3,591**	**4,019**	**2,804**	**2,834**	**2,833**	**2,833**	**2,832**
		O	3,279	4,069	2,899	2,837	2,850	2,839	2,839
Trust funds:									
(As shown in detail above)		BA	**888**	**405**	**2,209**	**360**	**360**	**360**	**360**
		O	830	421	2,264	446	359	360	348
Deductions for offsetting receipts:									
Proprietary receipts from the public	301	BA/O	*–264*	*–281*	*–251*	*–251*	*–251*	*–251*	*–251*
Total Trust funds		BA	**624**	**124**	**1,958**	**109**	**109**	**109**	**109**
		O	566	140	2,013	195	108	109	97
Interfund transactions	301	BA/O			[J] *–1,847*				
Total Corps of Engineers		BA	**4,215**	**4,143**	**2,915**	**2,943**	**2,942**	**2,942**	**2,941**
		O	3,845	4,209	3,065	3,032	2,958	2,948	2,936

OTHER DEFENSE CIVIL PROGRAMS
(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Military Retirement									
Federal funds									
General and Special Funds:									
Payment to military retirement fund:									
Appropriation, permanent	054	BA	**15,119**	**15,250**	**15,900**	[N] **16,500**	**17,200**	**17,800**	**18,600**
Outlays		O	15,119	15,250	15,900	[N] 16,500	17,200	17,800	18,600
Trust funds									
Military retirement fund:									
Appropriation, permanent	602	BA	**31,234**	**32,287**	**33,180**	**34,100**	**34,973**	**35,851**	**36,748**
					[B] **1**	[B] **1**	[B] **1**	[B] **1**	[B] **2**
Outlays		O	31,142	32,192	33,083	34,000	34,871	35,746	36,640
					[B] 1	[B] 1	[B] 1	[B] 1	[B] 2
Total Military retirement fund		BA	**31,234**	**32,287**	**33,181**	**34,101**	**34,974**	**35,852**	**36,750**
		O	31,142	32,192	33,084	34,001	34,872	35,747	36,642
Educational Benefits									
Trust funds									
Education benefits fund:									
Appropriation, permanent	702	BA	**163**	**179**	**179**	**182**	**185**	**187**	**185**
Outlays		O	152	177	179	182	185	187	185
American Battle Monuments commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	705	BA	**27**	**26**	**26**	**26**	**26**	**26**	**26**
Outlays		O	22	23	26	26	26	26	26
Trust funds									
Contributions:									
Appropriation, permanent	705	BA	**12**	**12**	**50**	**7**	**6**	**97**	**1**
Outlays		O	10	12	50	7	....	....	....
Armed Forces Retirement Home									
Trust funds									
Armed forces retirement home:									
Appropriation, current	602	BA	**69**	**71**	**68**	**68**	**68**	**68**	**68**
Outlays		O	63	68	68	68	68	68	68
Soldiers' and airmen's home revolving fund:									
Spending authority from offsetting collections	602	BA	**6**	**6**	**6**	**5**	**5**	**5**	**5**
Outlays		O	5	5	5	5	5	5	5
Soldiers' and airmen's home revolving fund (gross)		BA	**6**	**6**	**6**	**5**	**5**	**5**	**5**
		O	5	5	5	5	5	5	5
Total, offsetting collections			–6	–6	–6	–5	–5	–5	–5
Total Soldiers' and airmen's home revolving fund (net)		BA	....	....	....	....	....	....	....
		O	–1	–1	–1	....	....	....	....
Total Trust funds Armed Forces Retirement Home		BA	**69**	**71**	**68**	**68**	**68**	**68**	**68**
		O	62	67	67	68	68	68	68
Cemeterial Expenses									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	705	BA	**12**	**12**	**12**	**12**	**12**	**12**	**12**
Outlays		O	12	10	12	12	12	12	12

OTHER DEFENSE CIVIL PROGRAMS—Continued

(In millions of dollars)

Forest and Wildlife Conservation, Military Reservations

Federal funds

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
General and Special Funds:									
Wildlife conservation:									
Appropriation, permanent	303	BA	**2**	**3**	**3**	**3**	**2**	**2**	**2**
Outlays		O	2	2	2	2	3	3	3

Selective Service System

Federal funds

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	054	BA	**23**	**24**	**25**		**25**	**25**	**25**
Advance appropriation		BA				[N] **25**			
Outlays		O	23	24	24	[N] 25	25	25	25
Total Salaries and expenses		BA	**23**	**24**	**25**	**25**	**25**	**25**	**25**
		O	23	24	24	25	25	25	25

Summary

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Federal funds:									
(As shown in detail above)		BA	**15,183**	**15,315**	**15,966**	**16,566**	**17,265**	**17,865**	**18,665**
		O	15,178	15,309	15,964	16,565	17,266	17,866	18,666
Deductions for offsetting receipts:									
Proprietary receipts from the public	303	BA/O	*–2*	*–3*	*–3*	*–3*	*–3*	*–3*	*–3*
Total Federal funds		BA	**15,181**	**15,312**	**15,963**	**16,563**	**17,262**	**17,862**	**18,662**
		O	15,176	15,306	15,961	16,562	17,263	17,863	18,663
Trust funds:									
(As shown in detail above)		BA	**31,478**	**32,549**	**33,478**	**34,358**	**35,233**	**36,204**	**37,004**
		O	31,366	32,448	33,380	34,258	35,125	36,002	36,895
Deductions for offsetting receipts:									
Proprietary receipts from the public	602	BA/O	*–10*	*–13*	*–14*	*–16*	*–17*	*–17*	*–18*
Total Trust funds		BA	**31,468**	**32,536**	**33,464**	**34,342**	**35,216**	**36,187**	**36,986**
		O	31,356	32,435	33,366	34,242	35,108	35,985	36,877
Interfund transactions	054	BA/O	*–15,119*	*–15,250*	*–15,900*	*–16,500*	*–17,200*	*–17,800*	*–18,600*
	702	BA/O	*–197*	*–180*	*–207*	*–209*	*–215*	*–218*	*–228*
Total Other Defense Civil Programs		BA	**31,333**	**32,418**	**33,320**	**34,196**	**35,063**	**36,031**	**36,820**
		O	31,216	32,311	33,220	34,095	34,956	35,830	36,712

ENVIRONMENTAL PROTECTION AGENCY

(In millions of dollars)

Federal funds

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
General and Special Funds:									
Office of the Inspector General:									
Appropriation, current	304	BA	**29**	**31**	**29**	**29**	**29**	**29**	**29**
Spending authority from offsetting collections		BA	**12**	**12**	**11**	**11**	**11**	**11**	**11**
Outlays		O	41	42	40	40	40	40	40
Office of the Inspector General (gross)		BA	**41**	**43**	**40**	**40**	**40**	**40**	**40**
		O	41	42	40	40	40	40	40
Total, offsetting collections			–12	–12	–11	–11	–11	–11	–11
Total Office of the Inspector General (net)		BA	**29**	**31**	**29**	**29**	**29**	**29**	**29**
		O	29	30	29	29	29	29	29
Science and technology:									
Appropriation, current	304	BA	**631**	**660**	**642**	**642**	**642**	**642**	**642**
Spending authority from offsetting collections		BA	**53**	**50**	**47**	**47**	**47**	**47**	**47**

ENVIRONMENTAL PROTECTION AGENCY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	581	687	703	692	690	689	689
Science and technology (gross)		BA	**684**	**710**	**689**	**689**	**689**	**689**	**689**
		O	581	687	703	692	690	689	689
Total, offsetting collections			–53	–50	–47	–47	–47	–47	–47
Total Science and technology (net)		BA	**631**	**660**	**642**	**642**	**642**	**642**	**642**
		O	528	637	656	645	643	642	642
Environmental Programs and Management:									
Appropriation, current	304	BA	**1,804**	**1,848**	**2,047**	**2,047**	**2,047**	**2,047**	**2,047**
Spending authority from offsetting collections		BA	**54**	**80**	**80**	**80**	**80**	**80**	**80**
Outlays		O	1,911	1,942	2,035	2,107	2,125	2,125	2,127
Environmental Programs and Management (gross)		BA	**1,858**	**1,928**	**2,127**	**2,127**	**2,127**	**2,127**	**2,127**
		O	1,911	1,942	2,035	2,107	2,125	2,125	2,127
Total, offsetting collections			–54	–80	–80	–80	–80	–80	–80
Total Environmental Programs and Management (net)		BA	**1,804**	**1,848**	**2,047**	**2,047**	**2,047**	**2,047**	**2,047**
		O	1,857	1,862	1,955	2,027	2,045	2,045	2,047
Buildings and facilities:									
Appropriation, current	304	BA	**109**	**57**	**63**	**63**	**63**	**63**	**63**
Outlays		O	92	107	113	76	65	63	63
State and Tribal Assistance Grants:									
Appropriation, current	304	BA	**3,213**	**3,407**	**2,838**	**2,838**	**2,838**	**2,838**	**2,838**
Outlays		O	2,597	2,800	3,140	3,298	3,038	2,949	2,880
Payment to the hazardous substance superfund:									
Appropriation, current	304	BA	**250**	**325**	**250**	**250**	**250**	**250**	**250**
Outlays		O	250	325	250	250	250	250	250
Public Enterprise Funds:									
Revolving fund for certification and other services:									
Outlays	304	O	1	1	....	....	....	....	....
Reregistration and expedited processing revolving fund:									
Spending authority from offsetting collections	304	BA	**19**	**18**	**20**	**17**	**17**	**17**	**17**
Outlays		O	19	17	20	17	17	17	17
Reregistration and expedited processing revolving fund (gross)		BA	**19**	**18**	**20**	**17**	**17**	**17**	**17**
		O	19	17	20	17	17	17	17
Total, offsetting collections			–19	–18	–20	–17	–17	–17	–17
Total Reregistration and expedited processing revolving fund (net)		BA	....	....	....	....	....	....	....
		O	....	–1	....	....	....	....	....
Abatement, control, and compliance direct loan liquidating account:									
Spending authority from offsetting collections	304	BA	**9**	**9**	**8**	**8**	**8**	**8**	**8**
Outlays		O	9	....	....	....	....	....	....
Abatement, control, and compliance direct loan liquidating account (gross)		BA	**9**	**9**	**8**	**8**	**8**	**8**	**8**
		O	9	....	....	....	....	....	....
Total, offsetting collections			–9	–9	–8	–8	–8	–8	–8
Total Abatement, control, and compliance direct loan liquidating account (net)		BA	....	....	....	....	....	....	....
		O	....	–9	–8	–8	–8	–8	–8
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	304	BA	**104**	**106**	**106**	**106**	**106**	**106**	**106**
Outlays		O	104	106	106	106	106	106	106
Working capital fund (gross)		BA	**104**	**106**	**106**	**106**	**106**	**106**	**106**
		O	104	106	106	106	106	106	106
Total, offsetting collections			–104	–106	–106	–106	–106	–106	–106
Total Working capital fund (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....

ENVIRONMENTAL PROTECTION AGENCY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Trust funds									
Hazardous substance superfund:									
Appropriation, current	304	BA	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Appropriation, permanent		BA			[B] 200	[B] 200	[B] 200	[B] 200	[B] 200
Spending authority from offsetting collections		BA	90	300	300	300	300	300	300
Outlays		O	1,521	1,719	1,732	1,747	1,782	1,828	1,872
					[B] 200	[B] 200	[B] 200	[B] 200	[B] 200
Hazardous substance superfund (gross)		BA	1,590	1,800	2,000	2,000	2,000	2,000	2,000
		O	1,521	1,719	1,932	1,947	1,982	2,028	2,072
Total, offsetting collections			–90	–300	–300	–300	–300	–300	–300
Total Hazardous substance superfund (net)		BA	1,500	1,500	1,700	1,700	1,700	1,700	1,700
		O	1,431	1,419	1,632	1,647	1,682	1,728	1,772
Leaking underground storage tank trust fund:									
Appropriation, current	304	BA	65	73	72	72	72	72	72
Outlays		O	62	67	69	71	71	71	72
Limitation on administrative expenses			(8)						
Oil spill response:									
Appropriation, current	304	BA	15	15	16	16	16	16	16
Spending authority from offsetting collections		BA	29	40	40	40	40	40	40
Outlays		O	45	55	56	56	56	56	56
Oil spill response (gross)		BA	44	55	56	56	56	56	56
		O	45	55	56	56	56	56	56
Total, offsetting collections			–29	–40	–40	–40	–40	–40	–40
Total Oil spill response (net)		BA	15	15	16	16	16	16	16
		O	16	15	16	16	16	16	16
Summary									
Federal funds:									
(As shown in detail above)		BA	6,036	6,328	5,869	5,869	5,869	5,869	5,869
		O	5,354	5,752	6,135	6,317	6,062	5,970	5,903
Deductions for offsetting receipts:									
Offsetting governmental receipts	304	BA/O	–9	–11	–11	–10	–10	–10	–10
					[J] –20	[J] –20	[J] –20	[J] –20	[J] –20
Total Federal funds		BA	6,027	6,317	5,838	5,839	5,839	5,839	5,839
		O	5,345	5,741	6,104	6,287	6,032	5,940	5,873
Trust funds:									
(As shown in detail above)		BA	1,580	1,588	1,788	1,788	1,788	1,788	1,788
		O	1,509	1,501	1,717	1,734	1,769	1,815	1,860
Deductions for offsetting receipts:									
Proprietary receipts from the public	304	BA/O	–320	–250	–225	–200	–175	–175	–175
Total Trust funds		BA	1,260	1,338	1,563	1,588	1,613	1,613	1,613
		O	1,189	1,251	1,492	1,534	1,594	1,640	1,685
Interfund transactions	304	BA/O	–250	–325	–250	–250	–250	–250	–250
Total Environmental Protection Agency		BA	7,037	7,330	7,151	7,177	7,202	7,202	7,202
		O	6,284	6,667	7,346	7,571	7,376	7,330	7,308

EXECUTIVE OFFICE OF THE PRESIDENT

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Compensation of the President and the White House Office									
Federal funds									
General and Special Funds:									
Compensation of the President and the White House Office:									
Appropriation, current	802	BA	51	53	53	53	53	53	53
Spending authority from offsetting collections		BA	1						

EXECUTIVE OFFICE OF THE PRESIDENT—Continued

(In millions of dollars)

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
Outlays		O	46	49	51	53	53	53	53
Compensation of the President and the White House Office (gross)		BA	**52**	**53**	**53**	**53**	**53**	**53**	**53**
		O	46	49	51	53	53	53	53
Change in orders on hand from Federal sources		BA	**–1**	**1**					
Total Compensation of the President and the White House Office (net)		BA	**51**	**54**	**53**	**53**	**53**	**53**	**53**
		O	46	49	51	53	53	53	53

Executive Residence at the White House

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Operating expenses:									
Appropriation, current	802	BA	**8**	**9**	**9**	**9**	**9**	**9**	**9**
Spending authority from offsetting collections		BA	**3**	**3**	**4**	**4**	**4**	**4**	**4**
Outlays		O	11	12	13	13	13	13	13
Operating expenses (gross)		BA	**11**	**12**	**13**	**13**	**13**	**13**	**13**
		O	11	12	13	13	13	13	13
Total, offsetting collections			–3	–3	–4	–4	–4	–4	–4
Total Operating expenses (net)		BA	**8**	**9**	**9**	**9**	**9**	**9**	**9**
		O	8	9	9	9	9	9	9
White house repair and restoration:									
Appropriation, current	802	BA			**1**	**1**	**1**	**1**	**1**
Outlays		O	1		1	1	1	1	1
Total Federal funds Executive Residence at the White House		BA	**8**	**9**	**10**	**10**	**10**	**10**	**10**
		O	9	9	10	10	10	10	10

Speical Assistance to the President and the Official Residence of the Vice President

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Special Assistance to the President and the Official Residence of the Vice President:									
Appropriation, current	802	BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	4	4	4	4	4	4	4

Council of Economic Advisers

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	802	BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	3	4	4	4	4	4	4

Council on Environmental Quality and Office of Environmental Quality

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Council on Environmental Quality and Office of Environmental Quality:									
Appropriation, current	802	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	2	3	3	3	3	3	3
Intragovernmental Funds:									
Management fund, Office of Environmental Quality:									
Spending authority from offsetting collections	802	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
Management fund, Office of Environmental Quality (gross)		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
		O	1	1	1	1	1	1	1

EXECUTIVE OFFICE OF THE PRESIDENT—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total Management fund, Office of Environmental Quality (net)		BA							
		O							
Total Federal funds Council on Environmental Quality and Office of Environmental Quality		BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
		O	2	3	3	3	3	3	3
Office of Policy Development									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	802	BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	4	3	4	4	4	4	4
National Security Council									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	802	BA	**7**	**7**	**7**	**7**	**7**	**7**	**7**
Outlays		O	7	6	7	7	7	7	7
Office of Administration									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	802	BA	**29**	**41**	**39**	**39**	**39**	**39**	**39**
Spending authority from offsetting collections		BA	**5**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	29	42	45	45	45	45	45
Salaries and expenses (gross)		BA	**34**	**47**	**45**	**45**	**45**	**45**	**45**
		O	29	42	45	45	45	45	45
Total, offsetting collections			–5	–6	–6	–6	–6	–6	–6
Total Salaries and expenses (net)		BA	**29**	**41**	**39**	**39**	**39**	**39**	**39**
		O	24	36	39	39	39	39	39
Armstrong Resoultion									
Federal funds									
General and Special Funds:									
Armstrong resolution account:									
Outlays	802	O	2	2	1				
Office of Management and Budget									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	802	BA	**57**	**61**	**63**	**63**	**63**	**63**	**63**
Outlays		O	56	60	63	63	63	63	63
Office of National Drug Control Policy									
Federal funds									
General and Special Funds:									
Salaries and expenses									
(Federal law enforcement activities):									
(Appropriation, current)	751	BA	**13**	**1**					
(Outlays)		O	11	1					
(Executive direction and management):									
(Appropriation, current)	802	BA	**36**	**49**	**43**	**43**	**43**	**43**	**43**

EXECUTIVE OFFICE OF THE PRESIDENT—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
(Outlays)		O	41	49	44	43	43	43	43
Total Salaries and expenses		BA	49	50	43	43	43	43	43
		O	52	50	44	43	43	43	43
Total Federal funds Office of National Drug Control Policy		BA	49	50	43	43	43	43	43
		O	52	50	44	43	43	43	43

Office of Science and Technology Policy

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Office of science and technology policy:									
Appropriation, current	802	BA	5	5	5	5	5	5	5
Outlays		O	5	5	5	5	5	5	5

Office of the United States Trade Representative

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	802	BA	24	24	27	27	27	27	27
Outlays		O	23	25	27	27	27	27	27

Unanticipated Needs

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Unanticipated needs:									
Appropriation, current	802	BA	1	31	1	1	1	1	1
Outlays		O	....	31	1	1	1	1	1
Unanticipated needs for natural disasters:									
Appropriation, current	453	BA		[H] –10					
Information technology systems and related expenses:									
Appropriation, current	808	BA	....	87	....	....	....	....	....
Outlays		O	....	87	....	....	....	....	....
Total Federal funds Unanticipated Needs		BA	1	108	1	1	1	1	1
		O	....	118	1	1	1	1	1

Summary

Account			1998 actual	1999	2000	2001	2002	2003	2004
Federal funds:									
Total Executive Office of the President		BA	246	374	263	263	263	263	263
		O	237	374	263	263	263	263	263

FEDERAL EMERGENCY MANAGEMENT AGENCY

(In millions of dollars)

Federal funds

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
General and Special Funds:									
Disaster relief:									
Appropriation, current	453	BA	1,920	308	297	297	297	297	297
Outlays		O	1,998	2,232	2,290	1,974	1,345	1,075	941
Pre-disaster mitigation:									
Appropriation, current	453	BA	....	....	27	27	27	27	27
Outlays		O	....	....	14	25	27	27	27
Salaries and expenses									
(Defense-related activities):									
(Appropriation, current)	054	BA	24	25	27		27	27	27
(Advance appropriation)		BA				[N] 27			
(Spending authority from offsetting collections)		BA	3	4	4	[N] 4	4	4	4

FEDERAL EMERGENCY MANAGEMENT AGENCY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
(Outlays)		O	25	28	31	[N] 31	31	31	31
Salaries and expenses (gross)		BA	**27**	**29**	**31**	**31**	**31**	**31**	**31**
		O	25	28	31	31	31	31	31
Total, offsetting collections			–3	–4	–4	[N] –4	–4	–4	–4
Total (Defense-related activities) (net)		BA	**24**	**25**	**27**	**27**	**27**	**27**	**27**
		O	22	24	27	27	27	27	27
(Disaster relief and insurance):									
(Appropriation, current)	453	BA	**148**	**150**	**163**	**163**	**163**	**163**	**163**
(Spending authority from offsetting collections)		BA	....	**2**	**2**	**2**	**2**	**2**	**2**
(Outlays)		O	146	152	164	165	165	165	165
Salaries and expenses (gross)		BA	**172**	**177**	**192**	**192**	**192**	**192**	**192**
		O	168	176	191	192	192	192	192
Total, offsetting collections			....	–2	–2	–2	–2	–2	–2
Total (Disaster relief and insurance) (net)		BA	**148**	**150**	**163**	**163**	**163**	**163**	**163**
		O	146	150	162	163	163	163	163
Total Salaries and expenses		BA	**172**	**175**	**190**	**190**	**190**	**190**	**190**
		O	168	174	189	190	190	190	190
Emergency management planning and assistance									
(Defense-related activities):									
(Appropriation, current)	054	BA	**21**	**18**	**23**		**23**	**23**	**23**
(Advance appropriation)		BA				[N] **23**			
(Spending authority from offsetting collections)		BA	**41**	**60**	**60**	[N] **60**	**60**	**60**	**60**
(Outlays)		O	75	79	80	[N] 82	83	83	83
Emergency management planning and assistance (gross)		BA	**62**	**78**	**83**	**83**	**83**	**83**	**83**
		O	75	79	80	82	83	83	83
(Change in orders on hand from Federal sources)		BA	**1**						
Total, offsetting collections			–42	–60	–60	[N] –60	–60	–60	–60
Total (Defense-related activities) (net)		BA	**21**	**18**	**23**	**23**	**23**	**23**	**23**
		O	33	19	20	22	23	23	23
(Disaster relief and insurance):									
(Appropriation, current)	453	BA	**223**	**226**	**234**	**234**	**234**	**234**	**234**
(Spending authority from offsetting collections)		BA	**2**	**3**	**3**	**3**	**3**	**3**	**3**
(Outlays)		O	221	237	230	236	237	237	237
Emergency management planning and assistance (gross)		BA	**246**	**247**	**260**	**260**	**260**	**260**	**260**
		O	254	256	250	258	260	260	260
Total, offsetting collections			–2	–3	–3	–3	–3	–3	–3
Total (Disaster relief and insurance) (net)		BA	**223**	**226**	**234**	**234**	**234**	**234**	**234**
		O	219	234	227	233	234	234	234
Total Emergency management planning and assistance		BA	**244**	**244**	**257**	**257**	**257**	**257**	**257**
		O	252	253	247	255	257	257	257
Office of the Inspector General:									
Appropriation, current	453	BA	**5**	**5**	**8**	**8**	**8**	**8**	**8**
Outlays		O	5	5	8	8	8	8	8
Emergency food and shelter program:									
Appropriation, current	605	BA	**100**	**100**	**125**	**125**	**125**	**125**	**125**
Outlays		O	100	100	125	125	125	125	125
Radiological emergency preparedness fund:									
Appropriation, current	453	BA	....	**13**	....	....	....	....	....
Spending authority from offsetting collections		BA	....	....	**13**	**13**	**13**	**13**	**13**
Outlays		O	....	9	13	13	13	13	13
Radiological emergency preparedness fund (gross)		BA	....	**13**	**13**	**13**	**13**	**13**	**13**
		O	....	9	13	13	13	13	13

FEDERAL EMERGENCY MANAGEMENT AGENCY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			....	–13	–14	–14	–14	–14	–14
Total Radiological emergency preparedness fund (net)		BA	....	....	**–1**	**–1**	**–1**	**–1**	**–1**
		O	....	–4	–1	–1	–1	–1	–1
Flood map modernization fund:									
Appropriation, current	453	BA	....	....	**5**	**5**	**5**	**5**	**5**
Appropriation, permanent		BA			[B] **58**	[B] **60**	[B] **63**	[B] **65**	[B] **68**
Outlays		O	....	....	2	4	5	5	5
					[B] 26	[B] 53	[B] 61	[B] 64	[B] 66
Total Flood map modernization fund		BA	....	....	**63**	**65**	**68**	**70**	**73**
		O	....	....	28	57	66	69	71
Public Enterprise Funds:									
National insurance development fund:									
Outlays	451	O	....	4	3	....	....	....	....
National flood insurance fund:									
Authority to borrow, permanent	453	BA	**13**	....	....	....	....	....	....
Spending authority from offsetting collections		BA	**1,252**	**1,290**	**1,342**	**1,420**	**1,487**	**1,785**	**1,916**
Outlays		O	829	1,258	1,296	1,357	1,415	1,495	1,587
National flood insurance fund (gross)		BA	**1,265**	**1,290**	**1,342**	**1,420**	**1,487**	**1,785**	**1,916**
		O	829	1,258	1,296	1,357	1,415	1,495	1,587
Total, offsetting collections			–1,279	–1,382	–1,480	–1,586	–1,693	–1,805	–1,936
Total National flood insurance fund (net)		BA	**–14**	**–92**	**–138**	**–166**	**–206**	**–20**	**–20**
		O	–450	–124	–184	–229	–278	–310	–349
National flood mitigation fund:									
Appropriation, current	453	BA	....	....	**12**	**12**	**12**	**12**	**12**
Spending authority from offsetting collections		BA	**27**	**20**	**20**	**20**	**20**	**20**	**20**
Outlays		O	4	21	29	31	32	32	32
Total National flood mitigation fund		BA	**27**	**20**	**32**	**32**	**32**	**32**	**32**
		O	4	21	29	31	32	32	32
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	803	BA	**19**	**20**	**20**	**20**	**20**	**20**	**20**
Outlays		O	9	20	20	20	20	20	20
Working capital fund (gross)		BA	**19**	**20**	**20**	**20**	**20**	**20**	**20**
		O	9	20	20	20	20	20	20
Total, offsetting collections			–19	–20	–20	–20	–20	–20	–20
Total Working capital fund (net)		BA	....	....	....	....	....	....	....
		O	–10	....	....	....	....	....	....
Credit Accounts:									
Disaster assistance direct loan program account:									
Appropriation, current	453	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Appropriation, permanent		BA	....	**5**	....	....	....	....	....
Outlays		O	46	13	2	2	2	2	2
Limitation on direct loan acitivity			(25)	(25)	(25)	(25)	(25)	(25)	(25)
Total Disaster assistance direct loan program account		BA	**2**	**7**	**2**	**2**	**2**	**2**	**2**
		O	46	13	2	2	2	2	2
Disaster assistance direct loan liquidating account:									
Total, offsetting collections	453		–5	–6	–6	–6	–6	–6	–6

Summary

Account		1998 actual	1999	2000	2001	2002	2003	2004
Federal funds:								
(As shown in detail above)	BA	**2,451**	**761**	**856**	**830**	**793**	**981**	**984**
	O	2,108	2,668	2,744	2,431	1,767	1,468	1,297

FEDERAL EMERGENCY MANAGEMENT AGENCY—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Deductions for offsetting receipts:									
Offsetting governmental receipts	453	BA/O	*–12*						
Total Federal Emergency Management Agency		BA	**2,439**	**761**	**856**	**830**	**793**	**981**	**984**
		O	2,096	2,668	2,744	2,431	1,767	1,468	1,297

GENERAL SERVICES ADMINISTRATION

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Real Property Activities									
Federal funds									
General and Special Funds:									
Real property relocation:									
Outlays	804	O	1	11					
Pennsylvania avenue activities:									
Appropriation, current	451	BA	**6**						
Spending authority from offsetting collections		BA	**1**						
Outlays		O	95						
Pennsylvania avenue activities (gross)		BA	**7**						
		O	95						
Total, offsetting collections			–1						
Total Pennsylvania avenue activities (net)		BA	**6**						
		O	94						
Disposal of surplus real and related personal property:									
Appropriation, permanent	804	BA	**5**	**5**	**6**	**6**	**7**	**7**	**7**
Outlays		O	4	5	6	6	7	7	7
Public Enterprise Funds:									
Land acquisition and development fund:									
Appropriation, current	451	BA	**172**						
Outlays		O	172						
Intragovernmental Funds:									
Federal buildings fund:									
Appropriation, current	804	BA	**–6**	**450**		**22**	**108**	**151**	**80**
Advance appropriation		BA				**163**			
Spending authority from offsetting collections		BA	**6,012**	**6,216**	**6,446**	**6,446**	**6,446**	**6,446**	**6,446**
Outlays		O	6,285	6,448	6,660	6,683	6,660	6,599	6,516
Limitation on program level (obligations)			(4,947)	(5,605)	(5,345)	(5,561)	(5,482)	(5,518)	(5,471)
Federal buildings fund (gross)		BA	**6,006**	**6,666**	**6,446**	**6,631**	**6,554**	**6,597**	**6,526**
		O	6,285	6,448	6,660	6,683	6,660	6,599	6,516
Change in orders on hand from Federal sources		BA	**–548**						
Total, offsetting collections			–5,515	–6,373	–6,442	–6,442	–6,442	–6,442	–6,442
Total Federal buildings fund (net)		BA	**–57**	**293**	**4**	**189**	**112**	**155**	**84**
		O	770	75	218	241	218	157	74
Total Federal funds Real Property Activities		BA	**126**	**298**	**10**	**195**	**119**	**162**	**91**
		O	1,041	91	224	247	225	164	81
Supply and Technology Activities									
Federal funds									
General and Special Funds:									
Expenses of transportation audit contracts and contract administration:									
Appropriation, permanent	804	BA	**12**	**12**	**12**	**13**	**13**	**13**	**14**
Outlays		O	10	12	12	13	13	13	14
Intragovernmental Funds:									
General supply fund:									
Spending authority from offsetting collections	804	BA	**3,275**	**3,369**	**3,343**	**3,493**	**3,651**	**3,815**	**3,987**

GENERAL SERVICES ADMINISTRATION—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	3,240	3,369	3,343	3,493	3,651	3,815	3,987
General supply fund (gross)		BA	**3,275**	**3,369**	**3,343**	**3,493**	**3,651**	**3,815**	**3,987**
		O	3,240	3,369	3,343	3,493	3,651	3,815	3,987
Change in orders on hand from Federal sources		BA	**–15**						
Total, offsetting collections			–3,260	–3,369	–3,343	–3,493	–3,651	–3,815	–3,987
Total General supply fund (net)		BA							
		O	–20						
Information technology fund:									
Spending authority from offsetting collections	804	BA	**3,806**	**3,575**	**3,778**	**3,778**	**3,778**	**3,778**	**3,778**
Outlays		O	3,242	3,665	3,842	3,816	3,800	3,801	3,802
Information technology fund (gross)		BA	**3,806**	**3,575**	**3,778**	**3,778**	**3,778**	**3,778**	**3,778**
		O	3,242	3,665	3,842	3,816	3,800	3,801	3,802
Change in orders on hand from Federal sources		BA	**–563**						
Total, offsetting collections			–3,243	–3,575	–3,778	–3,778	–3,778	–3,778	–3,778
Total Information technology fund (net)		BA							
		O	–1	90	64	38	22	23	24
Total Federal funds Supply and Technology Activities		BA	**12**	**12**	**12**	**13**	**13**	**13**	**14**
		O	–11	102	76	51	35	36	38

General Activities

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Policy and operations:									
Appropriation, current	804	BA	**107**	**128**	**122**	**122**	**122**	**122**	**122**
Spending authority from offsetting collections		BA	**6**	**17**	**17**	**17**	**17**	**17**	**17**
Outlays		O	113	142	137	137	137	137	137
Policy and operations (gross)		BA	**113**	**145**	**139**	**139**	**139**	**139**	**139**
		O	113	142	137	137	137	137	137
Total, offsetting collections			–6	–17	–17	–17	–17	–17	–17
Total Policy and operations (net)		BA	**107**	**128**	**122**	**122**	**122**	**122**	**122**
		O	107	125	120	120	120	120	120
Office of Inspector General:									
Appropriation, current	804	BA	**34**	**32**	**34**	**34**	**34**	**34**	**34**
Outlays		O	32	32	33	33	33	33	33
Allowances and office staff for former Presidents:									
Appropriation, current	802	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	2	2	2	2	2	2	2
Public Enterprise Funds:									
Consumer information center fund:									
Appropriation, current	376	BA	**2**	**2**	**3**	**3**	**3**	**3**	**3**
Spending authority from offsetting collections		BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	5	5	6	6	6	6	6
Consumer information center fund (gross)		BA	**5**	**5**	**6**	**6**	**6**	**6**	**6**
		O	5	5	6	6	6	6	6
Total, offsetting collections			–3	–3	–3	–3	–3	–3	–3
Total Consumer information center fund (net)		BA	**2**	**2**	**3**	**3**	**3**	**3**	**3**
		O	2	2	3	3	3	3	3
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	804	BA	**220**	**274**	**275**	**275**	**275**	**275**	**275**
Outlays		O	201	274	275	275	275	275	275
Working capital fund (gross)		BA	**220**	**274**	**275**	**275**	**275**	**275**	**275**
		O	201	274	275	275	275	275	275

GENERAL SERVICES ADMINISTRATION—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–220	–274	–275	–275	–275	–275	–275
Total Working capital fund (net)		BA	......	......	......	......	......	......	......
		O	–19	......	......	......	......	......	......
Total Federal funds General Activities		BA	**145**	**164**	**161**	**161**	**161**	**161**	**161**
		O	124	161	158	158	158	158	158
Summary									
Federal funds:									
(As shown in detail above)		BA	**283**	**474**	**183**	**369**	**293**	**336**	**266**
		O	1,154	354	458	456	418	358	277
Deductions for offsetting receipts:									
Proprietary receipts from the public	407	BA/O	......	......	......	......	*–500*	......	......
	804	BA/O	*–63*	*–26*	*–29*	*–34*	*–35*	*–35*	*–32*
Total General Services Administration		BA	**220**	**448**	**154**	**335**	**–242**	**301**	**234**
		O	1,091	328	429	422	–117	323	245

INTERNATIONAL ASSISTANCE PROGRAMS

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
International Security Assistance									
Federal funds									
General and Special Funds:									
Economic support fund:									
Appropriation, current	152	BA	**2,435**	**2,433**	**2,389**	**2,389**	**2,389**	**2,389**	**2,389**
				[A] **200**					
Advance appropriation		BA			[A] **150**	[A] **150**			
Outlays		O	2,461	2,187	2,196	2,078	2,209	2,272	2,287
				[A] 14	[A] 73	[A] 108	[A] 114	[A] 76	[A] 41
Total Economic support fund		BA	**2,435**	**2,633**	**2,539**	**2,539**	**2,389**	**2,389**	**2,389**
		O	2,461	2,201	2,269	2,186	2,323	2,348	2,328
Foreign military financing program:									
Appropriation, current	152	BA	**3,347**	**3,330**	**3,430**	**3,430**	**3,430**	**3,430**	**3,430**
				[A] **700**					
Advance appropriation		BA			[A] **350**	[A] **350**			
Spending authority from offsetting collections		BA	**4**	......	......	......	......	......	......
Outlays		O	3,122	3,234	3,157	3,196	3,396	3,467	3,482
				[A] 607	[A] 334	[A] 364	[A] 50	[A] 35	[A] 9
Foreign military financing program (gross)		BA	**3,351**	**4,030**	**3,780**	**3,780**	**3,430**	**3,430**	**3,430**
		O	3,122	3,841	3,491	3,560	3,446	3,502	3,491
Total, offsetting collections			–4	......	......	......	......	......	......
Total Foreign military financing program (net)		BA	**3,347**	**4,030**	**3,780**	**3,780**	**3,430**	**3,430**	**3,430**
		O	3,118	3,841	3,491	3,560	3,446	3,502	3,491
International military education and training:									
Appropriation, current	152	BA	**50**	**50**	**52**	**52**	**52**	**52**	**52**
Outlays		O	41	51	52	52	52	52	52
Military-to-military contact program:									
Outlays	152	O	......	1	......	......	......	......	......
Peacekeeping operations:									
Appropriation, current	152	BA	**84**	**77**	**130**	**130**	**130**	**130**	**130**
Spending authority from offsetting collections		BA	**4**	......	......	......	......	......	......
Outlays		O	89	78	114	130	130	130	130
Peacekeeping operations (gross)		BA	**88**	**77**	**130**	**130**	**130**	**130**	**130**
		O	89	78	114	130	130	130	130

INTERNATIONAL ASSISTANCE PROGRAMS—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–4	....	....	....	....	....	....
Total Peacekeeping operations (net)		BA	84	77	130	130	130	130	130
		O	85	78	114	130	130	130	130
Non-proliferation, anti-terrorism, demining, and related programs:									
Appropriation, current	152	BA	174	218	231	231	231	231	231
Spending authority from offsetting collections		BA	8	4	4	4	4	4	4
Outlays		O	121	203	218	233	235	235	235
Non-proliferation, anti-terrorism, demining, and related programs (gross)		BA	182	222	235	235	235	235	235
		O	121	203	218	233	235	235	235
Total, offsetting collections			–8	–4	–4	–4	–4	–4	–4
Total Non-proliferation, anti-terrorism, demining, and related programs (net)		BA	174	218	231	231	231	231	231
		O	113	199	214	229	231	231	231
Nonproliferation and Disarmament Fund:									
Outlays	152	O	11	7	6	....	....	....	....
Credit Accounts:									
Foreign military financing loan program account:									
Appropriation, current	152	BA	12	20	....	....	....	....	....
				H –18					
Appropriation, permanent		BA	19	5	....	....	....	....	....
Outlays		O	53	33	40	77	53	2	....
				H –18					
Limitation on direct loan activity			(100)	(167)	....	....	....	....	....
Total Foreign military financing loan program account		BA	31	7	....	....	....	....	....
		O	53	15	40	77	53	2	....
Foreign military loan liquidating account:									
Appropriation, permanent	152	BA	28	31	35	26	25	24	23
Spending authority from offsetting collections		BA	18	12	8	53	43	41	44
Outlays		O	46	43	43	79	68	65	67
Foreign military loan liquidating account (gross)		BA	46	43	43	79	68	65	67
		O	46	43	43	79	68	65	67
Total, offsetting collections			–261	–330	–593	–537	–470	–404	–338
Total Foreign military loan liquidating account (net)		BA	–215	–287	–550	–458	–402	–339	–271
		O	–215	–287	–550	–458	–402	–339	–271
Summary									
Federal funds:									
(As shown in detail above)		BA	5,906	6,728	6,182	6,274	5,830	5,893	5,961
		O	5,667	6,106	5,636	5,776	5,833	5,926	5,961
Deductions for offsetting receipts:									
Proprietary receipts from the public	151	BA/O	*–15*	*–3*	....	....	....	....	....
	152	BA/O	*–534*	*–371*	....	....	....	....	....
	908	BA/O	*–168*	*–128*	....	....	....	....	....
Total International Security Assistance		BA	5,189	6,226	6,182	6,274	5,830	5,893	5,961
		O	4,950	5,604	5,636	5,776	5,833	5,926	5,961
Multilateral Assistance									
Federal funds									
General and Special Funds:									
Contribution to the International Bank for Reconstruction and Development:									
Appropriation, current	151	BA	48	193	143	143	143	143	143
Outlays		O	59	54	51	60	92	110	108
Contribution to the International Development Association:									
Appropriation, current	151	BA	1,035	800	803	803	803	803	803
Outlays		O	1,029	940	954	1,090	1,311	1,099	1,002
Contribution to the International Finance Corporation:									
Outlays	151	O	36	....	....	....	....	....	....
Contribution to Multilateral Investment Guarantee Agency:									
Appropriation, current	151	BA	....	....	10	10	10	10	10

INTERNATIONAL ASSISTANCE PROGRAMS—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O			1	4	10	10	10
Contribution to the Inter-American Development Bank:									
Appropriation, current	151	BA	**46**	**47**	**51**	**51**	**51**	**51**	**51**
Outlays		O	83	34	39	44	49	54	59
Contribution to the Asian Development Bank:									
Appropriation, current	151	BA	**163**	**223**	**191**	**191**	**191**	**191**	**191**
Outlays		O	195	200	195	207	216	225	222
Contribution to the African Development Fund:									
Appropriation, current	151	BA	**45**	**128**	**132**	**132**	**132**	**132**	**132**
Outlays		O	93	96	100	101	96	101	107
Contribution to the European Bank for Reconstruction and Development:									
Appropriation, current	151	BA	**36**	**36**	**36**	**36**	**36**	**36**	**36**
Outlays		O	32	25	27	32	36	36	36
North American development bank:									
Appropriation, current	151	BA	**57**						
Outlays		O	6	11	11	11	17		
Contribution to enterprise for the Americas multilateral investment fund:									
Appropriation, current	151	BA	**30**	**50**	**28**	**28**	**28**	**28**	**28**
Outlays		O	23	35	43	49	51	52	53
International affairs technical assistance program:									
Appropriation, current	151	BA		**2**	**9**	**9**	**9**	**9**	**9**
Outlays		O			2	6	7	8	8
International organizations and programs:									
Appropriation, current	151	BA	**303**	**292**	**293**	**293**	**293**	**293**	**293**
Outlays		O	300	293	293	296	293	293	293
Credit Accounts:									
Debt restructuring:									
Appropriation, current	151	BA	**27**	**33**	**70**	**70**	**70**	**70**	**70**
					[J] **50**	[J] **50**	[J] **50**	[J] **50**	[J] **50**
Outlays		O	9	37	48	68	70	70	70
					[J] 50	[J] 50	[J] 50	[J] 50	[J] 50
Total Debt restructuring		BA	**27**	**33**	**120**	**120**	**120**	**120**	**120**
		O	9	37	98	118	120	120	120
Summary									
Federal funds:									
(As shown in detail above)		BA	**1,790**	**1,804**	**1,816**	**1,816**	**1,816**	**1,816**	**1,816**
		O	1,865	1,725	1,814	2,018	2,298	2,108	2,018
Deductions for offsetting receipts:									
Proprietary receipts from the public	151	BA/O	*–14*						
Total Multilateral Assistance		BA	**1,776**	**1,804**	**1,816**	**1,816**	**1,816**	**1,816**	**1,816**
		O	1,851	1,725	1,814	2,018	2,298	2,108	2,018
International Development Assistance									
Agency for International Development									
Federal funds									
General and Special Funds:									
Sustainable development assistance program:									
Appropriation, current	151	BA	**1,173**	**1,186**	**765**	**765**	**765**	**765**	**765**
Spending authority from offsetting collections		BA	**2**						
Outlays		O	1,354	1,081	1,109	752	763	760	755
Sustainable development assistance program (gross)		BA	**1,175**	**1,186**	**765**	**765**	**765**	**765**	**765**
		O	1,354	1,081	1,109	752	763	760	755
Total, offsetting collections			–2						
Total Sustainable development assistance program (net)		BA	**1,173**	**1,186**	**765**	**765**	**765**	**765**	**765**
		O	1,352	1,081	1,109	752	763	760	755
Child survival and disease programs:									
Appropriation, current	151	BA	**550**	**595**	**555**	**555**	**555**	**555**	**555**
Outlays		O	152	433	501	509	512	520	530
Development fund for Africa:									
Appropriation, current	151	BA			**513**	**513**	**513**	**513**	**513**
Outlays		O	253	196	156	418	466	463	470

INTERNATIONAL ASSISTANCE PROGRAMS—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Assistance for Eastern Europe and the Baltic States:									
Appropriation, current	151	BA	408	430	393	393	393	393	393
Outlays		O	470	450	411	356	372	384	388
Assistance for the new independent States of the Former Soviet Union:									
Appropriation, current	151	BA	581	847	1,032	1,032	1,032	1,032	1,032
Outlays		O	626	565	602	708	923	990	1,017
Sahel development program:									
Outlays	151	O	2						
American schools and hospitals abroad:									
Outlays	151	O	5						
Sub-Saharan Africa disaster assistance:									
Outlays	151	O		2	2				
International disaster assistance:									
Appropriation, current	151	BA	190	200	220	220	220	220	220
Outlays		O	163	196	201	211	208	219	220
Operating expenses of the Agency for International Development:									
Appropriation, current	151	BA	479	493	508	508	508	508	508
Spending authority from offsetting collections		BA	7	5	5	5	5	5	5
Outlays		O	500	523	495	505	504	511	511
Operating expenses of the Agency for International Development (gross)		BA	486	498	513	513	513	513	513
		O	500	523	495	505	504	511	511
Total, offsetting collections			–7	–5	–5	–5	–5	–5	–5
Total Operating expenses of the Agency for International Development (net)		BA	479	493	508	508	508	508	508
		O	493	518	490	500	499	506	506
Payment to the Foreign Service retirement and disability fund:									
Appropriation, current	153	BA	44	45	44	46	45	47	48
Outlays		O	44	45	44	46	45	47	48
Operating expenses of AID, Office of Inspector General:									
Appropriation, current	151	BA	29	31	25	25	25	25	25
Outlays		O	33	28	24	26	25	25	25
Public Enterprise Funds:									
Property management fund:									
Spending authority from offsetting collections	151	BA		2					
Outlays		O	3	1					
Property management fund (gross)		BA		2					
		O	3	1					
Total, offsetting collections				–2					
Total Property management fund (net)		BA							
		O	3	–1					
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	151	BA			[B] 3				
Outlays		O			[B] 3				
Working capital fund (gross)		BA			3				
		O			3				
Total, offsetting collections					[B] –3				
Total Working capital fund (net)		BA							
		O							
Credit Accounts:									
Urban and environmental credit program account:									
Appropriation, current	151	BA	9	7	8	8	8	8	8
Outlays		O	25	14	5	6	7	8	8
Housing and other credit guaranty programs liquidating account:									
Appropriation, permanent	151	BA	51	17	28	17	1	2	3
Spending authority from offsetting collections		BA	88	114	43	48	15	15	15
Outlays		O	62	39	19	17	16	16	17
Housing and other credit guaranty programs liquidating account (gross)		BA	139	131	71	65	16	17	18
		O	62	39	19	17	16	16	17

INTERNATIONAL ASSISTANCE PROGRAMS—Continued

(In millions of dollars)

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
Total, offsetting collections			–88	–114	–43	–48	–15	–15	–15
Total Housing and other credit guaranty programs liquidating account (net)		BA	**51**	**17**	**28**	**17**	**1**	**2**	**3**
		O	–26	–75	–24	–31	1	1	2
Micro and small enterprise development program account:									
Appropriation, current	151	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	1	1	2	2	2	2	2
Private sector revolving fund liquidating account:									
Outlays	151	O	1						
Development credit authority program account:									
Appropriation, current	151	BA		**8**	**15**	**15**	**15**	**15**	**15**
Outlays		O		2	7	13	15	15	15
Economic assistance loans — liquidating account:									
Spending authority from offsetting collections	151	BA	**1,215**	**763**	**715**	**691**	**671**	**632**	**593**
Economic assistance loans — liquidating account (gross)		BA	**1,215**	**763**	**715**	**691**	**671**	**632**	**593**
Total, offsetting collections			–1,215	–763	–715	–691	–671	–632	–593
Total Economic assistance loans — liquidating account (net)		BA							
		O	–1,215	–763	–715	–691	–671	–632	–593
Trust funds									
Foreign service national separation liability trust fund:									
Appropriation, permanent	602	BA	**3**	**2**	**3**	**3**	**3**	**3**	**3**
Outlays		O	1	1	1	1	1	1	1
Miscellaneous trust funds, AID:									
Appropriation, permanent	151	BA	**50**						
Outlays		O	50	1					
Summary									
Federal funds:									
(As shown in detail above)		BA	**3,516**	**3,861**	**4,108**	**4,099**	**4,082**	**4,085**	**4,087**
		O	2,382	2,692	2,815	2,825	3,167	3,308	3,393
Deductions for offsetting receipts:									
Proprietary receipts from the public	151	BA/O	*–1*	*–1*	*–30*				
Total Federal funds		BA	**3,515**	**3,860**	**4,078**	**4,099**	**4,082**	**4,085**	**4,087**
		O	2,381	2,691	2,785	2,825	3,167	3,308	3,393
Trust funds:									
(As shown in detail above)		BA	**53**	**2**	**3**	**3**	**3**	**3**	**3**
		O	51	2	1	1	1	1	1
Interfund transactions	602	BA/O	*–3*	*–2*	*–3*	*–3*	*–3*	*–3*	*–3*
Total Agency for International Development		BA	**3,565**	**3,860**	**4,078**	**4,099**	**4,082**	**4,085**	**4,087**
		O	2,429	2,691	2,783	2,823	3,165	3,306	3,391
Overseas Private Investment Corporation									
Federal funds									
Public Enterprise Funds:									
Overseas Private Investment Corporation noncredit account:									
Appropriation, current	151	BA	**–24**	**–124**	**–45**	**–45**	**–45**	**–45**	**–45**
Spending authority from offsetting collections		BA	**106**	**199**	**140**	**140**	**140**	**140**	**140**
Outlays		O	40	53	55	62	102	74	64
Overseas Private Investment Corporation noncredit account (gross)		BA	**82**	**75**	**95**	**95**	**95**	**95**	**95**
		O	40	53	55	62	102	74	64
Change in orders on hand from Federal sources		BA	**6**	**5**					
Total, offsetting collections			–310	–323	–344	–344	–344	–344	–344
Total Overseas Private Investment Corporation noncredit account (net)		BA	**–222**	**–243**	**–249**	**–249**	**–249**	**–249**	**–249**
		O	–270	–270	–289	–282	–242	–270	–280
Credit Accounts:									
Overseas private investment corporation program account:									
Appropriation, current	151	BA	**24**	**126**	**45**	**45**	**45**	**45**	**45**

INTERNATIONAL ASSISTANCE PROGRAMS—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	63	59	72	72	60	55	49
Overseas Private Investment Corporation liquidating account:									
Spending authority from offsetting collections	151	BA	**20**	**15**	**12**	**3**	**1**	**1**	**1**
Outlays		O	2	15	12	3			
Overseas Private Investment Corporation liquidating account (gross)		BA	**20**	**15**	**12**	**3**	**1**	**1**	**1**
		O	2	15	12	3			
Total, offsetting collections			–20	–15	–12	–3	–1	–1	–1
Total Overseas Private Investment Corporation liquidating account (net)		BA							
		O	–18				–1	–1	–1
Total Federal funds Overseas Private Investment Corporation		BA	**–198**	**–117**	**–204**	**–204**	**–204**	**–204**	**–204**
		O	–225	–211	–217	–210	–183	–216	–232

Trade and Development Agency

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Trade and Development Agency:									
Appropriation, current	151	BA	**60**	**44**	**48**	**48**	**48**	**48**	**48**
Outlays		O	51	60	56	61	48	48	48

Peace Corps

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Peace Corps:									
Appropriation, current	151	BA	**226**	**241**	**270**	**270**	**270**	**270**	**270**
Spending authority from offsetting collections		BA	**9**	**8**	**8**	**8**	**8**	**8**	**8**
Outlays		O	226	249	278	277	278	278	278
Peace Corps (gross)		BA	**235**	**249**	**278**	**278**	**278**	**278**	**278**
		O	226	249	278	277	278	278	278
Total, offsetting collections			–9	–8	–8	–8	–8	–8	–8
Total Peace Corps (net)		BA	**226**	**241**	**270**	**270**	**270**	**270**	**270**
		O	217	241	270	269	270	270	270
Trust funds									
Peace Corps miscellaneous trust fund:									
Appropriation, permanent	151	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1

Inter-American Foundation

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Inter-American Foundation:									
Appropriation, current	151	BA	**22**	**20**	**22**	**22**	**22**	**22**	**22**
Spending authority from offsetting collections		BA	**16**	**9**	**9**	**9**	**9**	**9**	**9**
Outlays		O	20	29	31	31	31	31	31
Inter-American Foundation (gross)		BA	**38**	**29**	**31**	**31**	**31**	**31**	**31**
		O	20	29	31	31	31	31	31
Total, offsetting collections			–16	–9	–9	–9	–9	–9	–9
Total Inter-American Foundation (net)		BA	**22**	**20**	**22**	**22**	**22**	**22**	**22**
		O	4	20	22	22	22	22	22

African Development Foundation

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
African Development Foundation:									
Appropriation, current	151	BA	**14**	**11**	**14**	**14**	**14**	**14**	**14**
Spending authority from offsetting collections		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**

INTERNATIONAL ASSISTANCE PROGRAMS—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	12	14	16	18	14	15	15
African Development Foundation (gross)		BA	**15**	**12**	**15**	**15**	**15**	**15**	**15**
		O	12	14	16	18	14	15	15
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total African Development Foundation (net)		BA	**14**	**11**	**14**	**14**	**14**	**14**	**14**
		O	11	13	15	17	13	14	14
Total Federal funds International Development Assistance		BA	**3,639**	**4,059**	**4,228**	**4,249**	**4,232**	**4,235**	**4,237**
		O	2,439	2,814	2,931	2,984	3,337	3,446	3,515
Total Trust funds International Development Assistance		BA	**54**	**3**	**4**	**4**	**4**	**4**	**4**
		O	52	3	2	2	2	2	2
Interfund transactions	602	BA/O	*–3*	*–2*	*–3*	*–3*	*–3*	*–3*	*–3*
Total International Development Assistance		BA	**3,690**	**4,060**	**4,229**	**4,250**	**4,233**	**4,236**	**4,238**
		O	2,488	2,815	2,930	2,983	3,336	3,445	3,514
International Monetary Programs									
Federal funds									
General and Special Funds:									
United States quota, International Monetary Fund:									
Appropriation, current	155	BA	....	**14,943**	....	....	....	....	....
Outlays		O	–175	....	....	....	....	....	....
Loans to International Monetary Fund:									
Appropriation, current	155	BA	....	**3,450**	....	....	....	....	....
Contribution to enhanced structural adjustment facility of the International Monetary Fund:									
Outlays	155	O	24	22	16	9	....	....	....
Total Federal funds International Monetary Programs		BA	....	**18,393**	....	....	....	....	....
		O	–151	22	16	9	....	....	....
Military Sales Program									
Federal funds									
Public Enterprise Funds:									
Special defense acquisition fund:									
Appropriation, current	155	BA	**1**	**8**	**10**	**10**	**10**	**10**	**10**
Outlays		O	14	20	15	16	15	10	10
Special defense acquisition fund (gross)		BA	**1**	**8**	**10**	**10**	**10**	**10**	**10**
		O	14	20	15	16	15	10	10
Total, offsetting collections			–53	–56	–10	–10	–10	–10	–10
Total Special defense acquisition fund (net)		BA	**–52**	**–48**	....	....	....	....	....
		O	–39	–36	5	6	5	....	....
Trust funds									
Foreign military sales trust fund:									
Contract authority, permanent	155	BA	**10,676**	**11,370**	**10,020**	**9,710**	**8,950**	**8,180**	**7,930**
Outlays		O	14,010	13,280	12,690	12,140	12,050	9,720	8,610
Summary									
Federal funds:									
(As shown in detail above)		BA	**–52**	**–48**	....	....	....	....	....
		O	–39	–36	5	6	5	....	....
Trust funds:									
(As shown in detail above)		BA	**10,676**	**11,370**	**10,020**	**9,710**	**8,950**	**8,180**	**7,930**
		O	14,010	13,280	12,690	12,140	12,050	9,720	8,610

INTERNATIONAL ASSISTANCE PROGRAMS—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Deductions for offsetting receipts:									
Proprietary receipts from the public	155	BA/O	*–14,135*	*–13,280*	*–12,690*	*–12,140*	*–12,050*	*–9,720*	*–8,610*
Total Trust funds		BA	**–3,459**	**–1,910**	**–2,670**	**–2,430**	**–3,100**	**–1,540**	**–680**
		O	–125						
Total Military Sales Program		BA	**–3,511**	**–1,958**	**–2,670**	**–2,430**	**–3,100**	**–1,540**	**–680**
		O	–164	–36	5	6	5		

International Commodity Agreements

Summary

Account			1998 actual	1999	2000	2001	2002	2003	2004
Federal funds:									
Deductions for offsetting receipts:									
Proprietary receipts from the public	155	BA/O				*–75*	*–25*		
Total International Commodity Agreements		BA				**–75**	**–25**		
		O				–75	–25		

Summary

Account			1998 actual	1999	2000	2001	2002	2003	2004
Federal funds:									
(As shown in detail above)		BA	**11,284**	**30,937**	**12,256**	**12,339**	**11,878**	**11,944**	**12,014**
		O	9,782	10,632	10,432	10,793	11,473	11,480	11,494
Deductions for offsetting receipts:									
Proprietary receipts from the public	151	BA/O	*–30*	*–4*	*–30*				
	152	BA/O	*–534*	*–371*					
	155	BA/O				*–75*	*–25*		
	908	BA/O	*–168*	*–128*					
Total Federal funds		BA	**10,552**	**30,434**	**12,226**	**12,264**	**11,853**	**11,944**	**12,014**
		O	9,050	10,129	10,402	10,718	11,448	11,480	11,494
Trust funds:									
(As shown in detail above)		BA	**10,730**	**11,373**	**10,024**	**9,714**	**8,954**	**8,184**	**7,934**
		O	14,062	13,283	12,692	12,142	12,052	9,722	8,612
Deductions for offsetting receipts:									
Proprietary receipts from the public	155	BA/O	*–14,135*	*–13,280*	*–12,690*	*–12,140*	*–12,050*	*–9,720*	*–8,610*
Total Trust funds		BA	**–3,405**	**–1,907**	**–2,666**	**–2,426**	**–3,096**	**–1,536**	**–676**
		O	–73	3	2	2	2	2	2
Interfund transactions	602	BA/O	*–3*	*–2*	*–3*	*–3*	*–3*	*–3*	*–3*
Total International Assistance Programs		BA	**7,144**	**28,525**	**9,557**	**9,835**	**8,754**	**10,405**	**11,335**
		O	8,974	10,130	10,401	10,717	11,447	11,479	11,493

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Federal funds									
General and Special Funds:									
Human space flight:									
Appropriation, current	252	BA	**5,560**	**5,480**	**5,638**	**3,216**	**3,199**	**3,204**	**3,209**
Advance appropriation		BA				**2,328**	**2,091**	**1,721**	**1,573**
Spending authority from offsetting collections		BA	**61**	**209**	**205**	**205**	**205**	**205**	**205**
Outlays		O	5,617	5,735	5,733	5,715	5,583	5,260	5,047
Human space flight (gross)		BA	**5,621**	**5,689**	**5,843**	**5,749**	**5,495**	**5,130**	**4,987**
		O	5,617	5,735	5,733	5,715	5,583	5,260	5,047
Change in orders on hand from Federal sources		BA	**5**						
Total, offsetting collections			–66	–209	–205	–205	–205	–205	–205
Total Human space flight (net)		BA	**5,560**	**5,480**	**5,638**	**5,544**	**5,290**	**4,925**	**4,782**
		O	5,551	5,526	5,528	5,510	5,378	5,055	4,842

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Science, Aeronautics and Technology									
(Space flight, research, and supporting activities):									
(Appropriation, current)	252	BA	4,770	4,885	4,805	5,017	5,141	5,501	5,609
(Spending authority from offsetting collections)		BA	457	545	533	533	533	533	533
(Outlays)		O	5,621	5,600	5,150	5,324	5,375	5,815	6,043
Science, Aeronautics and Technology (gross)		BA	5,227	5,430	5,338	5,550	5,674	6,034	6,142
		O	5,621	5,600	5,150	5,324	5,375	5,815	6,043
(Change in orders on hand from Federal sources)		BA	46						
Total, offsetting collections			–503	–545	–533	–533	–533	–533	–533
Total (Space flight, research, and supporting activities) (net)		BA	4,770	4,885	4,805	5,017	5,141	5,501	5,609
		O	5,118	5,055	4,617	4,791	4,842	5,282	5,510
(Air transportation):									
(Appropriation, current)	402	BA	920	769	620	640	640	640	640
(Spending authority from offsetting collections)		BA	51	54	44	44	44	44	44
(Outlays)		O	953	865	714	669	655	683	684
Science, Aeronautics and Technology (gross)		BA	5,741	5,708	5,469	5,701	5,825	6,185	6,293
		O	6,071	5,920	5,331	5,460	5,497	5,965	6,194
(Change in orders on hand from Federal sources)		BA	5						
Total, offsetting collections			–56	–54	–44	–44	–44	–44	–44
Total (Air transportation) (net)		BA	920	769	620	640	640	640	640
		O	897	811	670	625	611	639	640
Total Science, Aeronautics and Technology		BA	5,690	5,654	5,425	5,657	5,781	6,141	6,249
		O	6,015	5,866	5,287	5,416	5,453	5,921	6,150
Mission support									
(Space flight, research, and supporting activities):									
(Appropriation, current)	252	BA	1,973	2,084	2,045	2,075	2,186	2,184	2,213
(Spending authority from offsetting collections)		BA	76	109	100	100	100	100	100
(Outlays)		O	2,170	2,255	2,088	2,147	2,263	2,281	2,306
Mission support (gross)		BA	2,049	2,193	2,145	2,175	2,286	2,284	2,313
		O	2,170	2,255	2,088	2,147	2,263	2,281	2,306
(Change in orders on hand from Federal sources)		BA	33						
Total, offsetting collections			–109	–109	–100	–100	–100	–100	–100
Total (Space flight, research, and supporting activities) (net)		BA	1,973	2,084	2,045	2,075	2,186	2,184	2,213
		O	2,061	2,146	1,988	2,047	2,163	2,181	2,206
(Air transportation):									
(Appropriation, current)	402	BA	407	427	450	455	480	480	486
(Spending authority from offsetting collections)		BA	15	22	21	21	21	21	21
(Outlays)		O	444	462	454	470	496	500	506
Mission support (gross)		BA	2,395	2,533	2,516	2,551	2,687	2,685	2,720
		O	2,505	2,608	2,442	2,517	2,659	2,681	2,712
(Change in orders on hand from Federal sources)		BA	7						
Total, offsetting collections			–22	–22	–21	–21	–21	–21	–21
Total (Air transportation) (net)		BA	407	427	450	455	480	480	486
		O	422	440	433	449	475	479	485
Total Mission support		BA	2,380	2,511	2,495	2,530	2,666	2,664	2,699
		O	2,483	2,586	2,421	2,496	2,638	2,660	2,691
Research and development									
(Space flight, research, and supporting activities):									
(Outlays)	252	O	44	20	44				
Research and development (gross)		O	44	20	44				
(Change in orders on hand from Federal sources)		BA	4						
Total, offsetting collections			–4						
Total (Space flight, research, and supporting activities) (net)		BA							
		O	40	20	44				

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
(Air transportation):									
(Outlays)	402	O	1						
Research and development (gross)		BA							
		O	41	20	44				
(Change in orders on hand from Federal sources)		BA	**1**						
Total, offsetting collections			–1						
Total (Air transportation) (net)		BA							
		O							
Total Research and development		BA							
		O	40	20	44				
Space flight, control, and data communications:									
Outlays	252	O	34	10	12				
Construction of facilities									
(Space flight, research, and supporting activities):									
(Outlays)	252	O	44	14	44				
(Air transportation):									
(Outlays)	402	O	20						
Total Construction of facilities		O	64	14	44				
Office of Inspector General:									
Appropriation, current	252	BA	**18**	**20**	**21**	**21**	**21**	**21**	**21**
Outlays		O	18	20	20	21	21	21	21
Trust funds									
Science, space, and technology education trust fund:									
Appropriation, permanent	503	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
Summary									
Federal funds:									
(As shown in detail above)		BA	**13,648**	**13,665**	**13,579**	**13,752**	**13,758**	**13,751**	**13,751**
		O	14,205	14,042	13,356	13,443	13,490	13,657	13,704
Trust funds:									
(As shown in detail above)		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
		O	1	1	1	1	1	1	1
Total National Aeronautics and Space Administration		BA	**13,649**	**13,666**	**13,580**	**13,753**	**13,759**	**13,752**	**13,752**
		O	14,206	14,043	13,357	13,444	13,491	13,658	13,705

NATIONAL SCIENCE FOUNDATION

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Federal funds									
General and Special Funds:									
Research and related activities									
(Defense-related activities):									
(Appropriation, current)	054	BA	**63**	**63**	**63**	[N] **63**	**63**	**63**	**63**
(Outlays)		O	74	55	60	[N] 61	64	63	63
(General science and basic research):									
(Appropriation, current)	251	BA	**2,485**	**2,707**	**2,941**	**2,941**	**2,941**	**2,941**	**2,941**
(Spending authority from offsetting collections)		BA	**127**	**100**	**100**	**100**	**100**	**100**	**100**
(Outlays)		O	2,313	2,397	2,706	2,897	3,040	3,027	3,041
Research and related activities (gross)		BA	**2,675**	**2,870**	**3,104**	**3,104**	**3,104**	**3,104**	**3,104**
		O	2,387	2,452	2,766	2,958	3,104	3,090	3,104
(Change in orders on hand from Federal sources)		BA	**12**						

NATIONAL SCIENCE FOUNDATION—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–139	–100	–100	–100	–100	–100	–100
Total (General science and basic research) (net)		BA	2,485	2,707	2,941	2,941	2,941	2,941	2,941
		O	2,174	2,297	2,606	2,797	2,940	2,927	2,941
Total Research and related activities		BA	2,548	2,770	3,004	3,004	3,004	3,004	3,004
		O	2,248	2,352	2,666	2,858	3,004	2,990	3,004
Academic research infrastructure:									
Outlays	251	O	63	41	22	11			
Major research equipment:									
Appropriation, current	251	BA	109	90	85	85	85	85	85
Advance appropriation		BA				58	41	15	17
Outlays		O	116	57	74	82	111	123	110
Total Major research equipment		BA	109	90	85	143	126	100	102
		O	116	57	74	82	111	123	110
Salaries and expenses:									
Appropriation, current	251	BA	137	144	149	149	149	149	149
Spending authority from offsetting collections		BA	4	5	5	5	5	5	5
Outlays		O	140	152	154	154	154	154	154
Salaries and expenses (gross)		BA	141	149	154	154	154	154	154
		O	140	152	154	154	154	154	154
Total, offsetting collections			–4	–5	–5	–5	–5	–5	–5
Total Salaries and expenses (net)		BA	137	144	149	149	149	149	149
		O	136	147	149	149	149	149	149
Office of the Inspector General:									
Appropriation, current	251	BA	5	5	5	5	5	5	5
Outlays		O	5	5	5	5	5	5	5
Education and human resources:									
Appropriation, current	251	BA	632	662	678	678	678	678	678
Appropriation, permanent		BA		27	33	31			
Spending authority from offsetting collections		BA	6	15	15	15	15	15	15
Outlays		O	582	627	683	708	685	692	693
Education and human resources (gross)		BA	638	704	726	724	693	693	693
		O	582	627	683	708	685	692	693
Total, offsetting collections			–6	–15	–15	–15	–15	–15	–15
Total Education and human resources (net)		BA	632	689	711	709	678	678	678
		O	576	612	668	693	670	677	678
Trust funds									
Donations:									
Appropriation, permanent	251	BA	45	45	45	37	34	34	34
Outlays		O	44	45	45	37	34	34	34
Summary									
Federal funds:									
(As shown in detail above)		BA	3,431	3,698	3,954	4,010	3,962	3,936	3,938
		O	3,144	3,214	3,584	3,798	3,939	3,944	3,946
Trust funds:									
(As shown in detail above)		BA	45	45	45	37	34	34	34
		O	44	45	45	37	34	34	34
Total National Science Foundation		BA	3,476	3,743	3,999	4,047	3,996	3,970	3,972
		O	3,188	3,259	3,629	3,835	3,973	3,978	3,980

OFFICE OF PERSONNEL MANAGEMENT

(In millions of dollars)

Account			1998 actual	estimate					
				1999	2000	2001	2002	2003	2004
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	805	BA	85	85	92	92	92	92	92
Spending authority from offsetting collections		BA	122	129	123	123	123	123	123
Outlays		O	203	214	215	215	215	215	215
Salaries and expenses (gross)		BA	207	214	215	215	215	215	215
		O	203	214	215	215	215	215	215
Total, offsetting collections			–122	–129	–123	–123	–123	–123	–123
Total Salaries and expenses (net)		BA	85	85	92	92	92	92	92
		O	81	85	92	92	92	92	92
Office of Inspector General:									
Appropriation, current	805	BA	1	1	1	1	1	1	1
Spending authority from offsetting collections		BA	9	9	10	10	10	10	10
Outlays		O	10	10	11	11	11	11	11
Office of Inspector General (gross)		BA	10	10	11	11	11	11	11
		O	10	10	11	11	11	11	11
Total, offsetting collections			–9	–9	–10	–10	–10	–10	–10
Total Office of Inspector General (net)		BA	1	1	1	1	1	1	1
		O	1	1	1	1	1	1	1
Government payment for annuitants, employees health benefits:									
Appropriation, current	551	BA	4,115	4,654	5,105	5,540	5,993	6,469	7,013
Outlays		O	4,069	4,494	5,070	5,504	5,955	6,428	6,966
Government payment for annuitants, employee life insurance:									
Appropriation, current	602	BA	30	35	36	37	38	39	40
Outlays		O	30	35	36	37	38	39	40
Payment to civil service retirement and disability fund:									
Appropriation, current	805	BA	8,381	8,703	9,121	9,277	9,422	9,671	9,828
Appropriation, permanent		BA	12,976	12,942	12,691	12,731	12,822	12,978	13,196
Outlays		O	21,357	21,645	21,812	22,008	22,244	22,649	23,024
Total Payment to civil service retirement and disability fund		BA	21,357	21,645	21,812	22,008	22,244	22,649	23,024
		O	21,357	21,645	21,812	22,008	22,244	22,649	23,024
Intragovernmental Funds:									
Revolving fund:									
Spending authority from offsetting collections	805	BA	170	188	194	194	194	194	194
Outlays		O	226	188	194	194	194	194	194
Revolving fund (gross)		BA	170	188	194	194	194	194	194
		O	226	188	194	194	194	194	194
Change in orders on hand from Federal sources		BA	83						
Total, offsetting collections			–253	–188	–194	–194	–194	–194	–194
Total Revolving fund (net)		BA							
		O	–27						
Trust funds									
Civil service retirement and disability fund:									
Appropriation, current	602	BA	83	78	82	82	82	82	82
Appropriation, permanent		BA	43,074	44,818	46,792	48,723	50,648	52,649	54,816
Outlays		O	43,058	44,780	46,701	48,655	50,577	52,575	54,729
Total Civil service retirement and disability fund		BA	43,157	44,896	46,874	48,805	50,730	52,731	54,898
		O	43,058	44,780	46,701	48,655	50,577	52,575	54,729
Employees life insurance fund:									
Spending authority from offsetting collections	602	BA	2,832	3,055	3,160	3,300	3,402	3,482	3,596
Outlays		O	1,561	1,615	1,688	1,768	1,817	1,866	1,916
Employees life insurance fund (gross)		BA	2,832	3,055	3,160	3,300	3,402	3,482	3,596
		O	1,561	1,615	1,688	1,768	1,817	1,866	1,916
Change in orders on hand from Federal sources		BA	73	–93	–5	–11	–14	–7	–16

OFFICE OF PERSONNEL MANAGEMENT—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–2,905	–2,962	–3,155	–3,289	–3,388	–3,475	–3,580
Total Employees life insurance fund (net)		BA							
		O	–1,344	–1,347	–1,467	–1,521	–1,571	–1,609	–1,664
Employees and retired employees health benefits funds:									
Spending authority from offsetting collections	551	BA	**16,135**	**17,968**	**20,046**	**21,545**	**23,270**	**25,151**	**27,069**
Outlays		O	17,160	18,165	20,089	21,664	23,543	25,381	27,408
Employees and retired employees health benefits funds (gross)		BA	**16,135**	**17,968**	**20,046**	**21,545**	**23,270**	**25,151**	**27,069**
		O	17,160	18,165	20,089	21,664	23,543	25,381	27,408
Change in orders on hand from Federal sources		BA	**560**	**–48**	**–83**	**–62**	**–71**	**–77**	**–79**
Total, offsetting collections			–16,695	–17,920	–19,963	–21,482	–23,200	–25,075	–26,991
Total Employees and retired employees health benefits funds (net)		BA				**1**	**–1**	**–1**	**–1**
		O	465	245	126	182	343	306	417
Summary									
Federal funds:									
(As shown in detail above)		BA	**25,588**	**26,420**	**27,046**	**27,678**	**28,368**	**29,250**	**30,170**
		O	25,511	26,260	27,011	27,642	28,330	29,209	30,123
Trust funds:									
(As shown in detail above)		BA	**43,157**	**44,896**	**46,874**	**48,806**	**50,729**	**52,730**	**54,897**
		O	42,179	43,678	45,360	47,316	49,349	51,272	53,482
Interfund transactions	602	BA/O	*–28*	*–27*	*–28*	*–27*	*–26*	*–26*	*–26*
	805	BA/O	*–21,357*	*–21,645*	*–21,812*	*–22,008*	*–22,244*	*–22,649*	*–23,024*
Total Office of Personnel Management		BA	**47,360**	**49,644**	**52,080**	**54,449**	**56,827**	**59,305**	**62,017**
		O	46,305	48,266	50,531	52,923	55,409	57,806	60,555

SMALL BUSINESS ADMINISTRATION

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	376	BA	**254**	**289**	**263**	**263**	**263**	**263**	**263**
					[J] **31**	[J] **31**	[J] **31**	[J] **31**	[J] **31**
Spending authority from offsetting collections		BA	**269**	**244**	**231**	**231**	**231**	**231**	**231**
Outlays		O	484	403	471	497	494	494	494
					[J] 17	[J] 27	[J] 31	[J] 31	[J] 31
Salaries and expenses (gross)		BA	**523**	**533**	**525**	**525**	**525**	**525**	**525**
		O	484	403	488	524	525	525	525
Total, offsetting collections			–269	–244	–231	–231	–231	–231	–231
Total Salaries and expenses (net)		BA	**254**	**289**	**294**	**294**	**294**	**294**	**294**
		O	215	159	257	293	294	294	294
Office of Inspector General:									
Appropriation, current	376	BA	**10**	**11**	**11**	**11**	**11**	**11**	**11**
Spending authority from offsetting collections		BA	**1**						
Outlays		O	10	11	11	11	11	11	11
Office of Inspector General (gross)		BA	**11**	**11**	**11**	**11**	**11**	**11**	**11**
		O	10	11	11	11	11	11	11
Total, offsetting collections			–1						
Total Office of Inspector General (net)		BA	**10**	**11**	**11**	**11**	**11**	**11**	**11**
		O	9	11	11	11	11	11	11

SMALL BUSINESS ADMINISTRATION—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Public Enterprise Funds:									
Surety bond guarantees revolving fund:									
Appropriation, current	376	BA	**4**	**3**					
Spending authority from offsetting collections		BA	**8**	**6**	**7**	**7**	**7**	**7**	**7**
Outlays		O	12	7	6	6	6	6	6
Surety bond guarantees revolving fund (gross)		BA	**12**	**9**	**7**	**7**	**7**	**7**	**7**
		O	12	7	6	6	6	6	6
Total, offsetting collections			–8	–6	–7	–7	–7	–7	–7
Total Surety bond guarantees revolving fund (net)		BA	**4**	**3**					
		O	4	1	–1	–1	–1	–1	–1
Credit Accounts:									
Business loan program account:									
Appropriation, current	376	BA	**275**	**224**	**279**	**279**	**279**	**279**	**279**
					J 52	**J 52**	**J 52**	**J 52**	**J 52**
Appropriation, permanent		BA	**309**	**35**					
Spending authority from offsetting collections		BA	**2**						
Outlays		O	576	301	293	304	279	279	279
					J 33	J 52	J 52	J 52	J 52
Business direct loan financing account			(13,000)	(13,500)	(4,300)	(4,300)	(4,300)	(4,300)	(4,300)
Business loan program account (gross)		BA	**586**	**259**	**331**	**331**	**331**	**331**	**331**
		O	576	301	326	356	331	331	331
Total, offsetting collections			–2						
Total Business loan program account (net)		BA	**584**	**259**	**331**	**331**	**331**	**331**	**331**
		O	574	301	326	356	331	331	331
Business loan fund liquidating account:									
Spending authority from offsetting collections	376	BA	**539**	**200**	**177**	**496**	**483**	**470**	**458**
Outlays		O	333	375	348	409	405	398	395
Business loan fund liquidating account (gross)		BA	**539**	**200**	**177**	**496**	**483**	**470**	**458**
		O	333	375	348	409	405	398	395
Total, offsetting collections			–539	–956	–428	–496	–483	–470	–458
Total Business loan fund liquidating account (net)		BA		**–756**	**–251**				
		O	–206	–581	–80	–87	–78	–72	–63
Disaster loans program account:									
Appropriation, current	453	BA	**173**	**197**	**125**	**125**	**125**	**125**	**125**
Appropriation, permanent		BA	**61**	**9**					
Outlays		O	354	263	158	128	125	125	125
Total Disaster loans program account		BA	**234**	**206**	**125**	**125**	**125**	**125**	**125**
		O	354	263	158	128	125	125	125
Disaster loan fund liquidating account:									
Spending authority from offsetting collections	453	BA	**260**	**241**	**416**	**410**	**206**		
Outlays		O	75	59	33	17			
Disaster loan fund liquidating account (gross)		BA	**260**	**241**	**416**	**410**	**206**		
		O	75	59	33	17			
Total, offsetting collections			–260	–241	–416	–410	–206		
Total Disaster loan fund liquidating account (net)		BA							
		O	–185	–182	–383	–393	–206		
Pollution control equipment fund liquidating account:									
Outlays	376	O	1	3					
Summary									
Federal funds:									
(As shown in detail above)		BA	**1,086**	**12**	**510**	**761**	**761**	**761**	**761**
		O	766	–25	288	307	476	688	697

SMALL BUSINESS ADMINISTRATION—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Deductions for offsetting receipts:									
Proprietary receipts from the public	376	BA/O	*–843*	*–605*	*–1*	....	....	....	....
	453	BA/O	....	*–236*	....	....	....	....	....
Total Small Business Administration		BA	**243**	**–829**	**509**	**761**	**761**	**761**	**761**
		O	–77	–866	287	307	476	688	697

SOCIAL SECURITY ADMINISTRATION

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Social Security Administration									
Federal funds									
General and Special Funds:									
Payments to social security trust funds:									
Appropriation, current	651	BA	**20**	**20**	**21**	**20**	**20**	**20**	**20**
Appropriation, permanent		BA	**9,122**	**11,257**	**10,318**	**10,798**	**11,363**	**12,013**	**12,765**
Outlays		O	9,139	11,278	10,340	10,818	11,383	12,033	12,785
Total Payments to social security trust funds		BA	**9,142**	**11,277**	**10,339**	**10,818**	**11,383**	**12,033**	**12,785**
		O	9,139	11,278	10,340	10,818	11,383	12,033	12,785
Special benefits for disabled coal miners:									
Appropriation, current	601	BA	**426**	**387**	**384**	**369**	**343**	**323**	**301**
Advance appropriation		BA	**160**	**160**	**141**	**124**	**111**	**98**	**85**
Outlays		O	592	560	529	493	467	437	407
Total Special benefits for disabled coal miners		BA	**586**	**547**	**525**	**493**	**454**	**421**	**386**
		O	592	560	529	493	467	437	407
Supplemental security income program:									
Appropriation, current	609	BA	**18,541**	**21,972**	**21,763**	**22,437**	**23,405**	**24,134**	**24,849**
					[B] **–14**	[B] **–18**	[B] **13**	[B] **110**	[B] **277**
Advance appropriation		BA	**9,690**	**8,680**	**9,550**	**9,890**	**10,220**	**10,580**	**10,920**
Spending authority from offsetting collections		BA	**3,019**	**3,175**	**3,180**	**3,180**	**3,180**	**3,180**	**3,180**
Outlays		O	32,766	33,860	34,557	35,538	36,813	37,903	38,957
					[B] –14	[B] –18	[B] 13	[B] 110	[B] 277
Supplemental security income program (gross)		BA	**31,250**	**33,827**	**34,479**	**35,489**	**36,818**	**38,004**	**39,226**
		O	32,766	33,860	34,543	35,520	36,826	38,013	39,234
Total, offsetting collections			–3,019	–3,175	–3,180	–3,180	–3,180	–3,180	–3,180
Total Supplemental security income program (net)		BA	**28,231**	**30,652**	**31,299**	**32,309**	**33,638**	**34,824**	**36,046**
		O	29,747	30,685	31,363	32,340	33,646	34,833	36,054
Office of the Inspector General:									
Appropriation, current	651	BA	**10**	**12**	**15**	**15**	**15**	**15**	**15**
Spending authority from offsetting collections		BA	**39**	**44**	**51**	**51**	**51**	**51**	**51**
Outlays		O	47	60	66	67	66	66	66
Office of the Inspector General (gross)		BA	**49**	**56**	**66**	**66**	**66**	**66**	**66**
		O	47	60	66	67	66	66	66
Change in orders on hand from Federal sources		BA	**–9**	**2**	**1**	....	....	....	....
Total, offsetting collections			–30	–46	–52	–52	–52	–52	–52
Total Office of the Inspector General (net)		BA	**10**	**12**	**15**	**14**	**14**	**14**	**14**
		O	17	14	14	15	14	14	14
Trust funds									
Federal old-age and survivors insurance trust fund:									
Appropriation, current	651	BA	**1,773**	**1,746**	**1,765**	**1,765**	**1,765**	**1,765**	**1,765**
Appropriation, permanent		BA	**328,883**	**338,415**	**350,704**	**367,539**	**382,233**	**398,351**	**415,239**
						[J] **64**	[J] **113**	[J] **144**	[J] **153**
Spending authority from offsetting collections		BA	**2,294**	**2,437**	**2,522**	**2,541**	**2,716**	**2,816**	**2,915**

SOCIAL SECURITY ADMINISTRATION—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	332,063	342,347	354,990	370,598	385,351	401,525	418,430
						[J] 64	[J] 113	[J] 144	[J] 153
Federal old-age and survivors insurance trust fund (gross)		BA	332,950	342,598	354,991	371,909	386,827	403,076	420,072
		O	332,063	342,347	354,990	370,662	385,464	401,669	418,583
Total, offsetting collections			–2,294	–2,437	–2,522	–2,541	–2,716	–2,816	–2,915
Total Federal old-age and survivors insurance trust fund (net)		BA	330,656	340,161	352,469	369,368	384,111	400,260	417,157
		O	329,769	339,910	352,468	368,121	382,748	398,853	415,668
Federal disability insurance trust fund:									
Appropriation, current	651	BA	1,422	1,406	1,465	1,465	1,465	1,465	1,465
Appropriation, permanent		BA	48,403	49,803	54,901	58,717	63,448	68,395	73,921
					[J] 3	[J] 14	[J] 28	[J] 33	[J] 33
Outlays		O	49,459	52,704	56,129	59,904	64,547	69,456	74,927
					[J] 3	[J] 14	[J] 28	[J] 33	[J] 33
Total Federal disability insurance trust fund		BA	49,825	51,209	56,369	60,196	64,941	69,893	75,419
		O	49,459	52,704	56,132	59,918	64,575	69,489	74,960
Total Federal funds Social Security Administration		BA	37,969	42,488	42,178	43,634	45,489	47,292	49,231
		O	39,495	42,537	42,246	43,666	45,510	47,317	49,260
Total Trust funds Social Security Administration		BA	380,481	391,370	408,838	429,564	449,052	470,153	492,576
		O	379,228	392,614	408,600	428,039	447,323	468,342	490,628
Summary									
On-Budget									
Federal funds:									
(As shown in detail above)		BA	37,969	42,488	42,178	43,634	45,489	47,292	49,231
		O	39,495	42,537	42,246	43,666	45,510	47,317	49,260
Deductions for offsetting receipts:									
Proprietary receipts from the public	609	BA/O	–1,361	–1,415	–1,452	–1,497	–1,544	–1,594	–1,642
Total Federal funds		BA	36,608	41,073	40,726	42,137	43,945	45,698	47,589
		O	38,134	41,122	40,794	42,169	43,966	45,723	47,618
Interfund transactions	651	BA/O	....	....	....	–1,121	....	....	....
Total Social Security Administration (on-budget)		BA	36,608	41,073	40,726	41,016	43,945	45,698	47,589
		O	38,134	41,122	40,794	41,048	43,966	45,723	47,618
Off-Budget									
Trust funds:									
(As shown in detail above)		BA	380,481	391,370	408,838	429,564	449,052	470,153	492,576
		O	379,228	392,614	408,600	428,039	447,323	468,342	490,628
Deductions for offsetting receipts:									
Proprietary receipts from the public	651	BA/O	–19	–20	–20	–20	–20	–20	–20
					[J] –19	[J] –19	[J] –19	[J] –19	[J] –19
	903	BA/O	–1	....	....	....	....	....	....
Total Trust funds		BA	380,461	391,350	408,799	429,525	449,013	470,114	492,537
		O	379,208	392,594	408,561	428,000	447,284	468,303	490,589
Interfund transactions	651	BA/O	–9,140	–11,278	–10,340	–10,818	–11,383	–12,033	–12,785
Total Social Security Administration (off-budget)		BA	371,321	380,072	398,459	418,707	437,630	458,081	479,752
		O	370,068	381,316	398,221	417,182	435,901	456,270	477,804
Total Social Security Administration		BA	407,929	421,145	439,185	459,723	481,575	503,779	527,341
		O	408,202	422,438	439,015	458,230	479,867	501,993	525,422

OTHER INDEPENDENT AGENCIES

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Advisory Council on Historic Preservation									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	303	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	3	3	3	3	3	3	3
Appalachian Regional Commission									
Federal funds									
General and Special Funds:									
Appalachian regional commission:									
Appropriation, current	452	BA	**170**	**66**	**66**	**66**	**66**	**66**	**66**
Outlays		O	188	152	131	75	76	59	66
Trust funds									
Miscellaneous trust funds:									
Appropriation, permanent	452	BA	**5**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	5	5	6	6	5	5	5
Summary									
Federal funds:									
(As shown in detail above)		BA	**170**	**66**	**66**	**66**	**66**	**66**	**66**
		O	188	152	131	75	76	59	66
Trust funds:									
(As shown in detail above)		BA	**5**	**6**	**6**	**6**	**6**	**6**	**6**
		O	5	5	6	6	5	5	5
Deductions for offsetting receipts:									
Proprietary receipts from the public	452	BA/O	*–3*	*–3*	*–3*	*–3*	*–3*	*–3*	*–3*
Total Trust funds		BA	**2**	**3**	**3**	**3**	**3**	**3**	**3**
		O	2	2	3	3	2	2	2
Interfund transactions	452	BA/O	*–2*	*–3*	*–3*	*–3*	*–3*	*–3*	*–3*
Total Appalachian Regional Commission		BA	**170**	**66**	**66**	**66**	**66**	**66**	**66**
		O	188	151	131	75	75	58	65
Architectural and Transportation Barriers Compliance Board									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	751	BA	**4**	**4**	**5**	**5**	**5**	**5**	**5**
Outlays		O	4	4	5	6	5	5	5
Barry Goldwater Scholarship and Excellence in Education Foundation									
Trust funds									
Barry Goldwater Scholarship and Excellence in Education Foundation:									
Appropriation, permanent	502	BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	3	3	3	3	3	3	3
Broadcasting Board of Governors									
Federal funds									
General and Special Funds:									
International broadcasting operations:									
Appropriation, current	154	BA	**359**	**362**	**432**	**432**	**432**	**432**	**432**
Spending authority from offsetting collections		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	342	362	422	432	433	433	433
International broadcasting operations (gross)		BA	**360**	**363**	**433**	**433**	**433**	**433**	**433**
		O	342	362	422	432	433	433	433

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total International broadcasting operations (net)		BA	**359**	**362**	**432**	**432**	**432**	**432**	**432**
		O	341	361	421	431	432	432	432
Broadcasting capital improvements:									
Appropriation, current	154	BA	**43**	**13**	**21**	**21**	**21**	**21**	**21**
Outlays		O	38	31	25	19	21	21	21
Broadcasting to Cuba:									
Appropriation, current	154	BA	**25**	**22**	....	....	....	....	....
Outlays		O	24	23	4	....	....	....	....
Trust funds									
Foreign Service National Separation Liability Trust Fund:									
Outlays	602	O	....	....	1	....	....	....	....
Total Federal funds Broadcasting Board of Governors		BA	**427**	**397**	**453**	**453**	**453**	**453**	**453**
		O	403	415	450	450	453	453	453
Total Trust funds Broadcasting Board of Governors		O	....	....	**1**	....	....	....	....

Central Intelligence Agency

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Payment to Central Intelligence Agency retirement and disability system fund:									
Appropriation, current	054	BA	**197**	**202**	**209**	[N] **221**	**233**	**242**	**254**
Outlays		O	197	202	209	[N] 221	233	242	254

Chemical Safety and Hazard Investigtion Board

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Chemical safety and hazard investigation board:									
Appropriation, current	304	BA	**4**	**7**	**8**	**8**	**8**	**8**	**8**
Outlays		O	4	7	8	8	8	8	8

Commission of Fine Arts

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	451	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
National capital arts and cultural affairs:									
Appropriation, current	503	BA	**7**	**7**	**6**	**6**	**6**	**6**	**6**
Outlays		O	7	7	6	6	6	6	6
Total Federal funds Commission of Fine Arts		BA	**8**	**8**	**7**	**7**	**7**	**7**	**7**
		O	8	8	7	7	7	7	7

Commission on Civil Rights

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	751	BA	**9**	**9**	**11**	**11**	**11**	**11**	**11**
Outlays		O	8	8	11	11	11	11	11

Commission on Ocean Policy

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	306	BA	....	**4**	....	....	....	....	....
Outlays		O	....	1	3	....	....	....	....

OTHER INDEPENDENT AGENCIES—Continued
(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Committee for Purchase from People who are Blind or Severely Disabled, activities									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	505	BA	**2**	**2**	**3**	**3**	**3**	**3**	**3**
Outlays		O	2	3	3	3	3	3	3
Commodity Futures Trading Commission									
Federal funds									
General and Special Funds:									
Commodity Futures Trading Commission:									
Appropriation, current	376	BA	**58**	**61**	**68**	**68**	**68**	**68**	**68**
Outlays		O	59	60	68	68	68	68	68
Consumer Product Safety Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	554	BA	**45**	**47**	**50**	**50**	**50**	**50**	**50**
Spending authority from offsetting collections		BA	**1**	**1**	**3**	**3**	**3**	**3**	**3**
Outlays		O	46	48	53	54	53	53	53
Salaries and expenses (gross)		BA	**46**	**48**	**53**	**53**	**53**	**53**	**53**
		O	46	48	53	54	53	53	53
Total, offsetting collections			–1	–1	–3	–3	–3	–3	–3
Total Salaries and expenses (net)		BA	**45**	**47**	**50**	**50**	**50**	**50**	**50**
		O	45	47	50	51	50	50	50
Corporation for National and Community Service									
Federal funds									
General and Special Funds:									
National and community service programs, operating expenses:									
Appropriation, current	506	BA	**426**	**437**	**546**	**546**	**546**	**546**	**546**
Outlays		O	444	456	533	465	524	544	546
Domestic volunteer service programs, Operating expenses:									
Appropriation, current	506	BA	**257**	**276**	**300**	**300**	**300**	**300**	**300**
Spending authority from offsetting collections		BA	**7**	**7**	**7**	**7**	**7**	**7**	**7**
Outlays		O	227	280	300	281	304	307	307
Domestic volunteer service programs, Operating expenses (gross)		BA	**264**	**283**	**307**	**307**	**307**	**307**	**307**
		O	227	280	300	281	304	307	307
Total, offsetting collections			–7	–7	–7	–7	–7	–7	–7
Total Domestic volunteer service programs, Operating expenses (net)		BA	**257**	**276**	**300**	**300**	**300**	**300**	**300**
		O	220	273	293	274	297	300	300
Inspector general:									
Appropriation, current	506	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	2	4	4	5	3	3	3
Trust funds									
Gifts and contributions:									
Appropriation, permanent	506	BA	**135**	**97**	**125**	**125**	**125**	**125**	**125**
Outlays		O	48	69	84	63	60	62	64
Summary									
Federal funds:									
(As shown in detail above)		BA	**686**	**716**	**849**	**849**	**849**	**849**	**849**
		O	666	733	830	744	824	847	849
Trust funds:									
(As shown in detail above)		BA	**135**	**97**	**125**	**125**	**125**	**125**	**125**
		O	48	69	84	63	60	62	64

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Interfund transactions	506	BA/O	*–123*	*–70*	*–93*	*–93*	*–93*	*–93*	*–93*
Total Corporation for National and Community Service		BA	**698**	**743**	**881**	**881**	**881**	**881**	**881**
		O	591	732	821	714	791	816	820

Corporation for Public Broadcasting

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Corporation for public broadcasting:									
Appropriation, current	503	BA	....	**15**	**20**	....	....	....	....
				[A] **11**					
Advance appropriation		BA	**250**	**250**	**300**	**360**	**370**	**320**	**300**
					[A] **37**				
Outlays		O	250	252	306	352	368	320	318
				[A] 11	[A] 37				
Total Corporation for public broadcasting		BA	**250**	**276**	**357**	**360**	**370**	**320**	**300**
		O	250	263	343	352	368	320	318

Court of Veterans Appeals

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	705	BA	**9**	**10**	**11**	**11**	**11**	**11**	**11**
Outlays		O	9	10	11	11	11	11	11

Court Services and Offender Supervision Agency for the District of Columbia

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Federal payment to the Court Services and Offender Supervision Agency for the District of Columbia:									
Appropriation, current	752	BA	....	**59**	**80**	**80**	**80**	**80**	**80**
Outlays		O	....	59	64	80	80	80	80

Defense Nuclear Facilities Safety Board

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	053	BA	**17**	**17**	**18**	[N] **18**	**18**	**18**	**18**
Outlays		O	17	19	18	[N] 18	18	18	18

Denali Commission

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Denali commission:									
Appropriation, current	452	BA	....	**20**	....	....	....	....	....
Outlays		O	....	2	4	6	3	3	2

District of Columbia

District of Columbia Courts

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Federal payment to the District of Columbia Courts:									
Appropriation, current	806	BA	....	**130**	**137**	**137**	**137**	**137**	**137**
Outlays		O	....	130	137	137	137	137	137
Federal payment to the District of Columbia Criminal Justice System:									
Appropriation, current	806	BA	**151**	....	....	....	....	....	....
Outlays		O	151	....	....	....	....	....	....
Trust funds									
District of Columbia Judicial Retirement and Survivors Annuity Fund:									
Appropriation, permanent	602	BA	**6**	**8**	**8**	**8**	**8**	**9**	**9**
Outlays		O	....	5	5	5	5	5	6

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Summary									
Federal funds:									
(As shown in detail above)		BA	**151**	**130**	**137**	**137**	**137**	**137**	**137**
		O	151	130	137	137	137	137	137
Trust funds:									
(As shown in detail above)		BA	**6**	**8**	**8**	**8**	**8**	**9**	**9**
		O		5	5	5	5	5	6
Deductions for offsetting receipts:									
Proprietary receipts from the public	602	BA/O		*–65*					
Total Trust funds		BA	**6**	**–57**	**8**	**8**	**8**	**9**	**9**
		O		–60	5	5	5	5	6
Interfund transactions	752	BA/O	*–5*	*–8*	*–8*	*–8*	*–8*	*–9*	*–9*
Total District of Columbia Courts		BA	**152**	**65**	**137**	**137**	**137**	**137**	**137**
		O	146	62	134	134	134	133	134
District of Columbia Corrections									
Federal funds									
General and Special Funds:									
Payment to the District of Columbia Corrections Trustee for correctional facilities, construction, and repair:									
Appropriation, current	806	BA	**302**						
Outlays		O	302						
Payment to the District of Columbia Corrections Trustee, Operations:									
Appropriation, current	806	BA	**169**	**185**	**176**	**176**	**176**	**176**	**176**
Outlays		O	169	185	176	176	176	176	176
Total Federal funds District of Columbia Corrections		BA	**471**	**185**	**176**	**176**	**176**	**176**	**176**
		O	471	185	176	176	176	176	176
District of Columbia General and Special Payments									
Federal funds									
General and Special Funds:									
Federal support for economic development and management reforms in the District:									
Appropriation, current	806	BA	**190**	**86**					
Outlays		O	190	86					
Federal payment for Management Reform:									
Appropriation, current	806	BA	**8**	**25**					
Outlays		O	8	25					
Federal payment for Medicare Coordinated Care Demonstration Project:									
Appropriation, current	806	BA	**3**	**3**					
Outlays		O	3	3					
Federal payment for water and sewer services:									
Spending authority from offsetting collections	806	BA	**22**	**22**	**22**	**22**	**22**	**22**	**22**
Outlays		O	22	22	22	22	22	22	22
Federal payment for water and sewer services (gross)		BA	**22**	**22**	**22**	**22**	**22**	**22**	**22**
		O	22	22	22	22	22	22	22
Total, offsetting collections			–22	–22	–22	–22	–22	–22	–22
Total Federal payment for water and sewer services (net)		BA							
		O							
Federal supplemental District of Columbia Pension Fund:									
Total, offsetting collections	601			–20	–36	–53	–72	–91	–112
Trust funds									
District of Columbia Federal pension liability trust fund:									
Appropriation, permanent	601	BA		**412**	**402**	**413**	**424**	**435**	**445**
Outlays		O		412	402	413	424	435	445
Summary									
Federal funds:									
(As shown in detail above)		BA	**201**	**94**	**–36**	**–53**	**–72**	**–91**	**–112**
		O	201	94	–36	–53	–72	–91	–112

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Trust funds:									
(As shown in detail above)		BA	....	**412**	**402**	**413**	**424**	**435**	**445**
		O	....	412	402	413	424	435	445
Deductions for offsetting receipts:									
Proprietary receipts from the public	601	BA/O	....	*–3,233*	*–144*	*–130*	*–114*	*–96*	*–77*
Total Trust funds		BA	....	**–2,821**	**258**	**283**	**310**	**339**	**368**
		O	....	–2,821	258	283	310	339	368
Total District of Columbia General and Special Payments		BA	**201**	**–2,727**	**222**	**230**	**238**	**248**	**256**
		O	201	–2,727	222	230	238	248	256
District of Columbia Financing									
Summary									
Federal funds:									
Deductions for offsetting receipts:									
Proprietary receipts from the public	806	BA/O	*–50*	....	....	....	....	....	....
Total District of Columbia Financing		BA	**–50**	....	....	....	....	....	....
		O	–50	....	....	....	....	....	....
Total Federal funds District of Columbia		BA	**773**	**409**	**277**	**260**	**241**	**222**	**201**
		O	773	409	277	260	241	222	201
Total Trust funds District of Columbia		BA	**6**	**–2,878**	**266**	**291**	**318**	**348**	**377**
		O	....	–2,881	263	288	315	344	374
Interfund transactions	752	BA/O	*–5*	*–8*	*–8*	*–8*	*–8*	*–9*	*–9*
Total District of Columbia		BA	**774**	**–2,477**	**535**	**543**	**551**	**561**	**569**
		O	768	–2,480	532	540	548	557	566
Equal Employment Opportunity Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	751	BA	**242**	**279**	**312**	**312**	**312**	**312**	**312**
Outlays		O	242	259	311	312	312	312	312
Intragovernmental Funds:									
EEOC Education, technical assistance and training revolving fund:									
Spending authority from offsetting collections	751	BA	**1**	**2**	**3**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
EEOC Education, technical assistance and training revolving fund (gross)		BA	**1**	**2**	**3**	**1**	**1**	**1**	**1**
		O	1	1	1	1	1	1	1
Total, offsetting collections			–1	–2	–3	–1	–1	–1	–1
Total EEOC Education, technical assistance and training revolving fund (net)		BA	....	....	....	....	....	....	....
		O	....	–1	–2	....	....	....	....
Total Federal funds Equal Employment Opportunity Commission		BA	**242**	**279**	**312**	**312**	**312**	**312**	**312**
		O	242	258	309	312	312	312	312
Export-Import Bank of the United States									
Federal funds									
Credit Accounts:									
Export Import Bank loans program account:									
Appropriation, current	155	BA	**732**	**815**	**896**	**896**	**896**	**896**	**896**
Outlays		O	686	610	599	673	769	839	888
Export-Import Bank of the United States liquidating account:									
Spending authority from offsetting collections	155	BA	**940**	**895**	**563**	**435**	**396**	**321**	**295**
Outlays		O	60	44	42	100	93	80	53
Export-Import Bank of the United States liquidating account (gross)		BA	**940**	**895**	**563**	**435**	**396**	**321**	**295**
		O	60	44	42	100	93	80	53

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
Total, offsetting collections			–940	–895	–563	–435	–396	–321	–295
Total Export-Import Bank of the United States liquidating account (net)		BA	....	....	....	....	....	....	....
		O	–880	–851	–521	–335	–303	–241	–242
Summary									
Federal funds:									
(As shown in detail above)		BA	**732**	**815**	**896**	**896**	**896**	**896**	**896**
		O	–194	–241	78	338	466	598	646
Deductions for offsetting receipts:									
Proprietary receipts from the public	155	BA/O	*–14*	*–16*	*–15*	*–15*	*–15*	*–15*	*–15*
Total Export-Import Bank of the United States		BA	**718**	**799**	**881**	**881**	**881**	**881**	**881**
		O	–208	–257	63	323	451	583	631
Farm Credit Administration									
Federal funds									
Public Enterprise Funds:									
Revolving fund for administrative expenses:									
Spending authority from offsetting collections	351	BA	**34**	**36**	**36**	**37**	**38**	**39**	**40**
Outlays		O	32	36	36	37	39	41	42
Limitation on administrative expenses			(34)	(36)	(36)	(36)	(36)	(36)	(36)
Revolving fund for administrative expenses (gross)		BA	**34**	**36**	**36**	**37**	**38**	**39**	**40**
		O	32	36	36	37	39	41	42
Total, offsetting collections			–34	–36	–36	–37	–38	–39	–40
Total Revolving fund for administrative expenses (net)		BA	....	....	....	....	....	....	....
		O	–2	....	....	....	1	2	2
Farm Credit System Financial Assistance Corporation									
Federal funds									
Credit Accounts:									
Financial assistance corporation assistance fund, liquidating account:									
Spending authority from offsetting collections	351	BA	**388**	**196**	**150**	**220**	**226**	**253**	**145**
Outlays		O	117	105	77	117	117	117	63
Financial assistance corporation assistance fund, liquidating account (gross)		BA	**388**	**196**	**150**	**220**	**226**	**253**	**145**
		O	117	105	77	117	117	117	63
Total, offsetting collections			–388	–196	–150	–220	–226	–253	–145
Total Financial assistance corporation assistance fund, liquidating account (net)		BA	....	....	....	....	....	....	....
		O	–271	–91	–73	–103	–109	–136	–82
Trust funds									
Financial assistance corporation trust fund:									
Appropriation, permanent	351	BA	**5**	**7**	**7**	**6**	**6**	**6**	**6**
Outlays		O	–4	....	....	....	....	....	....
Farm Credit System Insurance Corporation									
Federal funds									
Public Enterprise Funds:									
Farm credit system insurance fund:									
Spending authority from offsetting collections	351	BA	**148**	**104**	**111**	**118**	**126**	**134**	**143**
Outlays		O	2	2	2	2	2	2	2
Farm credit system insurance fund (gross)		BA	**148**	**104**	**111**	**118**	**126**	**134**	**143**
		O	2	2	2	2	2	2	2
Total, offsetting collections			–148	–104	–111	–118	–126	–134	–143
Total Farm credit system insurance fund (net)		BA	....	....	....	....	....	....	....
		O	–146	–102	–109	–116	–124	–132	–141

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Federal Communications Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	376	BA	**32**	**28**	**45**	**45**	**45**	**45**	**45**
Spending authority from offsetting collections		BA	**190**	**220**	**233**	**233**	**233**	**233**	**233**
Outlays		O	222	246	277	278	278	278	278
Salaries and expenses (gross)		BA	**222**	**248**	**278**	**278**	**278**	**278**	**278**
		O	222	246	277	278	278	278	278
Total, offsetting collections			–190	–220	–233	–233	–233	–233	–233
Total Salaries and expenses (net)		BA	**32**	**28**	**45**	**45**	**45**	**45**	**45**
		O	32	26	44	45	45	45	45
Universal service fund:									
Appropriation, permanent	376	BA	**2,759**	**2,750**	**4,668**	**6,463**	**10,772**	**10,922**	**11,075**
Outlays		O	1,769	3,770	4,668	6,463	10,772	10,922	11,075
Credit Accounts:									
Spectrum auction program account:									
Appropriation, permanent	376	BA	**4,811**						
Spending authority from offsetting collections		BA	**12**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	4,823	5	5	5	5	5	5
Spectrum auction program account (gross)		BA	**4,823**	**5**	**5**	**5**	**5**	**5**	**5**
		O	4,823	5	5	5	5	5	5
Total, offsetting collections			–12	–5	–205	–5	–5	–5	–5
Total Spectrum auction program account (net)		BA	**4,811**		**–200**				
		O	4,811		–200				
Summary									
Federal funds:									
(As shown in detail above)		BA	**7,602**	**2,778**	**4,513**	**6,508**	**10,817**	**10,967**	**11,120**
		O	6,612	3,796	4,512	6,508	10,817	10,967	11,120
Deductions for offsetting receipts:									
Proprietary receipts from the public	376	BA/O	*–32*	*–32*	*–32*	*–32*	*–32*	*–32*	*–32*
Total Federal Communications Commission		BA	**7,570**	**2,746**	**4,481**	**6,476**	**10,785**	**10,935**	**11,088**
		O	6,580	3,764	4,480	6,476	10,785	10,935	11,088
Federal Deposit Insurance Corporation									
Bank Insurance									
Federal funds									
Credit Accounts:									
Bank insurance fund:									
Appropriation, current	373	BA	**–19**	**–23**	**–22**	**–22**	**–23**	**–24**	**–25**
Spending authority from offsetting collections		BA	**2,499**	**2,048**	**2,037**	**2,001**	**2,423**	**2,991**	**3,627**
					[B] **84**	[B] **88**	[B] **91**	[B] **95**	[B] **100**
					[J] **2**	[J] **7**	[J] **12**	[J] **17**	[J] **23**
Outlays		O	1,279	1,285	1,263	1,750	2,693	3,687	4,744
Bank insurance fund (gross)		BA	**2,480**	**2,025**	**2,101**	**2,074**	**2,503**	**3,079**	**3,725**
		O	1,279	1,285	1,263	1,750	2,693	3,687	4,744
Total, offsetting collections			–2,499	–2,048	–2,037	–2,001	–2,423	–2,991	–3,627
					[B] –84	[B] –88	[B] –91	[B] –95	[B] –100
					[J] –2	[J] –7	[J] –12	[J] –17	[J] –23
Total Bank insurance fund (net)		BA	**–19**	**–23**	**–22**	**–22**	**–23**	**–24**	**–25**
		O	–1,220	–763	–860	–346	167	584	994
Public Enterprise Funds:									
Savings association insurance fund:									
Appropriation, current	373	BA	**–2**	**–2**	**–2**	**–2**	**–2**	**–2**	**–2**
Spending authority from offsetting collections		BA	**533**	**654**	**598**	**721**	**860**	**1,134**	**1,471**

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	85	252	281	470	662	1,203	1,751
Savings association insurance fund (gross)		BA	**531**	**652**	**596**	**719**	**858**	**1,132**	**1,469**
		O	85	252	281	470	662	1,203	1,751
Total, offsetting collections			–533	–654	–598	–721	–860	–1,134	–1,471
Total Savings association insurance fund (net)		BA	**–2**	**–2**	**–2**	**–2**	**–2**	**–2**	**–2**
		O	–448	–402	–317	–251	–198	69	280
FSLIC resolution fund:									
Appropriation, current	373	BA	**–42**	**–10**	**–10**	**–10**	**–10**	**–10**	**–10**
Spending authority from offsetting collections		BA	**2,977**	**4,009**	**1,164**	**1,146**	**1,102**	**387**	**130**
Outlays		O	492	351	258	251	91	62	54
FSLIC resolution fund (gross)		BA	**2,935**	**3,999**	**1,154**	**1,136**	**1,092**	**377**	**120**
		O	492	351	258	251	91	62	54
Total, offsetting collections			–2,977	–4,009	–1,164	–1,146	–1,102	–387	–130
Total FSLIC resolution fund (net)		BA	**–42**	**–10**	**–10**	**–10**	**–10**	**–10**	**–10**
		O	–2,485	–3,658	–906	–895	–1,011	–325	–76
Intragovernmental Funds:									
FDIC-Office of inspector general:									
Appropriation, current	373	BA	**29**	**35**	**34**	**34**	**35**	**36**	**37**
Outlays		O	29	35	34	34	35	36	37
Total Federal funds Bank Insurance		BA	**–34**						
		O	–4,124	–4,788	–2,049	–1,458	–1,007	364	1,235

Federal Drug Control Programs

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
High intensity drug trafficking areas program:									
Appropriation, current	802	BA	**125**	**150**	**186**	**186**	**186**	**186**	**186**
Outlays		O	106	133	162	186	186	186	186
Special forfeiture fund:									
Appropriation, current	802	BA	**202**	**212**	**225**	**225**	**225**	**225**	**225**
Outlays		O	44	127	199	224	225	225	225
Total Federal funds Federal Drug Control Programs		BA	**327**	**362**	**411**	**411**	**411**	**411**	**411**
		O	150	260	361	410	411	411	411

Federal Election Commission

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	808	BA	**30**	**37**	**39**	**39**	**39**	**39**	**39**
Outlays		O	31	35	39	39	43	43	43

Federal Financial Institutions Examination Council Appraisal Subcommittee

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Registry fees:									
Appropriation, permanent	376	BA	**3**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	2	2	2	2	2	2	2

Federal Housing Finance Board

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
Public Enterprise Funds:									
Federal housing finance board:									
Spending authority from offsetting collections	371	BA	**17**	**20**	**20**	**21**	**21**	**22**	**23**

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	17	20	22	21	21	22	23
Federal housing finance board (gross)		BA	**17**	**20**	**20**	**21**	**21**	**22**	**23**
		O	17	20	22	21	21	22	23
Total, offsetting collections			–17	–20	–20	–21	–21	–22	–23
Total Federal housing finance board (net)		BA	....	....	....	....	....	....	....
		O	....	....	2	....	....	....	....
Federal Labor Relations Authority									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	805	BA	**22**	**23**	**24**	**24**	**24**	**24**	**24**
Outlays		O	21	24	24	24	24	24	24
Federal Maritime Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	403	BA	**14**	**14**	**15**	**15**	**15**	**15**	**15**
Outlays		O	14	13	15	15	15	15	15
Federal Mediation and Conciliation Service									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	505	BA	**33**	**35**	**37**	**37**	**37**	**37**	**37**
Spending authority from offsetting collections		BA	**1**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	33	35	38	39	39	39	39
Salaries and expenses (gross)		BA	**34**	**37**	**39**	**39**	**39**	**39**	**39**
		O	33	35	38	39	39	39	39
Total, offsetting collections			–1	–2	–2	–2	–2	–2	–2
Total Salaries and expenses (net)		BA	**33**	**35**	**37**	**37**	**37**	**37**	**37**
		O	32	33	36	37	37	37	37
Federal Mine Safety and Health Review Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	554	BA	**6**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	6	6	6	6	6	6	6
Federal Retirement Thrift Investment Board									
Federal funds									
General and Special Funds:									
Program expenses:									
Appropriation, permanent	602	BA	**60**	**78**	**78**	**80**	**82**	**84**	**85**
Outlays		O	51	78	78	80	82	84	85
Summary									
Federal funds:									
(As shown in detail above)		BA	**60**	**78**	**78**	**80**	**82**	**84**	**85**
		O	51	78	78	80	82	84	85

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Deductions for offsetting receipts:									
Proprietary receipts from the public	602	BA/O	*–60*	*–78*	*–78*	*–80*	*–82*	*–84*	*–85*
Total Federal Retirement Thrift Investment Board		BA	....	....	....	....	....	....	....
		O	–9	....	....	....	....	....	....

Federal Trade Commission

Federal funds

General and Special Funds:

Account			1998 actual	1999	2000	2001	2002	2003	2004
Salaries and expenses:									
Appropriation, current	376	BA	**19**	**11**	....	....	....	....	....
Spending authority from offsetting collections		BA	**88**	**108**	**134**	**134**	**134**	**134**	**134**
Outlays		O	105	109	133	134	134	134	134
Salaries and expenses (gross)		BA	**107**	**119**	**134**	**134**	**134**	**134**	**134**
		O	105	109	133	134	134	134	134
Total, offsetting collections			–101	–117	–134	–134	–134	–134	–134
Total Salaries and expenses (net)		BA	**6**	**2**	....	....	....	....	....
		O	4	–8	–1	....	....	....	....

Harry S. Truman Scholarship Foundation

Trust funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
Harry S. Truman memorial scholarship trust fund:									
Appropriation, permanent	502	BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	4	4	4	3	3	3	3

Institute of American Indian and Alaska Native Culture and Arts Development

Federal funds

General and Special Funds:

Account			1998 actual	1999	2000	2001	2002	2003	2004
Payment to the institute:									
Appropriation, current	502	BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	4	4	4	4	4	4	4

Intelligence Community Management Account

Federal funds

General and Special Funds:

Account			1998 actual	1999	2000	2001	2002	2003	2004
Intelligence community management account:									
Appropriation, current	054	BA	**94**	**102**	**122**	[N] **–27**	**117**	**117**	**117**
Advance appropriation		BA				[N] **144**			
Outlays		O	90	71	108	[N] 115	117	117	117
Total Intelligence community management account		BA	**94**	**102**	**122**	**117**	**117**	**117**	**117**
		O	90	71	108	115	117	117	117

International Trade Commission

Federal funds

General and Special Funds:

Account			1998 actual	1999	2000	2001	2002	2003	2004
Salaries and expenses:									
Appropriation, current	153	BA	**41**	**44**	**47**	**47**	**47**	**47**	**47**
Outlays		O	40	44	47	47	47	47	47

James Madison Memorial Fellowship Foundation

Trust funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
James Madison Memorial Fellowship Trust Fund:									
Appropriation, permanent	502	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	1	2	2	2	2	2	2

Japan-United States Friendship Commission

Trust funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
Japan-United States friendship trust fund:									
Appropriation, permanent	154	BA	**1**	**2**	**3**	**3**	**3**	**3**	**3**

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	2	3	3	3	1	1	1
JFK Assassination Records Review Board									
Federal funds									
General and Special Funds:									
John F. Kennedy assassination records review board:									
Appropriation, current	808	BA	**2**	....	....	....	....	....	....
Outlays		O	2	....	....	....	....	....	....
Legal Services Corporation									
Federal funds									
General and Special Funds:									
Payment to the Legal Services Corporation:									
Appropriation, current	752	BA	**283**	**300**	**340**	**340**	**340**	**340**	**340**
Outlays		O	284	298	337	340	340	340	340
Marine Mammal Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	302	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
Merit Systems Protection Board									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	805	BA	**25**	**26**	**28**	**28**	**28**	**28**	**28**
Spending authority from offsetting collections		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	25	28	30	30	30	30	30
Salaries and expenses (gross)		BA	**27**	**28**	**30**	**30**	**30**	**30**	**30**
		O	25	28	30	30	30	30	30
Total, offsetting collections			–2	–2	–2	–2	–2	–2	–2
Total Salaries and expenses (net)		BA	**25**	**26**	**28**	**28**	**28**	**28**	**28**
		O	23	26	28	28	28	28	28
Morris K. Udall Scholarship and Excellence in National Environmental Policy Foundation									
Federal funds									
General and Special Funds:									
Federal payment to the Morris K Udall scholarship and excellence in national government:									
Appropriation, current	502	BA	**2**	....	**3**	**3**	**3**	**3**	**3**
Outlays		O	2	....	3	3	3	3	3
Environmental dispute resolution fund:									
Appropriation, current	306	BA	....	**4**	**1**	**1**	**1**	**1**	**1**
Appropriation, permanent		BA	....	**1**	**5**	**5**	**5**	**5**	**5**
Outlays		O	....	3	8	6	6	6	6
Total Environmental dispute resolution fund		BA	....	**5**	**6**	**6**	**6**	**6**	**6**
		O	....	3	8	6	6	6	6
Trust funds									
Morris K. Udall Scholarship and Excellence in National Environmental Policy Foundation:									
Appropriation, permanent	502	BA	**1**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	1	2	2	2	2	2	2
Summary									
Federal funds:									
(As shown in detail above)		BA	**2**	**5**	**9**	**9**	**9**	**9**	**9**
		O	2	3	11	9	9	9	9

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Deductions for offsetting receipts:									
Proprietary receipts from the public	306	BA/O	....	–1	–5	–5	–5	–5	–5
Total Federal funds		BA	**2**	**4**	**4**	**4**	**4**	**4**	**4**
		O	2	2	6	4	4	4	4
Trust funds:									
(As shown in detail above)		BA	**1**	**2**	**2**	**2**	**2**	**2**	**2**
		O	1	2	2	2	2	2	2
Interfund transactions	502	BA/O	....	....	–3	–3	–3	–3	–3
Total Morris K. Udall Scholarship and Excellence in National Environmental Policy Foundation		BA	**3**	**6**	**3**	**3**	**3**	**3**	**3**
		O	3	4	5	3	3	3	3

National Archives and Records Administration

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Operating expenses:									
Appropriation, current	804	BA	**200**	**227**	**181**	**181**	**181**	**181**	**181**
Spending authority from offsetting collections		BA	**34**	**32**	**3**	**3**	**3**	**3**	**3**
Outlays		O	231	245	184	184	184	184	184
Operating expenses (gross)		BA	**234**	**259**	**184**	**184**	**184**	**184**	**184**
		O	231	245	184	184	184	184	184
Total, offsetting collections			–34	–32	–3	–3	–3	–3	–3
Total Operating expenses (net)		BA	**200**	**227**	**181**	**181**	**181**	**181**	**181**
		O	197	213	181	181	181	181	181
Repairs and restoration:									
Appropriation, current	804	BA	**15**	**11**	**14**	**85**	**4**	**4**	**4**
Outlays		O	6	6	9	48	23	21	12
National historical publications and records commission:									
Appropriation, current	804	BA	**6**	**10**	**6**	**6**	**6**	**6**	**6**
Outlays		O	6	10	6	6	6	6	6
Intragovernmental Funds:									
Records center revolving fund:									
Appropriation, current	804	BA	....	....	**22**	**22**	**22**	**22**	**22**
Spending authority from offsetting collections		BA	....	....	**93**	**93**	**93**	**93**	**93**
Outlays		O	....	....	92	97	98	98	98
Records center revolving fund (gross)		BA	....	....	**115**	**115**	**115**	**115**	**115**
		O	....	....	92	97	98	98	98
Total, offsetting collections			....	....	–93	–93	–93	–93	–93
Total Records center revolving fund (net)		BA	....	....	**22**	**22**	**22**	**22**	**22**
		O	....	....	–1	4	5	5	5

Trust funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
National archives gift fund:									
Appropriation, permanent	804	BA	**5**	**1**	**1**	**1**	**1**	**1**	**1**
National archives trust fund:									
Spending authority from offsetting collections	804	BA	**14**	**14**	**15**	**15**	**15**	**16**	**16**
Outlays		O	14	14	14	15	....	–1	....
National archives trust fund (gross)		BA	**14**	**14**	**15**	**15**	**15**	**16**	**16**
		O	14	14	14	15	....	–1	....

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–14	–14	–15	–15	–15	–16	–16
Total National archives trust fund (net)		BA							
		O			–1		–15	–17	–16
Total Federal funds National Archives and Records Administration		BA	**221**	**248**	**223**	**294**	**213**	**213**	**213**
		O	209	229	195	239	215	213	204
Total Trust funds National Archives and Records Administration		BA	**5**	**1**	**1**	**1**	**1**	**1**	**1**
		O			–1		–15	–17	–16

National Capital Planning Commission

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	451	BA	**6**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	6	6	6	6	6	6	6

National Commission on Libraries and Information Science

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	503	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1

National Council on Disability

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	506	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	3	2	2	2	2	2	2

National Credit Union Administration

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
Public Enterprise Funds:									
Operating fund:									
Spending authority from offsetting collections	373	BA	**101**	**115**	**126**	**125**	**130**	**135**	**140**
Outlays		O	97	115	120	125	130	135	140
Operating fund (gross)		BA	**101**	**115**	**126**	**125**	**130**	**135**	**140**
		O	97	115	120	125	130	135	140
Total, offsetting collections			–101	–115	–126	–125	–130	–135	–140
Total Operating fund (net)		BA							
		O	–4		–6				
Credit union share insurance fund:									
Spending authority from offsetting collections	373	BA	**410**	**427**	**442**	**461**	**469**	**513**	**548**
Outlays		O	201	178	185	131	141	141	144
Credit union share insurance fund (gross)		BA	**410**	**427**	**442**	**461**	**469**	**513**	**548**
		O	201	178	185	131	141	141	144
Total, offsetting collections			–410	–427	–442	–461	–469	–513	–548
Total Credit union share insurance fund (net)		BA							
		O	–209	–249	–257	–330	–328	–372	–404
Central liquidity facility:									
Appropriation, current	373	BA	**1**						
Spending authority from offsetting collections		BA	**65**	**70**	**74**	**74**	**74**	**74**	**74**

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	66	70	74	74	74	74	74
Central liquidity facility (gross)		BA	**66**	**70**	**74**	**74**	**74**	**74**	**74**
		O	66	70	74	74	74	74	74
Total, offsetting collections			–65	–70	–74	–74	–74	–74	–74
Total Central liquidity facility (net)		BA	**1**	....	....	....	....	....	....
		O	1	....	....	....	....	....	....
Community development credit union revolving loan fund:									
Appropriation, current	373	BA	....	**2**	....	....	....	....	....
Spending authority from offsetting collections		BA	**3**	**2**	**3**	**3**	**3**	**3**	**3**
Outlays		O	3	4	3	3	3	3	3
Community development credit union revolving loan fund (gross)		BA	**3**	**4**	**3**	**3**	**3**	**3**	**3**
		O	3	4	3	3	3	3	3
Total, offsetting collections			–3	–2	–3	–3	–3	–3	–3
Total Community development credit union revolving loan fund (net)		BA	....	**2**	....	....	....	....	....
		O	....	2	....	....	....	....	....
Total Federal funds National Credit Union Administration		BA	**1**	**2**	....	....	....	....	....
		O	–212	–247	–263	–330	–328	–372	–404

National Education Goals Panel

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
National education goals panel:									
Appropriation, current	503	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	1	2	2	2	2	2	2

National Endowment for the Arts

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
National endowment for the arts: Grants and administration:									
Appropriation, current	503	BA	**98**	**98**	**150**	**150**	**150**	**150**	**150**
Appropriation, permanent		BA	....	**1**	**1**	**1**	**1**	**1**	**1**
Spending authority from offsetting collections		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	98	111	129	145	149	151	151
National endowment for the arts (gross)		BA	**99**	**100**	**152**	**152**	**152**	**152**	**152**
		O	98	111	129	145	149	151	151
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total National endowment for the arts (net)		BA	**98**	**99**	**151**	**151**	**151**	**151**	**151**
		O	97	110	128	144	148	150	150

National Endowment for the Humanities

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
National endowment for the humanities: Grants and administration:									
Appropriation, current	503	BA	**111**	**111**	**150**	**150**	**150**	**150**	**150**
Outlays		O	110	116	133	144	149	150	150

Institute of Museum and Library Services

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Office of Museum Services: Grants and administration:									
Appropriation, current	503	BA	**23**	**23**	**34**	**34**	**34**	**34**	**34**
Outlays		O	21	37	25	32	34	34	34
Office of Library Services: Grants and administration:									
Appropriation, current	503	BA	**146**	**166**	**155**	**155**	**155**	**155**	**155**

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Outlays		O	133	182	173	165	155	155	155
Total Federal funds Institute of Museum and Library Services		BA	**169**	**189**	**189**	**189**	**189**	**189**	**189**
		O	154	219	198	197	189	189	189
National Labor Relations Board									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	505	BA	**175**	**184**	**210**	**210**	**210**	**210**	**210**
Outlays		O	177	183	208	210	210	210	210
National Mediation Board									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	505	BA	**9**	**8**	**9**	**9**	**9**	**9**	**9**
Outlays		O	8	8	9	9	9	9	9
National Transportation Safety Board									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	407	BA	**53**	**53**	**57**	**57**	**57**	**57**	**57**
					[J] **–10**	[J] **–10**	[J] **–10**	[J] **–10**	[J] **–10**
Spending authority from offsetting collections		BA			[J] **10**	[J] **10**	[J] **10**	[J] **10**	[J] **10**
Outlays		O	59	70	56	57	57	57	57
Salaries and expenses (gross)		BA	**53**	**53**	**57**	**57**	**57**	**57**	**57**
		O	59	70	56	57	57	57	57
Total, offsetting collections					[J] –10	[J] –10	[J] –10	[J] –10	[J] –10
Total Salaries and expenses (net)		BA	**53**	**53**	**47**	**47**	**47**	**47**	**47**
		O	59	70	46	47	47	47	47
Emergency fund:									
Appropriation, current	407	BA	**1**	**1**	....	....	....	....	....
Total Federal funds National Transportation Safety Board		BA	**54**	**54**	**47**	**47**	**47**	**47**	**47**
		O	59	70	46	47	47	47	47
Neighborhood Reinvestment Corporation									
Federal funds									
General and Special Funds:									
Payment to the Neighborhood Reinvestment Corporation:									
Appropriation, current	451	BA	**60**	**90**	**90**	**90**	**90**	**90**	**90**
Outlays		O	60	90	90	90	90	90	90
Nuclear Regulatory Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	276	BA	**472**	**465**	**465**	**465**	**465**	**465**	**465**
Spending authority from offsetting collections		BA	**5**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	492	475	470	470	470	470	470
Salaries and expenses (gross)		BA	**477**	**470**	**470**	**470**	**470**	**470**	**470**
		O	492	475	470	470	470	470	470

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–5	–5	–5	–5	–5	–5	–5
Total Salaries and expenses (net)		BA	**472**	**465**	**465**	**465**	**465**	**465**	**465**
		O	487	470	465	465	465	465	465
Office of Inspector General:									
Appropriation, current	276	BA	**5**	**5**	**6**	**6**	**6**	**6**	**6**
Outlays		O	5	4	6	6	6	6	6
Summary									
Federal funds:									
(As shown in detail above)		BA	**477**	**470**	**471**	**471**	**471**	**471**	**471**
		O	492	474	471	471	471	471	471
Deductions for offsetting receipts:									
Offsetting governmental receipts	276	BA/O	*–455*	*–450*	*–448*	*–448*	*–448*	*–448*	*–448*
Total Nuclear Regulatory Commission		BA	**22**	**20**	**23**	**23**	**23**	**23**	**23**
		O	37	24	23	23	23	23	23
Nuclear Waste Technical Review Board									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	271	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	3	3	3	3	3	3	3
Occupational Safety and Health Review Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	554	BA	**8**	**8**	**8**	**8**	**8**	**8**	**8**
Outlays		O	8	8	8	8	8	8	8
Office of Government Ethics									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	805	BA	**8**	**8**	**9**	**9**	**9**	**9**	**9**
Outlays		O	8	8	9	9	9	9	9
Office of Navajo and Hopi Indian Relocation									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	808	BA	**15**	**13**	**14**	**14**	**14**	**14**	**14**
Outlays		O	17	15	18	18	14	14	14
Office of Special Counsel									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	805	BA	**8**	**9**	**10**	**10**	**10**	**10**	**10**
Outlays		O	9	9	10	10	10	10	10
Other Commissions and Boards									
Federal funds									
General and Special Funds:									
Other commissions and boards:									
Appropriation, current	808	BA	....	**2**	....	....	....	....	....
Outlays		O	....	2	....	....	....	....	....

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Panama Canal Commission									
Federal funds									
Public Enterprise Funds:									
Panama Canal revolving fund:									
Spending authority from offsetting collections	403	BA	**743**	**734**	**195**	**195**	**195**	**195**	**195**
Outlays		O	696	719	510	195	195	195	195
Panama Canal revolving fund (gross)		BA	**743**	**734**	**195**	**195**	**195**	**195**	**195**
		O	696	719	510	195	195	195	195
Total, offsetting collections			–743	–734	–195	–195	–195	–195	–195
Total Panama Canal revolving fund (net)		BA	....	....	....	....	....	....	....
		O	–47	–15	315	....	....	....	....
Panama Canal Commission Dissolution Fund:									
Total, offsetting collections	403		–2	–1	....	....	....	....	....
Total Federal funds Panama Canal Commission		BA	**–2**	**–1**	....	....	....	....	....
		O	–49	–16	315	....	....	....	....
Postal Service-Payments to the Postal Service									
Federal funds									
General and Special Funds:									
Payment to the Postal Service fund:									
Appropriation, current	372	BA	**86**	....	**93**	**93**	**93**	**93**	**93**
Advance appropriation		BA	....	....	**71**	**71**	**71**	**71**	**71**
Outlays		O	86	....	164	164	164	164	164
Total Payment to the Postal Service fund		BA	**86**	....	**164**	**164**	**164**	**164**	**164**
		O	86	....	164	164	164	164	164
Postal Service									
Federal funds									
Public Enterprise Funds:									
Postal Service fund:									
Authority to borrow, permanent	372	BA	**6,359**	**5,607**	**4,874**	**1,829**	**521**	**96**	**–144**
Spending authority from offsetting collections		BA	**60,882**	**63,838**	**66,237**	**69,200**	**72,350**	**75,400**	**78,450**
Outlays		O	61,099	64,802	68,070	71,029	73,252	75,623	78,730
Postal Service fund (gross)		BA	**67,241**	**69,445**	**71,111**	**71,029**	**72,871**	**75,496**	**78,306**
		O	61,099	64,802	68,070	71,029	73,252	75,623	78,730
Total, offsetting collections			–60,882	–63,838	–66,237	–69,200	–72,350	–75,400	–78,450
Total Postal Service fund (net)		BA	**6,359**	**5,607**	**4,874**	**1,829**	**521**	**96**	**–144**
		O	217	964	1,833	1,829	902	223	280
Presidio Trust									
Federal funds									
Intragovernmental Funds:									
Presidio Trust:									
Appropriation, current	304	BA	....	**14**	**24**	**24**	**24**	**24**	**24**
Authority to borrow, current		BA	....	**20**	**20**	**20**	**20**	**20**	**20**
Spending authority from offsetting collections		BA	....	**9**	**13**	**15**	**15**	**15**	**15**
Outlays		O	....	26	47	55	44	44	44
Presidio Trust (gross)		BA	....	**43**	**57**	**59**	**59**	**59**	**59**
		O	....	26	47	55	44	44	44
Total, offsetting collections			....	–10	–15	–15	–15	–15	–15
Total Presidio Trust (net)		BA	....	**33**	**42**	**44**	**44**	**44**	**44**
		O	....	16	32	40	29	29	29

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Railroad Retirement Board									
Federal funds									
General and Special Funds:									
Federal windfall subsidy:									
Appropriation, current	601	BA	**206**	**189**	**175**	**175**	**175**	**175**	**175**
Outlays		O	201	189	175	175	175	175	175
Federal payments to the railroad retirement accounts:									
Appropriation, permanent	601	BA	**254**	**289**	**275**	**278**	**282**	**288**	**294**
Outlays		O	254	289	275	278	282	288	294
Trust funds									
Railroad unemployment insurance trust fund:									
Appropriation, permanent	603	BA	**85**	**92**	**99**	**103**	**106**	**109**	**109**
Outlays		O	59	92	99	103	106	109	109
Rail Industry Pension Fund:									
Appropriation, current	601	BA	**93**	**96**	**92**	**92**	**92**	**92**	**92**
Appropriation, permanent		BA	**2,914**	**2,992**	**3,041**	**3,086**	**3,136**	**3,199**	**3,269**
Spending authority from offsetting collections		BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	3,004	3,089	3,136	3,180	3,229	3,291	3,359
Rail Industry Pension Fund (gross)		BA	**3,011**	**3,092**	**3,137**	**3,182**	**3,232**	**3,295**	**3,365**
		O	3,004	3,089	3,136	3,180	3,229	3,291	3,359
Total, offsetting collections			–4	–4	–4	–4	–4	–4	–4
Total Rail Industry Pension Fund (net)		BA	**3,007**	**3,088**	**3,133**	**3,178**	**3,228**	**3,291**	**3,361**
		O	3,000	3,085	3,132	3,176	3,225	3,287	3,355
Supplemental Annuity Pension Fund:									
Appropriation, permanent	601	BA	**78**	**75**	**72**	**69**	**66**	**64**	**62**
Outlays		O	79	75	72	69	66	64	62
Railroad social security equivalent benefit account:									
Appropriation, permanent	601	BA	**2,171**	**2,284**	**2,307**	**2,350**	**2,384**	**2,416**	**2,447**
Authority to borrow, permanent		BA	**3,145**	**2,989**	**2,971**	**2,977**	**2,984**	**2,982**	**2,993**
Outlays		O	5,318	5,285	5,278	5,319	5,362	5,393	5,435
Total Railroad social security equivalent benefit account		BA	**5,316**	**5,273**	**5,278**	**5,327**	**5,368**	**5,398**	**5,440**
		O	5,318	5,285	5,278	5,319	5,362	5,393	5,435
Summary									
Federal funds:									
(As shown in detail above)		BA	**460**	**478**	**450**	**453**	**457**	**463**	**469**
		O	455	478	450	453	457	463	469
Trust funds:									
(As shown in detail above)		BA	**8,486**	**8,528**	**8,582**	**8,677**	**8,768**	**8,862**	**8,972**
		O	8,456	8,537	8,581	8,667	8,759	8,853	8,961
Deductions for offsetting receipts:									
Intrafund transactions	601	BA/O	*–3,819*	*–3,712*	*–3,630*	*–3,528*	*–3,638*	*–3,640*	*–3,636*
Total Trust funds		BA	**4,667**	**4,816**	**4,952**	**5,149**	**5,130**	**5,222**	**5,336**
		O	4,637	4,825	4,951	5,139	5,121	5,213	5,325
Interfund transactions	601	BA/O	*–254*	*–289*	*–275*	*–278*	*–282*	*–288*	*–294*
Total Railroad Retirement Board		BA	**4,873**	**5,005**	**5,127**	**5,324**	**5,305**	**5,397**	**5,511**
		O	4,838	5,014	5,126	5,314	5,296	5,388	5,500
Securities and Exchange Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	376	BA	**33**	**30**	....	....	....	....	....
Spending authority from offsetting collections		BA	**289**	**324**	**363**	**363**	**363**	**363**	**363**
Outlays		O	301	305	358	362	363	363	363
Salaries and expenses (gross)		BA	**322**	**354**	**363**	**363**	**363**	**363**	**363**
		O	301	305	358	362	363	363	363

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–533	–348	–417	–400	–392	–379	–315
Total Salaries and expenses (net)		BA	**–211**	**6**	**–54**	**–37**	**–29**	**–16**	**48**
		O	–232	–43	–59	–38	–29	–16	48

Smithsonian Institution

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	503	BA	**333**	**352**	**381**	**381**	**381**	**381**	**381**
Outlays		O	328	343	378	381	381	381	381
Museum programs and related research (special foreign currency program):									
Outlays	503	O	1	1					
Repair, restoration and alteration of facilities:									
Appropriation, current	503	BA	**36**	**45**	**48**	**31**	**31**	**30**	**48**
Advance appropriation		BA				**17**	**17**	**18**	
Outlays		O	32	28	45	45	48	48	48
Total Repair, restoration and alteration of facilities		BA	**36**	**45**	**48**	**48**	**48**	**48**	**48**
		O	32	28	45	45	48	48	48
Construction:									
Appropriation, current	503	BA	**33**	**16**	**19**	**19**	**19**	**19**	**19**
Outlays		O	30	19	22	16	19	19	19
Operations and maintenance, JFK center for the performing arts:									
Appropriation, current	503	BA	**11**	**12**	**14**	**14**	**14**	**14**	**14**
Outlays		O	13	12	13	14	14	14	14
Construction, JFK center for the performing arts:									
Appropriation, current	503	BA	**9**	**20**	**20**	**20**	**20**	**20**	**20**
Outlays		O	12	16	22	21	19	18	17
Salaries and expenses, National Gallery of Art:									
Appropriation, current	503	BA	**56**	**58**	**61**	**61**	**61**	**61**	**61**
Outlays		O	56	58	61	61	61	61	61
Repair, restoration, and renovation of buildings, National Gallery of Art:									
Appropriation, current	503	BA	**6**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	9	7	6	7	6	6	6
Salaries and expenses, Woodrow Wilson International Center for Scholars:									
Appropriation, current	503	BA	**6**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	6	6	6	6	6	6	6
Total Federal funds Smithsonian Institution		BA	**490**	**515**	**555**	**555**	**555**	**555**	**555**
		O	487	490	553	551	554	553	552

State Justice Institute

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
State Justice Institute: Salaries and expenses:									
Appropriation, current	752	BA	**7**	**7**	**5**	**5**	**5**	**5**	**5**
Spending authority from offsetting collections		BA	**1**						
Outlays		O	8	18	5	6	6	5	5
State Justice Institute (gross)		BA	**8**	**7**	**5**	**5**	**5**	**5**	**5**
		O	8	18	5	6	6	5	5
Total, offsetting collections			–1						
Total State Justice Institute (net)		BA	**7**	**7**	**5**	**5**	**5**	**5**	**5**
		O	7	18	5	6	6	5	5

Tennessee Valley Authority

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
Public Enterprise Funds:									
Tennessee Valley Authority fund									
(Energy supply):									
(Spending authority from offsetting collections)	271	BA	**5,955**	**6,193**	**6,073**	**5,970**	**6,146**	**6,390**	**6,169**

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
(Outlays)		O	5,840	6,210	6,084	5,967	6,143	6,287	6,166
Tennessee Valley Authority fund (gross)		BA	**5,955**	**6,193**	**6,073**	**5,970**	**6,146**	**6,390**	**6,169**
		O	5,840	6,210	6,084	5,967	6,143	6,287	6,166
Total, offsetting collections			–6,709	–6,673	–6,830	–6,978	–7,124	–7,312	–7,536
Total (Energy supply) (net)		BA	**–754**	**–480**	**–757**	**–1,008**	**–978**	**–922**	**–1,367**
		O	–869	–463	–746	–1,011	–981	–1,025	–1,370
(Area and regional development):									
(Appropriation, current)	452	BA	**70**	**50**	**7**	**7**	**7**	**7**	**7**
(Spending authority from offsetting collections)		BA	**9**	**8**	**6**	**6**	**6**	**6**	**6**
(Outlays)		O	94	53	20	16	13	13	13
Tennessee Valley Authority fund (gross)		BA	**–675**	**–422**	**–744**	**–995**	**–965**	**–909**	**–1,354**
		O	–775	–410	–726	–995	–968	–1,012	–1,357
Total, offsetting collections			–9	–8	–6	–6	–6	–6	–6
Total (Area and regional development) (net)		BA	**70**	**50**	**7**	**7**	**7**	**7**	**7**
		O	85	45	14	10	7	7	7
Total Tennessee Valley Authority fund		BA	**–684**	**–430**	**–750**	**–1,001**	**–971**	**–915**	**–1,360**
		O	–784	–418	–732	–1,001	–974	–1,018	–1,363
Total Federal funds Tennessee Valley Authority		BA	**–684**	**–430**	**–750**	**–1,001**	**–971**	**–915**	**–1,360**
		O	–784	–418	–732	–1,001	–974	–1,018	–1,363

United Mine Workers of America Benefit Funds

Trust funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
United mine workers of America combined benefit fund:									
Appropriation, permanent	551	BA	**345**	**334**	**325**	**315**	**306**	**298**	**289**
				[B] **8**	[B] **57**	[B] **14**	[B] **13**	[B] **12**	[B] **12**
Outlays		O	345	334	325	315	306	298	289
				[B] 8	[B] 57	[B] 14	[B] 13	[B] 12	[B] 12
Total United mine workers of America combined benefit fund		BA	**345**	**342**	**382**	**329**	**319**	**310**	**301**
		O	345	342	382	329	319	310	301
United mine workers of America 1992 benefit plan:									
Appropriation, permanent	551	BA	**28**	**29**	**29**	**30**	**30**	**31**	**31**
Outlays		O	28	29	29	30	30	31	31

Summary

Account			1998 actual	1999	2000	2001	2002	2003	2004
Trust funds:									
(As shown in detail above)		BA	**373**	**371**	**411**	**359**	**349**	**341**	**332**
		O	373	371	411	359	349	341	332
Interfund transactions	551	BA/O	*–33*	*–82*	*–63*	*–63*	*–61*	*–59*	*–57*
					[B] *–42*				
Total United Mine Workers of America Benefit Funds		BA	**340**	**289**	**306**	**296**	**288**	**282**	**275**
		O	340	289	306	296	288	282	275

United States Enrichment Corporation Fund

Federal funds

Public Enterprise Funds:

Account			1998 actual	1999	2000	2001	2002	2003	2004
United States Enrichment Corporation Fund:									
Appropriation, current	271	BA	....	....	**–5**	**–5**	**–5**	**–5**	**–5**
Spending authority from offsetting collections		BA	**1,143**	....	....	....	....	....	....
Outlays		O	1,097	1	....	....	....	....	....
United States Enrichment Corporation Fund (gross)		BA	**1,143**	....	**–5**	**–5**	**–5**	**–5**	**–5**
		O	1,097	1	....	....	....	....	....

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Total, offsetting collections			–1,143	....	....	....	....	....	....
Total United States Enrichment Corporation Fund (net)		BA	....	....	**–5**	**–5**	**–5**	**–5**	**–5**
		O	–46	1	....	....	....	....	....

United States Holocaust Memorial Council

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Holocaust Memorial Council:									
Appropriation, current	808	BA	**32**	**33**	**34**	**34**	**34**	**34**	**34**
Outlays		O	29	33	33	33	33	33	33

United States Institute of Peace

Federal funds

Account			1998 actual	1999	2000	2001	2002	2003	2004
General and Special Funds:									
Operating expenses:									
Appropriation, current	153	BA	**11**	**12**	**13**	**13**	**13**	**13**	**13**
Outlays		O	11	12	13	13	13	13	13

Summary

On-Budget

Account			1998 actual	1999	2000	2001	2002	2003	2004
Federal funds:									
(As shown in detail above)		BA	**13,824**	**9,392**	**11,408**	**13,240**	**17,515**	**17,682**	**17,432**
		O	6,734	4,006	8,309	10,513	15,492	16,991	17,789
Deductions for offsetting receipts:									
Proprietary receipts from the public	155	BA/O	*–14*	*–16*	*–15*	*–15*	*–15*	*–15*	*–15*
	306	BA/O	....	*–1*	*–5*	*–5*	*–5*	*–5*	*–5*
	376	BA/O	*–32*	*–32*	*–32*	*–32*	*–32*	*–32*	*–32*
	602	BA/O	*–60*	*–78*	*–78*	*–80*	*–82*	*–84*	*–85*
	806	BA/O	*–50*	....	....	....	....	....	....
Offsetting governmental receipts	276	BA/O	*–455*	*–450*	*–448*	*–448*	*–448*	*–448*	*–448*
Total Federal funds		BA	**13,213**	**8,815**	**10,830**	**12,660**	**16,933**	**17,098**	**16,847**
		O	6,123	3,429	7,731	9,933	14,910	16,407	17,204
Trust funds:									
(As shown in detail above)		BA	**9,028**	**9,445**	**9,558**	**9,611**	**9,703**	**9,801**	**9,912**
		O	8,889	9,413	9,503	9,526	9,598	9,695	9,808
Deductions for offsetting receipts:									
Intrafund transactions	601	BA/O	*–3,819*	*–3,712*	*–3,630*	*–3,528*	*–3,638*	*–3,640*	*–3,636*
Proprietary receipts from the public	452	BA/O	*–3*	*–3*	*–3*	*–3*	*–3*	*–3*	*–3*
	601	BA/O	....	*–3,233*	*–144*	*–130*	*–114*	*–96*	*–77*
	602	BA/O	....	*–65*	....	....	....	....	....
Total Trust funds		BA	**5,206**	**2,432**	**5,781**	**5,950**	**5,948**	**6,062**	**6,196**
		O	5,067	2,400	5,726	5,865	5,843	5,956	6,092
Interfund transactions	452	BA/O	*–2*	*–3*	*–3*	*–3*	*–3*	*–3*	*–3*
	502	BA/O	....	....	*–3*	*–3*	*–3*	*–3*	*–3*
	506	BA/O	*–123*	*–70*	*–93*	*–93*	*–93*	*–93*	*–93*
	551	BA/O	*–33*	*–82*	*–63*	*–63*	*–61*	*–59*	*–57*
					B *–42*				
	601	BA/O	*–254*	*–289*	*–275*	*–278*	*–282*	*–288*	*–294*
	602	BA/O	....	....	*–1*	*–1*	*–1*	*–1*	*–1*
	752	BA/O	*–5*	*–8*	*–8*	*–8*	*–8*	*–9*	*–9*
Total Other Independent Agencies (on-budget)		BA	**18,002**	**10,795**	**16,123**	**18,161**	**22,430**	**22,704**	**22,583**
		O	10,773	5,377	12,969	15,349	20,302	21,907	22,836

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account		1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
Off-Budget								
Federal funds:								
(As shown in detail above)	BA	**6,359**	**5,607**	**4,874**	**1,829**	**521**	**96**	**–144**
	O	217	964	1,833	1,829	902	223	280
Total Other Independent Agencies (off-budget)	BA	**6,359**	**5,607**	**4,874**	**1,829**	**521**	**96**	**–144**
	O	217	964	1,833	1,829	902	223	280
Total Other Independent Agencies	BA	**24,361**	**16,402**	**20,997**	**19,990**	**22,951**	**22,800**	**22,439**
	O	10,990	6,341	14,802	17,178	21,204	22,130	23,116

ALLOWANCES

(In millions of dollars)

Account		1998 actual	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate	2004 estimate
Allowances for:								
Federal funds								
General and Special Funds:								
Resources contingent upon Social Security reform:								
Appropriation, current	BA				**–50,652**	**–47,599**	**–29,491**	**–34,452**
Outlays	O				–26,276	–40,852	–36,457	–34,088
Reserve for priority initiatives:								
Appropriation, current	BA				**3,000**	**6,000**	**9,000**	**12,000**
Outlays	O				1,600	4,100	7,000	9,900
Natural disasters and other emergencies:								
Appropriation, current	BA		**3,250**					
Outlays	O		861	1,365	699	325		
Expected release of contingent emergency funding:								
Appropriation, current	BA		**4,327**					
Outlays	O		2,257	1,408	385	167	64	4
Tobacco recoupment policy:								
Appropriation, current	BA				B **–4,600**	B **–1,315** O **–3,385**	B **–519** O **–4,281**	B **–545** O **–4,255**
Outlays	O				B –2,824	B –2,123 O –1,794	B –1,235 O –3,318	B –690 O –3,998
Total Tobacco recoupment policy	BA				**–4,600**	**–4,700**	**–4,800**	**–4,800**
	O				–2,824	–3,917	–4,553	–4,688
Adjustments to certain accounts:								
Appropriation, current	BA			**–307**				
Outlays	O			–142	–165			
Contingencies for:								
Relatively uncontrollable programs:								
Appropriation, current	BA			0				
Outlays	O			0				
Other requirements:								
Appropriation, current	BA			0				
Outlays	O			0				
Total Federal funds Allowances for:	BA		**7,577**	**–307**	**–52,252**	**–46,299**	**–25,291**	**–27,252**
	O		3,118	2,631	–26,581	–40,177	–33,946	–28,872
Summary								
Federal funds:								
Total Allowances	BA		**7,577**	**–307**	**–52,252**	**–46,299**	**–25,291**	**–27,252**
	O		3,118	2,631	–26,581	–40,177	–33,946	–28,872

Totals

(In millions of dollars)

Account			1998 actual	estimate 1999	2000	2001	2002	2003	2004
Budget Totals									
Federal funds:									
(As shown in detail above)		BA	**1,283,466**	**1,333,653**	**1,315,342**	**1,315,255**	**1,343,766**	**1,398,284**	**1,431,966**
		O	1,254,062	1,298,887	1,306,397	1,314,745	1,334,183	1,376,544	1,418,879
Deductions for offsetting receipts:									
(As shown in detail above):									
Intrafund transactions		BA/O	–10,056	–5,835	–5,439	–5,180	–4,997	–4,864	–4,905
					[J] –50	[J] –50	[J] –50	[J] –50	[J] –50
Proprietary receipts from the public		BA/O	–23,498	–27,655	–22,769	–23,037	–27,439	–27,004	–28,245
				[B] –142	[B] –173	[B] –315	[B] –481	[B] –420	[B] –351
Offsetting governmental receipts		BA/O	–2,934	–3,239	–3,437	–3,474	–3,441	–3,443	–1,981
									[B] –1,522
					[J] –20	[J] –20	[J] –20	[J] –20	[J] –20
(Undistributed by agency):									
Other undistributed offsetting receipts	959	BA/O	–2,642	–1,447	–4,819	–2,801	–7,065	–1,770	–775
		BA/O			[J] –200	[J] –200	[J] –200	[J] –200	[J] –200
Interfund transactions:									
Other interest	908	BA/O	–3	–1,264	–9	....	....	....	....
Rents and royalties on the Outer Continental Shelf	953	BA/O	–4,522	–3,123	–2,779	–2,798	–2,806	–2,673	–2,608
Sale of major assets	954	BA/O	–5,158	....	–323	....	....	....	....
Total deductions		BA/O	–48,813	–42,705	–40,018	–37,875	–46,499	–40,444	–40,657
Federal fund totals		BA	**1,234,653**	**1,290,948**	**1,275,324**	**1,277,380**	**1,297,267**	**1,357,840**	**1,391,309**
		O	1,205,249	1,256,182	1,266,379	1,276,870	1,287,684	1,336,100	1,378,222
Trust funds:									
(As shown in detail above)		BA	**373,679**	**400,124**	**423,322**	**442,959**	**454,941**	**480,150**	**501,515**
		O	370,778	395,254	420,183	441,462	452,808	476,546	497,188
Deductions for offsetting receipts:									
(As shown in detail above):									
Intrafund transactions		BA/O	–3,819	–3,713	–3,631	–3,529	–3,639	–3,641	–3,637
Proprietary receipts from the public		BA/O	–36,445	–39,414	–36,918	–38,339	–40,312	–40,906	–41,933
					[B] 135	[B] –275	[B] –488	[B] –562	[B] –687
Total deductions		BA/O	–40,264	–43,127	–40,414	–42,143	–44,439	–45,109	–46,257
Trust fund totals		BA	**333,415**	**356,997**	**382,908**	**400,816**	**410,502**	**435,041**	**455,258**
		O	330,514	352,127	379,769	399,319	408,369	431,437	450,931
Interfund transactions (–):									
Interest received by on-budget trust funds	902	BA/O	**–67,208**	**–67,160**	**–68,454**	**–69,638**	**–71,021**	**–72,525**	**–73,837**
				[J] –73	**[J] –157**	**[J] –251**	**[J] –369**	**[J] –458**	**[J] –529**
Employer share, employee retirement (on-budget)	951	BA/O	**–27,820**	**–28,103**	**–29,830**	**–31,047**	**–32,164**	**–32,907**	**–34,118**
Applied by agency above		BA/O	**–104,787**	**–108,958**	**–117,877**	**–124,770**	**–131,648**	**–140,226**	**–147,919**
Total interfund transactions		BA/O	**–199,815**	**–204,294**	**–216,318**	**–225,706**	**–235,202**	**–246,116**	**–256,403**
Budget totals∆		BA	**1,368,253**	**1,443,651**	**1,441,914**	**1,452,490**	**1,472,567**	**1,546,765**	**1,590,164**
		O	1,335,948	1,404,015	1,429,830	1,450,483	1,460,851	1,521,421	1,572,750
Off-Budget Totals									
Federal funds:									
(As shown in detail above)		BA	**6,359**	**5,607**	**4,874**	**1,829**	**521**	**96**	**–144**
		O	217	964	1,833	1,829	902	223	280
Trust funds:									
(As shown in detail above)		BA	**380,481**	**391,370**	**408,838**	**429,564**	**449,052**	**470,153**	**492,576**
		O	379,228	392,614	408,600	428,039	447,323	468,342	490,628
Deductions for offsetting receipts:									
(As shown in detail above):									
Proprietary receipts from the public		BA/O	–20	–20	–20	–20	–20	–20	–20
					[J] –19	[J] –19	[J] –19	[J] –19	[J] –19
Total deductions		BA/O	–20	–20	–39	–39	–39	–39	–39
Trust fund totals		BA	**380,461**	**391,350**	**408,799**	**429,525**	**449,013**	**470,114**	**492,537**
		O	379,208	392,594	408,561	428,000	447,284	468,303	490,589
Interfund transactions (–):									
Interest received by off-budget trust funds	903	BA/O	**–46,629**	**–51,869**	**–56,492**	**–62,107**	**–68,500**	**–75,448**	**–82,749**
Employer share, employee retirement (off-budget)	952	BA/O	**–7,052**	**–7,355**	**–7,969**	**–8,442**	**–9,102**	**–9,746**	**–10,442**
					[J] 264	**[J] 271**	**[J] 261**	**[J] 260**	**[J] 261**

Totals—Continued

(In millions of dollars)

Account		1998 actual	estimate 1999	2000	2001	2002	2003	2004
Applied by agency above	BA/O	**–9,140**	**–11,278**	**–10,340**	**–10,818**	**–11,383**	**–12,033**	**–12,785**
Total interfund transactions	BA/O	**–62,821**	**–70,502**	**–74,537**	**–81,096**	**–88,724**	**–96,967**	**–105,715**
Off-Budget totals∆	BA	**323,999**	**326,455**	**339,136**	**350,258**	**360,810**	**373,243**	**386,678**
	O	316,604	323,056	335,857	348,733	359,462	371,559	385,154
Federal Government totals∆	BA	**1,692,252**	**1,770,106**	**1,781,050**	**1,802,748**	**1,833,377**	**1,920,008**	**1,976,842**
	O	1,652,552	1,727,071	1,765,687	1,799,216	1,820,313	1,892,980	1,957,904

Federal Government Totals
(In millions of dollars)

	1999		2000		2001	
	BA	Outlays	BA	Outlays	BA	Outlays
Federal funds:						
Enacted, pending and initial requests:						
Appropriations	1,338,163	1,299,030	1,319,859	1,308,922	1,000,775	1,016,730
Multi-year appropriations requests(N)					318,324	299,912
Proposed in this budget:						
Supplemental proposal (A)	924	638	537	449	500	472
Rescission proposal (H)	–35	–23		–1		
To be proposed separately:						
Legislative Proposals:						
Subject to PAYGO (B)	135	133	2,535	385	2,304	2,903
Not subject to PAYGO (J)	73	73	–1,754	–604	–129	–606
Discretionary offset (O)			–961	–921	–90	–13
Allowances					–4,600	–2,824
Deductions for offsetting receipts	–42,563	–42,563	–39,575	–39,575	–37,290	–37,290
Subject to PAYGO (B)	–142	–142	–173	–173	–315	–315
Not subject to PAYGO (J)			–270	–270	–270	–270
Total Federal funds	1,296,555	1,257,146	1,280,198	1,268,212	1,279,209	1,278,699
Trust funds:						
Enacted, pending and initial requests:						
Appropriations	791,492	787,866	831,576	828,199	873,285	870,240
Multi-year appropriations requests(N)					212	235
Proposed in this budget:						
Supplemental proposal (A)	–6	–6				
To be proposed separately:						
Legislative Proposals:						
Subject to PAYGO (B)	8	8	82	82	116	116
Not subject to PAYGO (J)			1,602	1,602	–170	–170
Discretionary offset (O)			–1,100	–1,100	–920	–920
Deductions for offsetting receipts	–43,147	–43,147	–40,569	–40,569	–41,888	–41,888
Subject to PAYGO (B)			135	135	–275	–275
Not subject to PAYGO (J)			–19	–19	–19	–19
Total Trust funds	748,347	744,721	791,707	788,330	830,341	827,319
Interfund transactions (–)	–274,796	–274,796	–290,855	–290,855	–306,802	–306,802
Federal Government totals	1,770,106	1,727,071	1,781,050	1,765,687	1,802,748	1,799,216

Federal Government Totals—Continued

(In millions of dollars)

	2002		2003		2004	
	BA	Outlays	BA	Outlays	BA	Outlays
Federal funds:						
Enacted, pending and initial requests:						
Appropriations	1,345,950	1,335,394	1,399,546	1,377,875	1,431,626	1,419,193
Proposed in this budget:						
Supplemental proposal (A)	....	164	....	111	....	50
To be proposed separately:						
Legislative Proposals:						
Subject to PAYGO (B)	2,586	3,241	2,667	2,536	3,423	3,117
Not subject to PAYGO (J)	283	81	699	569	1,203	1,136
Discretionary offset (O)	168	122	268	229	370	351
Allowances	–4,700	–3,917	–4,800	–4,553	–4,800	–4,688
Deductions for offsetting receipts	–45,748	–45,748	–39,754	–39,754	–38,514	–38,514
Subject to PAYGO (B)	–481	–481	–420	–420	–1,873	–1,873
Not subject to PAYGO (J)	–270	–270	–270	–270	–270	–270
Total Federal funds	1,297,788	1,288,586	1,357,936	1,336,323	1,391,165	1,378,502
Trust funds:						
Enacted, pending and initial requests:						
Appropriations	904,651	900,789	951,238	945,823	995,022	988,747
To be proposed separately:						
Legislative Proposals:						
Subject to PAYGO (B)	479	479	116	116	201	201
Not subject to PAYGO (J)	–107	–107	–71	–71	–62	–62
Discretionary offset (O)	–1,030	–1,030	–980	–980	–1,070	–1,070
Deductions for offsetting receipts	–43,971	–43,971	–44,567	–44,567	–45,590	–45,590
Subject to PAYGO (B)	–488	–488	–562	–562	–687	–687
Not subject to PAYGO (J)	–19	–19	–19	–19	–19	–19
Total Trust funds	859,515	855,653	905,155	899,740	947,795	941,520
Interfund transactions (–)	–323,926	–323,926	–343,083	–343,083	–362,118	–362,118
Federal Government totals	1,833,377	1,820,313	1,920,008	1,892,980	1,976,842	1,957,904

[A] Supplemental proposal.
[B] Legislative proposal, subject to PAYGO.
[H] Rescission proposal.
[J] Legislative proposal, not subject to PAYGO.
[N] Multi-year appropriations requests.
[O] Legislative proposal, discretionary offset.

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