



# Terms Used In The Budgetary Process

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by the  
Comptroller General  
of the  
United States

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## FOREWORD

The Legislative Reorganization Act of 1970, as amended by title VIII of the Congressional Budget Act of 1974, provides in section 202(a)(1), that

"The Comptroller General of the United States, in cooperation with the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Director of the Congressional Budget Office, shall develop, establish, maintain, and publish standard terminology, definitions, classifications, and codes for Federal fiscal, budgetary, and program-related data and information. The authority contained in this section shall include, but not be limited to, data and information pertaining to Federal fiscal policy, revenues, receipts, expenditures, functions, programs, projects, and activities. Such standard terms, definitions, classifications, and codes shall be used by all Federal agencies in supplying to the Congress fiscal, budgetary, and program-related data and information."

In accordance with this requirement we published a glossary, "Budgetary Definitions" (OPA-76-8) in November 1975, which included the initial standard terms and definitions.

This glossary, which supersedes OPA-76-8, is a compilation of those terms previously published and additional terms that have been suggested by various users. The glossary is divided into three sections. The first section is a compilation of those terms that are of significance and importance in the budget process. The second section contains proposed terms and definitions applicable to zero-base budgeting that have been developed by the Office of Management and Budget, but which have *not* been reviewed by GAG or coordinated by us with the other agencies responsible for standard terms and definitions. They are, therefore, included for informational purposes only. The last section includes economic terms that are used in connection with the budget, especially in discussions of the economic assumptions underlying the budget proposals and estimates.

The terms and definitions in this glossary have been developed in cooperation with the Department of the Treasury, the Office of Management and Budget, and the Congressional Budget Office, except the zero-base budget terms. Suggestions and assistance were also obtained from various congressional committees as well as other Federal agencies.

We welcome any suggestions or recommendations for additional terms or revisions to definitions by users of this publication.



Comptroller General  
of the United States

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## BUDGETARY TERMS AND DEFINITIONS

*These terms are published under the authority of section 202(a)(1) of the Legislative Reorganization Act of 1970, as amended by title VIII of the Congressional Budget Act of 1974. The terms as defined in this section shall be used by all Federal agencies in submitting fiscal, budgetary, and program-related data and information to the Congress.*

### **ACCRUAL BASIS OF ACCOUNTING**

A method of accounting in which revenues are recognized in the period earned and costs are recognized in the period incurred, regardless of when payment is received or made. (See also CASH BASIS OF ACCOUNTING.)

### **ACTIVITY**

Any project, task, or process required to carry out a program. A combination of several activities, such as research and development, training of personnel, and distribution of information, may be elements in a particular program. Activities constituting a program vary with the nature and purpose of the program.

### **ADVANCE APPROPRIATION**

An appropriation provided by the congress for use in a fiscal year, or more, beyond the fiscal year for which the appropriation act is passed, e.g., the 1976 appropriation for use in fiscal year 1976 for the Washington Metropolitan Area Transit Authority contained in the Department of Transportation and Related Agencies Appropriation Act, 1975, which was passed on August 28, 1974. Advance appropriations allow State and local governments and others sufficient time to develop plans with assurance of future Federal funding. An advance appropriation is sometimes mistakenly referred to as "forward funding" which permits an agency to obligate funds in the current year for the operation of programs in subsequent fiscal years. (See also ADVANCE FUNDING and FORWARD FUNDING.)

### **ADVANCE FUNDING**

Authority provided in an appropriations act to obligate and disburse during a fiscal year from the succeeding year's appropriation. The funds

so obligated are added to the budget authority for the fiscal year and deducted from the budget authority of the succeeding fiscal year. The appropriation language usually states the date after which the funds of the succeeding year may be obligated. The "Public Assistance" appropriation account, HEW, is an example. (See ADVANCE APPROPRIATION and FORWARD FUNDING.)

**AGENCY**

Any department, office, commission, authority, administration, board, Government-owned corporation, or other independent establishment of any branch of the Government of the United States.

**AGENCY DEBT**

See FEDERAL DEBT.

**AGENCY MISSIONS**

Those responsibilities for meeting national needs assigned to a specific agency. Agency missions are expressed in terms of the purpose to be served by the programs authorized to carry out functions or subfunctions which, by law, are the responsibility of that agency and its component organizations. (See section 201 of the Budget and Accounting Act, 1921, as amended. See also ACTIVITY and NATIONAL NEEDS.)

**ALLOCATION**

This term has two definitions: (1) For purposes of Government accounting, an allocation is the amount of obligational authority transferred from one agency, bureau, or account to another agency, bureau, or account that is set aside in a transfer appropriation account to carry out the purposes of the parent appropriation or fund. For example, allocations are made when one or more agencies share the administration of a program for which appropriations are made to only one of the agencies or to the President. (2) For purposes of section 302(a) of the Congressional Budget Act of 1974, an allocation is the distribution of the total budget outlays or total new budget authority in a concurrent resolution on the budget to the various committees having spending responsibilities.

**ALLOTMENT**

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amount pursuant to OMB apportionment or reapportionment action or other statutory authority making funds available for obligation.

### **ALLOWANCES**

Amounts included in the President's budget request or projections to cover possible additional proposals, such as statutory pay increases and contingencies for relatively uncontrollable programs and other requirements. As used in a concurrent resolution on the budget, allowances represent a special functional classification designed to include amounts to cover possible requirements, such as civilian pay raises and contingencies, until they occur or become firm, at which point applicable amounts are distributed to the appropriate other functional classification(s).

### **APPORTIONMENT**

A distribution by the Office of Management and Budget of amounts available for obligation in appropriation or fund accounts of the executive branch. The distribution makes amounts available on the basis of time periods (usually quarterly), programs, activities, projects, objects, or combinations thereof. The apportionment system is intended to achieve an effective and orderly use of funds.

#### **Deficiency Apportionment**

A distribution of available budgetary resources for the fiscal year that anticipates the need for supplemental budget authority. Such apportionments may only be made under conditions provided in 31 U.S.C. 665(e) and 665a. The issuance of a deficiency apportionment does not authorize the agency head to incur a deficit.

### **APPROPRIATION**

An authorization by an act of the Congress that permits Federal agencies to incur obligations and to make payments out of the Treasury for specified purposes. An appropriation usually follows enactment of authorizing legislation. An appropriation act is the most common means of providing budget authority (see BUDGET AUTHORITY), but in some cases the authorizing legislation itself provides the budget authority. (See BACKDOOR AUTHORITY.) Appropriations do not represent cash actually set aside in the Treasury for purposes specified in the appropriation act; they represent limitations of amounts which agencies may obligate during the time period specified in the respective appropriations acts. There are several types of appropriations that are not counted as budget authority, since they do not provide authority to incur additional obligations:

- Appropriation to liquidate contract authority—congressional action to provide funds to pay obligations incurred against contract authority.
- Appropriation to reduce outstanding debt—congressional action to provide funds for debt retirement.
- Appropriation for refund of receipts.

**APPROPRIATION (OR FUND) ACCOUNT**

A summary account established in the Treasury for each appropriation and/or fund showing transactions to such accounts.

**APPROPRIATION ACT**

An act under the jurisdiction of the Committees on Appropriations which provides funds for Federal programs. At the time these definitions were published, there were 13 regular appropriation acts. There are also enacted from time to time supplemental appropriation acts.

**APPROPRIATION LIMITATION**

A statutory restriction in an appropriation act, which establishes the maximum amount which may be obligated and expended for specified purposes from an appropriation or other funds, such as special or trust funds.

**AUTHORITY TO BORROW FROM THE TREASURY AND THE PUBLIC**

See BORROWING AUTHORITY.

**AUTHORIZATION (AUTHORIZING LEGISLATION)**

Basic substantive legislation enacted by Congress which sets up or continues the legal operation of a Federal program or agency either indefinitely or for a specific period of time or sanctions a particular type of obligation or expenditure within a program. Such legislation is normally a prerequisite for subsequent appropriations or other kinds of budget authority to be contained in appropriation acts. It may limit the amount of budget authority to be provided subsequently or may authorize the appropriation of "such sums as may be necessary." In some instances budget authority may be provided in the authorization (see BACKDOOR AUTHORITY), which obviates the need for subsequent appropriations or requires only an appropriation to liquidate contract authority or reduce outstanding debt.

**AUTHORIZING**

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**BACKDOOR AUTHORITY**

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## **AUTHORIZING COMMITTEE**

A standing committee of the House or Senate with jurisdiction over the subject matter of those laws, or parts of laws, that set up or continue the legal operations of Federal programs, agencies, or particular types of obligations within programs. The authorizing committee also has spending responsibility in those instances where the budget authority ("backdoor authority") is also provided in the basic substantive legislation.

## **BACKDOOR AUTHORITY**

Budget authority provided in legislation outside the normal (appropriations committees) appropriations process. The most common forms of backdoor authority are borrowing authority and contract authority. In other cases (e.g., interest on the public debt), a permanent appropriation is provided that becomes available without any current action by the Congress. Section 401 of the Congressional Budget Act of 1974 specifies certain limits on the use of backdoor authority. Examples of accounts that have backdoor authority are the Federal-aid highways trust fund, the Environmental Protection Agency's construction grants, and the social security trust funds.

## **BALANCED BUDGET**

A budget in which receipts are equal to or greater than outlays. (See BUDGET DEFICIT and BUDGET SURPLUS.)

## **BALANCES OF BUDGET AUTHORITY**

Balances may be classified as.

### **Unexpended Balance**

The amount of budget authority unspent and still available for conversion into outlays in the future; the sum of the obligated and unobligated balances.

### **Obligated Balance**

The amount of obligations already incurred for which payment has not yet been made. This balance can be carried forward indefinitely until the obligations are paid.

### **Unobligated Balance**

The portion of budget authority that has not yet been obligated. In 1-year accounts the unobligated balance expires (ceases to be available for obligation) at the end of the fiscal year. In multiple-year accounts the unobligated balance may be carried forward and remain available for obligation for the period



specified. In no-year accounts the unobligated balance is carried forward indefinitely until specifically rescinded by law or until the purposes for which it was provided have been accomplished.

### BORROWING AUTHORITY

Statutory authority (substantive or appropriation) that permits a Federal agency to incur obligations and to make payments for specified purposes out of borrowed moneys. Section 401 of the Congressional Budget Act of 1974 limits new borrowing authority (except for certain instances) to such extent or in such amounts as are provided in appropriation acts. Borrowing authority, also called "authority to borrow from the Treasury and the Public," may be one of the following types:

#### Authority To Borrow From the Treasury

The legislative authority to borrow funds from the Treasury that are realized from the sale of public debt securities.

#### Authority To Borrow From the Public

The legislative authority to sell agency debt securities.

#### Authority To Borrow From the Treasury and the Public

A combination of the legislative authorities noted above.

### BUDGET ACTIVITY

Categories included in the budget appendix for each appropriation and fund account which identify the services to be performed under the appropriation or fund for which the budget estimate (or request) is being made.

### BUDGET AMENDMENT

A formal request submitted to the Congress by the President, after his formal budget transmittal but prior to completion of appropriation action by the Congress, that revises previous requests, such as the amount of budget authority.

### BUDGET AUTHORITY

Authority provided by law to enter into obligations which will result in immediate or future outlays involving Government funds, except that such term does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government. The basic forms of budget authority are appropriations, contract authority, and borrowing authority. Budget authority may be classified

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by the period of availability (1-year, multiple-year, no-year), by the timing of congressional action (current or permanent), or by the manner of determining the amount available (definite or indefinite).

#### **PERIOD OF AVAILABILITY**

##### **One-year (Annual Authority)**

Budget authority that is available for obligation only during a specified fiscal year and expires at the end of that time.

##### **Multiple-year Authority**

Budget authority that is available for a specified period of time in excess of 1 fiscal year.

##### **No-year Authority**

Budget authority that remains available for obligation for an indefinite period to time, usually until the objectives for which the authority was made available are attained.

#### **TIMING OF CONGRESSIONAL ACTION**

##### **Current authority**

Budget authority enacted by Congress in or immediately preceding the fiscal year in which it becomes available.

##### **Permanent Authority**

Budget authority that becomes available as the result of previously enacted legislation (substantive legislation or prior appropriation act) and does not require current action by the Congress. Authority created by such legislation is considered to be "current" in the first year in which it is provided and "permanent" in succeeding years. It is possible to distinguish between "fully permanent" authority (such as interest on the public debt), where no subsequent action is required, and "conditionally permanent" authority (such as general revenue sharing), where authority expires after a set period of time unless it is reenacted.

#### **DETERMINATION OF AMOUNT**

##### **Definite Authority**

Authority which is stated as a specific sum at the time the authority is granted. This includes authority stated as "not to exceed" a specified amount.

##### **Indefinite Authority**

Authority for which a specific sum is not stated but is to be determined by other factors, such as the receipts from a certain source or obligations incurred.

**BUDGET DEFICIT**

The amount by which the Government's budget outlays exceed its budget receipts for any given period. Deficits are financed primarily by Treasury borrowing from the public.

**BUDGET OUTLAYS**

See OUTLAYS.

**BUDGET RECEIPTS**

Amounts received by the Federal Government from the public that arise from:

- The exercise of governmental or sovereign power (consisting primarily of tax revenues, but also including receipts from premiums of compulsory social insurance programs, court fines, certain license fees, and the like).
- Premiums from voluntary participants in Federal social insurance programs (such as deposits by States for unemployment insurance and for social security for their employees) that are closely related to compulsory social insurance programs.
- Gifts and contributions.

Excluded from budget receipts are OFFSETTING RECEIPTS, which are counted as deductions from budget authority and outlays rather than as budget receipts.

**BUDGET SURPLUS**

The amount by which the Government's budget receipts exceed its budget outlays for any given period.

**BUDGET UPDATE**

A statement summarizing amendments to or revisions in budget authority requested, estimated outlays, and estimated receipts for a fiscal year that has not been completed. The President may submit updates at any time but is required by the Congressional Budget Act of 1974 to transmit such statements to the Congress by April 10 and July 15 of each year.

**BUDGET YEAR**

See FISCAL YEAR.

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## **BUDGETARY RESERVES**

Portions of budget authority set aside under authority of the Antideficiency Act (31 U.S.C. 665), as amended by the Impoundment Control Act of 1974, for contingencies or to effect savings whenever savings are made possible by or through changes in requirements or greater efficiency of operations. Section 1002 of the Impoundment Control Act of 1974 restricts the establishment of budgetary reserves and requires that all reserves be reported to the Congress. (See DEFERRAL OF BUDGET AUTHORITY.)

## **CASH BASIS OF ACCOUNTING**

A method of accounting in which revenue is recognized at the time payment is received and costs are considered incurred at the time payment is made. (See also ACCRUAL BASIS OF ACCOUNTING.)

## **CHANGE IN SELECTED RESOURCES**

An adjustment in the program and financing schedules of the President's budget appendix representing the bridge between program costs and obligations. It measures the aggregate increase or decrease in those assets and liabilities that have entered into obligations but have not yet become costs, or vice versa. (See COST BASED BUDGETING.) Details for computing "change in selected resources" are included in section 32.3 of OMB Circular A-11.

## **COLLECTIONS**

Any moneys received by the Government. Depending upon the nature of the transaction, collections may be treated as budget receipts, offsetting collections, refunds, or credits to a deposit fund. (See BUDGET RECEIPTS, OFFSETTING COLLECTIONS, REFUNDS, DEPOSIT FUNDS.)

## **CONCURRENT RESOLUTION ON THE BUDGET**

A resolution passed by both Houses of Congress, but not requiring the signature of the President, setting forth, reaffirming, or revising the congressional budget for the United States Government for a fiscal year. There are two such resolutions required preceding each fiscal year. The first required concurrent resolution, due by May 15, establishes the congressional budget. The second required concurrent resolution, due by September 15, reaffirms or revises it. Other concurrent resolutions for a fiscal year may be adopted at any time following the first required concurrent resolution for that fiscal year.

**CONGRESSIONAL BUDGET**

The budget as set forth by Congress in a concurrent resolution on the budget. These resolutions shall include

- (1) the appropriate level of total budget outlays and of total new budget authority,
- (2) an estimate of budget outlays and new budget authority for each major functional category, for contingencies, and for undistributed offsetting receipts based on allocations of the appropriate level of total budget outlays and of total new budget authority,
- (3) the amount, if any, of the surplus or deficit in the budget.
- (4) the recommended level of Federal revenues, and
- (5) the appropriate level of the public debt.

**CONTINGENT LIABILITY**

A conditional commitment which may become an actual liability because of a future event beyond the control of the Government. Contingent liabilities include such items as guaranteed loans and insured bank deposits.

**CONTINUING RESOLUTION**

Legislation enacted by the Congress to provide budget authority for specific ongoing activities in cases where the regular fiscal year appropriation for such activities has not been enacted by the beginning of the fiscal year. The continuing resolution usually specifies a maximum rate at which the agency may incur obligations, based on the rate of the prior year, the President's budget request, or an appropriation bill passed by either or both Houses of the Congress.

**CONTRACT AUTHORITY**

A form of budget authority under which contracts or other obligations may be entered into in advance of an appropriation or in excess of amounts otherwise available in a revolving fund. Contract authority must be funded by a subsequent appropriation or the use of revolving fund collections to liquidate the obligations. Appropriations to liquidate contract authority are not classified as budget authority since they are not available for obligation. Section 401 of the Congressional Budget Act of 1974 limits new contract authority, with few exceptions, to such extent or in such amounts as are provided in appropriation acts.

**CONTROLLABILITY**

The ability to control spending during a given period. It includes existing subcommittees of open-ended veterans' benefits incurred during

**COST-BASED BUDGETING**

Budgeting in which the amount consumed in a given period is used to acquire the resources in addition to the current period. It presents the budget in terms of cost-based budgeting regardless of the financing method. The "program" required to be financed is a RESOURCE.

**CROSSWALK**

The expression of the same activity in another legislation or in a different functional comm

**CURRENT AUTHORITY**

See BUDGET

**CURRENT POLICY**

Projections of the activity for upcoming fiscal years by enacted legislation without policy numbers and continuation

**CURRENT SERVICES**

Estimated budget based on current

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## **CONTROLLABILITY**

The ability under existing law to control budget authority or outlays during a given fiscal year. "Relatively uncontrollable" usually refers to spending that cannot be increased or decreased without changes in existing substantive law. The largest part of such spending is the result of open-ended programs and fixed costs, such as social security and veterans' benefits, but also includes payments due under obligations incurred during prior years.

## **COST-BASED BUDGETING**

Budgeting in terms of costs to be incurred, i.e., the resources to be consumed in carrying out a program regardless of when the funds to acquire the resources were obligated or paid. Cost-based budgeting, in addition to reflecting the obligational requirements for the program, presents the cost of what is planned to be accomplished. (Obligation-based budgeting is expressed in terms of obligations to be incurred, regardless of when the resources acquired are to be consumed.) When the financing schedules in the appendix to the President's budget state the "program by activities" in terms of costs, an adjusting entry is required to arrive at total obligations. (See CHANGE IN SELECTED RESOURCES.)

## **CROSSWALK**

The expression of the relationship between one set of classifications and another, such as between appropriation accounts and authorizing legislation or between the budget functional structure and the congressional committee spending jurisdictions.

## **CURRENT AUTHORITY**

See BUDGET AUTHORITY.

## **CURRENT POLICY BUDGET**

Projections of the estimated budget authority and outlays for the upcoming fiscal year to operate Federal programs at the level implied by enacted appropriations and authorizations for the current fiscal year without policy changes, but adjusted for inflation, changes in the numbers and kinds of beneficiaries, and in some instances to reflect the continuation of certain programs scheduled to terminate.

## **CURRENT SERVICES ESTIMATES**

Estimated budget authority and outlays for the upcoming fiscal year based on continuation of existing levels of service, i.e., assuming that all

programs and activities will be carried on at the same level as in the fiscal year in progress and without policy changes in such programs and activities. These estimates of budget authority and outlays, accompanied by the underlying economic and programmatic assumptions upon which they are based (such as the rate of inflation, the rate of real economic growth, the unemployment rate, program caseloads, and pay increases), are required to be transmitted by the President to the Congress by November 10 of each year.

**CURRENT YEAR**

See FISCAL YEAR.

**DEBT HELD BY THE PUBLIC**

See FEDERAL DEBT.

**DEBT SUBJECT TO STATUTORY LIMITATION**

See FEDERAL DEBT.

**DEFERRAL OF BUDGET AUTHORITY**

Any action or inaction by any officer or employee of the United States that withholds, delays, or effectively precludes the obligation or expenditure of budget authority, including the establishment of reserves under the Antideficiency Act as amended by the Impoundment Control Act. (See BUDGETARY RESERVES.) Section 1013 of the Impoundment Control Act of 1974 requires a special message from the President to the Congress reporting a proposed deferral of budget authority. Deferrals may not extend beyond the end of the fiscal year in which the message reporting the deferral is transmitted and may be overturned by the passage of an impoundment resolution by either House of Congress. (See IMPOUNDMENT RESOLUTION.)

**DEFICIENCY APPORTIONMENT**

See APPORTIONMENT.

**DEFICIENCY APPROPRIATION**

An appropriation made to an expired account to cover obligations incurred in excess of the available budget authority.

**DEFINITE AUTHORITY**

See BUDGET AUTHORITY.

**DEOBLIGATION**

A downward adjustment of budget authority that may be attributed to a change in the underlying assumptions or corrected.

**DEPOSIT FUNDS**

Accounts established by the Government, either (a) for the deposit of some other Government's funds, or (b) for the determination of the Government's liability to the Government and they do not constitute a liability of the Government.

**DIRECT LOAN**

Outlays, including interest, without interest, for a period of 90 days' duration.

**DISBURSEMENT**

In budgetary terms, the amount of money issued, cash disbursements, or the amount credited to the account of the recipient. (See RECEIVED FROM OUTLAY.)

**ENTITLEMENT**

Legislation, executive order, or other governmental action that authorizes the expenditure of money for a specific purpose. (See CONGRESSIONAL ENACTMENT.)

**EXPENDITURE**

A term generally used to describe the outlay of money. (At one time, it was used to describe other forms of expenditure.)

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## **DEOBLIGATION**

A downward adjustment of previously recorded obligations. This may be attributable to cancellation of a project or contract, price revisions, or corrections of amounts previously recorded as obligations.

## **DEPOSIT FUNDS**

Accounts established to facilitate the accounting for collections that are either (a) held in suspense temporarily and later refunded or paid into some other fund of the Government upon administrative or legal determination as to the proper disposition thereof or (b) held by the Government as banker or agent for others and paid out at the discretion of the depositor. These accounts are not included in the budget totals and they are not available for expenses of the Government, although they do provide a means of financing the budget.

## **DIRECT LOANS**

Outlays, all or part of which are contracted to be repaid with or without interest. Sales of Federal assets on credit terms of more than 90 days' duration are also classified as direct loans.

## **DISBURSEMENTS**

In budgetary usage, gross disbursements represent the amount of checks issued, cash, or other payments made, less refunds received. Net disbursements represent gross disbursements less income collected and credited to the appropriation or fund account, such as amounts received for goods and services provided. (See EXPENDITURES and OUTLAYS.)

## **ENTITLEMENT AUTHORITY**

Legislation that requires the payment of benefits to any person or government meeting the requirements established by such law, e.g., social security benefits and veterans' pensions. Section 401 of the Congressional Budget Act of 1974 places certain restrictions on the enactment of new entitlement authority.

## **EXPENDITURES**

A term generally used interchangeably with outlays. (See OUTLAYS.) (At one time, the term was used to describe one form of outlays, the other being "net lending." This usage is now obsolete.)



**EXPIRED APPROPRIATION**

An appropriation that is no longer available for obligation but is still available for payment of existing obligations. (See "M" ACCOUNTS.)

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**FEDERAL DEBT**

Federal debt consists of public debt and agency debt.

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**Public Debt**

That portion of the Federal debt incurred when the Treasury Department or Federal Financing Bank (FFB) borrows funds directly from the public or another fund or account. To avoid double counting, FFB borrowing from Treasury is not included in public debt. (The Treasury borrowing required to obtain the money to lend FFB is already part of the public debt.)

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**Agency Debt**

That portion of the Federal debt incurred when a Federal agency authorized by law, other than Treasury or the Federal Financing Bank (FFB), borrows funds directly from the public or another fund or account. To avoid double counting, agency borrowing from Treasury or the FFB and Federal fund advances to trust funds are not included in the Federal debt. (The Treasury or FFB borrowing required to obtain the money to lend to the agency is already part of the public debt.) Agency debt may be incurred by agencies within the Federal budget (such as the Tennessee Valley Authority) or by off-budget Federal entities (such as the Postal Service). Debt of Government-sponsored, privately owned enterprises (such as the Federal National Mortgage Association) is not included in the Federal debt.

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There are three basic concepts or tabulations of Federal debt: gross Federal debt, debt held by the public, and debt subject to statutory limit.

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**Gross Federal Debt**

The sum of all public and agency debt issues outstanding.

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**Debt Held by the Public**

That part of the gross Federal debt held by the public. (The Federal Reserve System is included in "the public" for this purpose.) Debt held by Government trust funds (e.g., Social Security Trust Fund), revolving funds, and off-budget Federal entities is excluded from debt held by the public.

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**Debt Subject to Statutory Limit**

Defined by the Second Liberty Bond Act of 1917, as amended.

At present virtually all public debt, but only a small portion of agency debt, is included in debt subject to statutory limit.

**FEDERAL FUND ACCOUNTS**

Accounts in which the Government credits receipts which it collects, owns, and uses solely for its purposes. They are composed of two classes of receipt accounts—general fund receipt accounts and special fund receipt accounts—and four classes of appropriation (expenditure) or fund accounts—general fund appropriations, special fund appropriations, public enterprise revolving funds, and intragovernmental funds.

**General Fund Receipt Accounts**

Accounts credited with all receipts that are not earmarked by law for a specific purpose.

**Special Fund Receipt Accounts**

Accounts credited with receipts from specific sources that are earmarked by law for a specific purpose.

**General Fund Appropriation Accounts**

Accounts established to record amounts appropriated by the Congress to be expended for the general support of the Government.

**Special Fund Appropriation Accounts**

Accounts established to record appropriated amounts of special fund receipts to be expended for special programs in accordance with specific provisions of law.

**Public Enterprise Revolving Fund Accounts**

Funds authorized by Congress to be credited with receipts, primarily from the public, that are generated by, and earmarked to finance, a continuing cycle of business-type operations.

**Intragovernmental Fund Accounts**

Accounts established to facilitate financing transactions within and between Federal agencies. These funds may be classified as intragovernmental revolving funds or management funds.

**Intragovernmental Revolving Fund Accounts**

Funds authorized by law to carry out a cycle of intragovernmental business-type operations. These funds are credited with offsetting collections from other agencies and accounts.

**Management Fund Accounts**

Funds authorized by law to credit collections from two or more appropriations in order to finance a common purpose or project not involving a continuing cycle of business-type operations

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**FEDERAL INTRAFUND TRANSACTIONS**

See OFFSETTING RECEIPTS.

**FISCAL POLICY**

Federal Government policies with respect to taxes, spending, and debt management, intended to promote the Nation's economic goals, particularly with respect to employment, gross national product, price level stability, and equilibrium in balance of payments. The budget process is a major vehicle for determining and implementing Federal fiscal policy. The other major component of Federal economic policy is MONETARY POLICY, defined in the section on economic terms.

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**FISCAL YEAR**

Any yearly accounting period, without regard to its relationship to a calendar year. The fiscal year for the Federal Government begins on October 1 and ends on September 30. The fiscal year is designated by the calendar year in which it ends; e.g., fiscal year 1977 is the fiscal year ending September 30, 1977. (Prior to fiscal year 1977 the fiscal year began on July 1 and ended on June 30.)

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**Budget Year**

The fiscal year for which the budget is being considered; the fiscal year following the current year

**Current Year**

The fiscal year in progress.

**Past Year**

The fiscal year immediately preceding the current year; the last completed fiscal year.

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**FOREIGN CURRENCY ACCOUNT**

An account established in the Treasury for foreign currency that is acquired without payment of United States dollars, primarily in payment for commodities (such as through the Agricultural Trade Development Assistance Act, P.L. 480). These currencies may be expended without charge to dollar appropriations. They may be available for obligation without further congressional action, or

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Congress may appropriate these foreign currencies. (See also SPECIAL FOREIGN CURRENCY PROGRAM APPROPRIATION.)

#### **FORWARD FUNDING**

The obligation of funds in one fiscal year (e.g., the awarding of a contract and establishment of a letter of credit) for the financing of ongoing grantee programs during the succeeding year. For example, in the "Higher Education" appropriation account, Office of Education, HEW, student loan funds are obligated at the end of the fiscal year for student loans to be made in the following year (See also ADVANCE APPROPRIATION and ADVANCE FUNDING.)

#### **FULL EMPLOYMENT BUDGET**

The estimated receipts, outlays, and surplus or deficit that would occur if the economy were continually operating at a rate defined as being at full capacity (traditionally defined as a certain percentage unemployment rate for the civilian labor force).

#### **FUNCTION (FUNCTIONAL CLASSIFICATION)**

The Congressional Budget Act of 1974 requires the Congress to estimate outlays, budget authority, and tax expenditures for each function. The functional classification is a means of presenting budget authority, outlay, and tax expenditure data in terms of the principal purposes that Federal programs are intended to serve. Each account is generally placed in the single function (e.g., national defense, health) that best represents its major purpose, regardless of the agency administering the program. Functions are generally subdivided into narrower categories called subfunctions.

#### **GENERAL FUND ACCOUNTS**

See FEDERAL FUND ACCOUNTS.

#### **GOVERNMENT-SPONSORED ENTERPRISES**

Enterprises with completely private ownership, such as Federal land banks and Federal home loan banks, established and chartered by the Federal Government to perform specialized functions. These enterprises are not included in the budget totals, but financial information on their operations is published in a separate part of the appendix to the President's budget.

**GRANTS-IN-AID**

For purposes of the budget, grants-in-aid consist of budget outlays by the Federal Government to support State or local programs of governmental service to the public. Grants do not include purchases from State or local governments (i.e., payments for research or support of Federal prisoners).

**GROSS FEDERAL DEBT**

See FEDERAL DEBT.

**GUARANTEED LOANS**

Loans for which the Federal Government guarantees in whole or in part the repayment of principal and/or interest.

**IDENTIFICATION CODE**

An 11-digit number assigned to each appropriation or fund account included in the budget. The identification code identifies the agency, the appropriation or fund account symbol, the timing of the transmittal (regular, supplemental), the type of fund (general, special), and the functional classification of each account (see FUNCTION).

**IMPOUNDMENT**

Any action or inaction by an officer or employee of the United States that precludes the obligation or expenditure of budget authority provided by the Congress. (See DEFERRAL OF BUDGET AUTHORITY and RESCISSION.)

**IMPOUNDMENT RESOLUTION**

A resolution of the House of Representatives or the Senate disapproving a deferral of budget authority set forth in a special message ordinarily transmitted by the President under section 1013 of the Impoundment Control Act of 1974. Passage of an impoundment resolution by either House of Congress has the effect of overturning the deferral and requires that such budget authority be made available for obligation.

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See BUDGET AUTHORITY.

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**INTRABUDGETARY TRANSACTIONS**

See OFFSETTING RECEIPTS.

**INTRAFUND TRANSACTIONS**

See OFFSETTING RECEIPTS.

**INTRAGOVERNMENTAL FUND ACCOUNTS**

See FEDERAL FUND ACCOUNTS.

**INTRAGOVERNMENTAL REVOLVING FUND ACCOUNTS**

See FEDERAL FUND ACCOUNTS.

**INTRAGOVERNMENTAL TRANSACTIONS**

See OFFSETTING RECEIPTS.

**LIQUIDATION OF CONTRACT AUTHORITY**

See APPROPRIATION, CONTRACT AUTHORITY.

**"M" ACCOUNT**

Unliquidated obligations under an appropriation are transferred to (merged into) an "M" account at the end of the second full fiscal year following expiration. The "M" account remains available for the payment of the unliquidated obligations charged to various-year appropriation accounts.

**MANAGEMENT FUND ACCOUNTS**

See FEDERAL FUND ACCOUNTS.

**MISSION**

See AGENCY MISSION.

**MULTIPLE-YEAR AUTHORITY**

See BUDGET AUTHORITY.

**NATIONAL NEEDS**

Those Federal functions which describe the end purposes being served by budget authority, outlays, and tax expenditures, without regard to

the means that may be chosen to meet those purposes. National needs, in current budgetary usage, may be assumed to be synonymous with "function."

**NEW OBLIGATIONAL AUTHORITY**

This term is now obsolete and has been replaced by the term "budget authority." (At one time the term was used to distinguish one of two types of budget authority—the other being "loan authority," which is also obsolete.)

**NO-YEAR AUTHORITY**

See BUDGET AUTHORITY.

**OBJECT CLASSIFICATION**

A uniform classification identifying the transactions of the Federal Government by the nature of the goods or services purchased (such as personnel compensation, supplies and materials, or equipment) without regard to the agency involved or the purpose of the programs for which they are used. (General instructions are provided in OMB Circular No. A-12).

**OBLIGATIONS**

Amounts of orders placed, contracts awarded, services rendered, or other commitments made by Federal agencies during a given period, which will require outlays during the same or some future period. (See 31 U.S.C. 200.)

**OFF-BUDGET FEDERAL ENTITIES**

Entities, federally owned in whole or in part, whose transactions have been excluded from the budget totals under provisions of law, e.g., the Federal Financing Bank. The fiscal activities of these entities are not included in either budget authority or outlay totals, but are presented in a separate part of the budget appendix and as memorandum items in various tables in the budget.

**OFFSETTING COLLECTIONS**

Moneys received by the Government as a result of business-type transactions with the public (sale of goods and services) or as a result of a payment from one Government account to another. Such collections are netted in determining budget outlays. (See OFFSETTING RECEIPTS and REIMBURSEMENTS.)

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## **OFFSETTING RECEIPTS**

All collections deposited into receipt accounts that are offset against budget authority and outlays rather than reflected as budget receipts in computing budget totals. Under current budgetary usage, cash collections not deposited into receipt accounts (such as revolving fund receipts and reimbursements) are deducted from outlays at the account level. These transactions are offsetting collections but are not classified as "offsetting receipts."

Offsetting receipts are generally deducted at the budget function or subfunction level and from agency budget authority and outlays. In three cases—employer share of employee retirement, intragovernmental interest received by trust funds, and rents and royalties from the Outer Continental Shelf lands—the deductions, referred to as **UNDISTRIBUTED OFFSETTING RECEIPTS**, are made from budget totals rather than being offset by function and subfunction and by agency.

Offsetting receipts are subdivided into two major categories:

### **Proprietary Receipts From the Public**

Those collections from the public deposited in receipt accounts which arise from the conduct of business-type activities.

### **Intragovernmental Transactions**

All collections or deposits into receipt accounts in which the payment is made by a Federal agency. Intragovernmental transactions may represent either **RECEIPTS FROM OFF-BUDGET FEDERAL ENTITIES**, where a payment comes from a Federal entity whose funds are excluded from the budget totals, or **INTRABUDGETARY TRANSACTIONS**, where both the paying and the receiving accounts are within the budget. Intrabudgetary transactions in turn are further subdivided into three groups:

- Interfund transactions, where the payment is from a Federal to a trust fund or vice versa.
- Federal intrafund transactions, where both the paying and receiving accounts are Federal funds.
- Trust intrafund transactions, where both the paying and receiving accounts are trust funds.

## **ONE-YEAR AUTHORITY**

See **BUDGET AUTHORITY**.

## **OPEN-ENDED PROGRAMS**

Entitlement programs under which actual obligations and resultant outlays are limited only by the number of eligible persons meeting



eligibility requirements fixed by law who apply for benefits and the actual benefits received, e.g., medicaid.

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**OUTLAYS**

The amount of checks issued, interest accrued on most public debt, or other payments; net of refunds and reimbursements. Total budget outlays consist of the sum of the outlays from appropriations and funds included in the unified budget, less offsetting receipts. The outlays of off-budget Federal entities are excluded from the unified budget under provisions of law, even though these outlays are part of total Government spending. Federal outlays are recorded on the "cash basis of accounting"—with the exception of most interest on the public debt, for which the "accrual basis of accounting" is used.

**PROJECTIONS**

Estimates of amounts that are intended current or cu period of tim and ranges o regarded as 1 nor as recom

**OVERSIGHT COMMITTEE**

The congressional committee charged with general oversight of the operation of an agency or program. In some, but not all, cases the oversight committee for an agency also is the authorizing committee for that agency's programs. (See AUTHORIZING COMMITTEE.)

**PROPRIETARY R**

See OFFSET

**PAST YEAR**

See FISCAL YEAR.

**PUBLIC DEBT**

See FEDERA

**PERMANENT AUTHORITY**

See BUDGET AUTHORITY.

**PUBLIC ENTERPF**

See FEDERA

**PRESIDENT'S BUDGET**

The budget for a particular fiscal year transmitted to the Congress by the President in accordance with the Budget and Accounting Act of 1921, as amended. Some elements of the budget, such as the estimates for the legislative branch and the judiciary, are required to be included without review by the Office of Management and Budget or approval by the President.

**REAPPORTIONMI**

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**PROGRAM**

Generally defined as an organized set of activities directed toward a common purpose, objective, or goal, undertaken or proposed by an agency in order to carry out responsibilities assigned to it. In practice, however, the term "program" has many usages and thus does not have a

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well-defined standardized meaning in the legislative process. "Program" has been used as a description for agency missions, "programs," activities, services, projects, and processes.

#### **PROJECTIONS**

Estimates of budget authority, outlays, receipts, or other budget amounts that extend several years into the future. Projections generally are intended to indicate the budgetary implications of continuing current or currently proposed programs and legislation for an indefinite period of time. These include alternative program and policy strategies and ranges of possible budget amounts. They generally should not be regarded as firm estimates of what actually will occur in future years nor as recommendations regarding future budget decisions.

#### **PROPRIETARY RECEIPTS FROM THE PUBLIC**

See OFFSETTING RECEIPTS.

#### **PUBLIC DEBT**

See FEDERAL DEBT.

#### **PUBLIC ENTERPRISE REVOLVING FUND ACCOUNTS**

See FEDERAL FUND ACCOUNTS.

#### **REAPPORTIONMENT**

A revision by the Office of Management and Budget of a previous apportionment of budgetary resources for an appropriation or fund account. A revision would ordinarily cover the same period, project, or activity covered in the original apportionment. (See APPORTIONMENT.)

#### **REAPPROPRIATION**

Congressional action to restore the obligational availability, whether for the same or different purposes, of all or part of the unobligated portion of budget authority in an expired account. Obligational availability in a current account may also be extended by a subsequent appropriation act.

#### **RECEIPT ACCOUNTS**

Accounts established for recording collections deposited into the Treasury for appropriation by the Congress. These accounts may be

classified as general, special, or trust fund receipt accounts. (See FEDERAL FUND ACCOUNTS and TRUST FUNDS.)

#### RECEIPTS FROM OFF-BUDGET FEDERAL AGENCIES

See OFFSETTING RECEIPTS

#### RECONCILIATION BILL

See RECONCILIATION PROCESS.

#### RECONCILIATION PROCESS

A process used by the Congress to reconcile amounts determined by tax, spending, and debt legislation for a given fiscal year with the ceilings enacted in the second required concurrent resolution on the budget for that year. Section 310 of the Congressional Budget Act of 1974 provides that the second required concurrent resolution on the budget, which sets binding totals for the budget, may direct committees to determine and recommend changes to laws, bills, and resolutions, as required to conform with the binding totals for budget authority, revenues, and the public debt. Such changes are incorporated into either a reconciliation resolution or a reconciliation bill.

##### Reconciliation Bill

A bill, requiring enactment by both Houses of the Congress and approval by the President, making changes to legislation that has been enacted or enrolled.

##### Reconciliation Resolution

A concurrent resolution, requiring passage by both Houses of Congress but not the approval of the President, directing the Clerk of the House or the Secretary of the Senate to make specified changes in bills or resolutions that have not yet reached the stage of enrollment.

#### RECONCILIATION RESOLUTION

See RECONCILIATION PROCESS.

#### REFUND

The return of an advance or the recovery of an erroneous disbursement from an appropriation or fund account that is directly related to, and a reduction of, previously recorded outlays from the account. It is also the return of excess collections deposited in receipt accounts that are treated as a reduction of receipts.

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## **REIMBURSEMENTS**

Sums received by the Government for commodities sold or services furnished either to the public or to another Government account that are authorized by law to be credited directly to specific appropriation and fund accounts. These amounts are deducted from the total obligations incurred (and outlays) in determining net obligations (and outlays) for such accounts.

## **REPROGRAMMING**

Utilization of funds in an appropriation account for purposes other than those contemplated at the time of appropriation. Reprogramming is generally accomplished pursuant to consultation between the Federal agencies and the appropriate congressional committees.

## **RESCISSION**

The consequence of enacted legislation which cancels budget authority previously provided by Congress prior to the time when the authority would otherwise lapse (i.e., cease to be available for obligation). Section 1012 of the Impoundment Control Act of 1974 requires a special message from the President to the Congress reporting any proposed rescission of budget authority. These proposals may be accepted in whole or in part through the passage of a rescission bill by both Houses of Congress.

## **RESCISSION BILL**

A bill or joint resolution that provides for cancellation, in whole or in part, of budget authority previously granted by the Congress. Under the Impoundment Control Act of 1974, unless Congress approves a rescission bill within 45 days of continuous session after receipt of the proposal, the budget authority must be made available for obligation. (See RESCISSION.)

## **REVENUES**

A term commonly used interchangeably with budget receipts. (See BUDGET RECEIPTS.)

## **REVOLVING FUND**

A fund established to finance a cycle of operations through amounts received by the fund. There are three types of revolving funds: public enterprise, intragovernmental revolving, and trust revolving funds. (See also FEDERAL FUND ACCOUNTS and TRUST FUNDS.)

**SCOREKEEPING**

A procedure used by the Congressional Budget Office for up-to-date tabulations and reports of congressional budget actions on bills and resolutions providing new budget authority and outlays and changing revenues and the public debt limit for a fiscal year. Such reports shall include, but not be limited to, status reports on the effects of these congressional actions to date and of potential congressional actions, and comparisons of these actions to targets and ceilings set by Congress in the budget resolutions. Periodic scorekeeping reports are required by section 308(b) of the Congressional Budget Act of 1974.

**SPECIAL FOREIGN CURRENCY PROGRAM APPROPRIATION**

An appropriation made available to incur obligations for which payments must be made only in U.S.-owned foreign currencies that are declared in excess of the normal requirements of the United States by the Secretary of the Treasury. The appropriation is made in general fund dollar amounts which are credited to the account or fund generating the currency, or to miscellaneous receipts of the Treasury, as appropriate. The appropriated dollars are thereby exchanged for excess foreign currency (held in Treasury foreign currency fund accounts) that is used to make the necessary payments. (See also FOREIGN CURRENCY ACCOUNT.)

**SPECIAL FUND ACCOUNTS**

See FEDERAL FUND ACCOUNTS.

**SPENDING AUTHORITY**

As defined by the Congressional Budget Act of 1974, a collective designation for borrowing authority, contract authority, and entitlement authority, for which the budget authority is not provided in advance by appropriation acts. These are also commonly referred to as backdoor authority. (See BACKDOOR AUTHORITY.)

**SPENDING COMMITTEES (SPENDING RESPONSIBILITY)**

The standing committees of the House and Senate with jurisdiction over legislation that permits the obligation of funds. For most programs, the Appropriations Committees are the spending committees. For other programs, the authorizing legislation itself permits the obligation of funds (backdoor authority), in which case the authorizing committees are then the committees with spending responsibility.

**SPENDING LEGISLATION**

A term used to describe legislation that provides budget authority without the entitlement to funds. It includes authorization actions, authorization amendments, and appropriations, where that funds are

**SUCCESSOR ACCOUNTS**

See "M" ACCOUNTS.

**SUPPLEMENTAL APPROPRIATIONS ACTS**

An act providing for supplemental appropriations of budget authority (including non-appropriated amounts) for a fiscal year.

**TAX EXPENDITURE**

Losses of tax which allow income or which allow deferral of tax.

**TAX EXPENDITURE LIMITATION**

An enumeration of tax expenditures under existing law as of the Budget Act.

**TOTAL OBLIGATION AUTHORITY**

The sum of the budget authority provided by Congress in a specific fiscal year plus the budget authority from previous years for which the term is used but could be

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### **SPENDING LEGISLATION (SPENDING BILL)**

A term used in budget scorekeeping to indicate legislation that directly provides budget authority or outlays. The term includes (1) appropriations legislation, (2) legislation that provides budget authority directly without the need for subsequent appropriations action, and (3) entitlement legislation which, while requiring subsequent appropriations action, essentially "locks in" budget authority at the time of authorization (except legislation which establishes conditional entitlements, where recipients are entitled to payments only to the extent that funds are made available in subsequent appropriations legislation).

### **SUCCESSOR ACCOUNT**

See "M" ACCOUNT.

### **SUPPLEMENTAL APPROPRIATION**

An act appropriating funds in addition to those in an annual appropriation act. Supplemental appropriations provide additional budget authority beyond original estimates for programs or activities (including new programs authorized after the date of the original appropriation act) for which the need for funds is too urgent to be postponed until enactment of the next regular appropriation act.

### **TAX EXPENDITURES**

Losses of tax revenue attributable to provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, preferential rate of tax, or a deferral of tax liability.

### **TAX EXPENDITURES BUDGET**

An enumeration of revenue losses resulting from "tax expenditures" under existing law for each fiscal year. Section 601 of the Congressional Budget Act of 1974 requires that estimated levels of tax expenditures be presented in the President's budget.

### **TOTAL OBLIGATIONAL AUTHORITY (TOA)**

The sum of (1) all budget authority granted (or requested) from the Congress in a given year, (2) amounts authorized to be credited to a specific fund, and (3) unobligated balances of budget authority from previous years which remain available for obligation. In practice, this term is used primarily in discussing the Department of Defense budget but could be applied to other agencies' budgets as well.

**TRANSFER APPROPRIATION ACCOUNT**

A separate account established to receive and disburse allocations from another appropriation or fund account to carry out the purposes of the parent account or fund. The subsequent transactions of the transfer appropriation account are reported with the transactions of the parent account.

**TRANSITION QUARTER (TQ)**

The 3-month period (July 1 to September 30, 1976) between fiscal year 1976 and fiscal year 1977 resulting from the change from a July 1 through June 30 fiscal year to an October 1 through September 30 fiscal year beginning with fiscal year 1977.

**TRUST FUNDS**

Funds collected and used by the Federal Government for carrying out specific purposes and programs according to terms of a trust agreement or statute, such as the social security and unemployment trust funds. Trust funds are administered by the Government in a fiduciary capacity and are not available for the general purposes of the Government. Trust fund receipt accounts are credited with receipts generated by the terms of the trust agreement or statute. Trust fund receipts that are not anticipated to be used in the immediate future are generally invested in interest-bearing Government securities and earn interest for the trust fund. Trust fund expenditure accounts record amounts appropriated from trust fund receipts to be expended in carrying out the specific purposes or programs under the trust agreement or statute. A special category of trust funds called trust revolving funds is used to carry out a cycle of business-type operations, e.g., the Federal Deposit Insurance Corporation.

**TRUST INTRAFUND TRANSACTIONS**

See OFFSETTING RECEIPTS.

**TRUST REVOLVING FUNDS**

See TRUST FUNDS and REVOLVING FUND.

**UNDISTRIBUTED OFFSETTING RECEIPTS**

See OFFSETTING RECEIPTS.

**UNIFIED BUDGET**

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**ZERO-BASE BUDG**

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## **UNIFIED BUDGET**

The present form of the budget of the Federal Government, in which receipts and outlays from Federal funds and trust funds are consolidated. When these fund groups are consolidated to display budget totals, transactions which are outlays of one fund group for payment to the other fund group (i.e., interfund transactions) are deducted to avoid double counting. Transactions of off-budget Federal entities are not included in the unified budget. (See **OFFSETTING RECEIPTS** and **OFF-BUDGET FEDERAL ENTITIES**.)

## **WARRANT**

The official document issued pursuant to law by the Secretary of the Treasury that establishes the amount of money authorized to be withdrawn from the Treasury.

## **ZERO-BASE BUDGETING**

A budgeting technique that generally attempts to analyze budget requests without an implicit commitment to sustaining past levels of funding. Under this system programs and activities are organized and budgeted in a detailed plan that focuses review, evaluation, and analysis on all proposed operations—rather than on increases above current levels of operations, as in incremental budgeting. Programs and activities are analyzed in terms of successively increasing levels of performance and funding, starting from zero, and then evaluated and ranked in priority order. The purpose is to determine the level, if any, at which each program or activity should be conducted.



**ZERO-BASE BUDGETING  
TERMS AND DEFINITIONS**

*The Office of Management and Budget is preparing Government-wide guidelines for the development of zero-base budgeting for use in the fiscal year 1979 budget process. In this context, OMB has prepared initial definitions for the following terms applicable to zero-base budgeting. These terms and definitions have not been reviewed by GAO or coordinated by us with the agencies responsible for the standard terminology and definitions for Federal fiscal, budgetary, and program-related data. These terms and their initial definitions are therefore included for informational purposes only. They will no doubt be revised several times as they are used in the new zero-base budgeting process.*

**DECISION UNIT**

The program or organizational entity for which budgets are prepared and for which a manager makes significant decisions on the amount of spending and the scope or quality of work to be performed.

**DECISION PACKAGE**

A brief justification document that includes the information necessary for managers to make judgments on program or activity levels and resource requirements. A series of decision packages (a decision package set) is prepared for each decision unit and cumulatively represents the total budget request for that unit.

**CONSOLIDATED DECISION PACKAGES**

Packages prepared at higher management levels that summarize and supplement information contained in decision packages received from lower level units. Consolidated packages may reflect different priorities, including the addition of new programs or the abolition of existing ones.

**RANKING**

The process by which managers array program or activity levels (as shown in decision packages) in decreasing order of priority. This

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the benefits  
levels.

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**CURRENT LEVEL**

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ranking process identifies the relative priority assigned to each decision package increment contained in the manager's budget request, based on the benefits to be gained at and the consequences of various spending levels.

#### **MINIMUM LEVEL**

The program, activity, or funding level below which it is not feasible to continue the program, activity, or entity because no constructive contribution can be made toward fulfilling its objective. The minimum level:

- may not be a fully acceptable level from the program manager's perspective; and
- may not completely achieve the desired objectives of the decision unit.

#### **CURRENT LEVEL**

The level that would be reflected in the budget if fiscal year 1978 activities were carried on at 1978 service or other output levels without major policy changes. A concept, not unlike current services, that nevertheless permits internal realignments of activities within existing statutory authorization. Estimates of personnel compensation and other objects of expenditure will be made in accordance with OMB Circular No. A-11.

## ECONOMIC TERMS AND DEFINITIONS

*This section contains economic terms and definitions that are used in connection with the budget, especially in discussions of the economic assumptions underlying the budget proposals and estimates. These terms are not formally or directly in the budget, fiscal, and program decision process; therefore, we are not suggesting that they be considered standard definitions. If we find that a term comes into regular use in the budget, congressional budget resolutions, appropriations, or authorizations, we will recommend a standard definition.*

### ABILITY TO PAY

The principle that the tax burden should be distributed according to a person's income. It is based on the assumption that as a person's income increases, the person can and should contribute a larger percentage of his income to support the Government. The progressive Federal income tax is an example of a tax based on this principle.

### AUTOMATIC STABILIZER (BUILT-IN STABILIZER)

A mechanism having a countercyclical effect that automatically moderates changes in incomes and output in the economy without specific decisions to change Government policy. Unemployment insurance and the progressive income tax are among the most important of the automatic stabilizers in the United States.

### BALANCE OF PAYMENTS

A statistical record of economic transactions between one country (the United States) and the rest of the world. The balance of payments accounts normally distinguish among transactions involving goods, services, short-term capital, and long-term capital.

### BUSINESS CYCLES

The recurrent phases of expansion and contraction in overall business activity, evidenced by fluctuations in measures of aggregate economic activity, such as gross national product. Although business cycles are recurrent, both the duration and the magnitude of the individual cycles vary greatly.

### CAPITAL

The designation of a major factor of production that can refer either to the financial

### CONSTANT DOLLAR

A dollar value derived by dividing by appropriate price indexes. The result is the same throughout time, only changes in price levels are reflected in the figures.

### CONSUMER PRICE INDEX

A statistical measure of the price level of a basket of consumer services purchased by urban consumers. It is based on about 400 "items" that are the same goods and services as in the previous year. Although the index is not a perfect measure of the price level, it is an important factor in determining monthly base

### COUNTERCYCLICAL

Actions aimed at counteracting cyclical fluctuations in the economy as more direct government programs. A countercyclical program without need for automatic stabilizers.

### CROWDING OUT

Refers to the displacement of private investment by government borrowing. It competes in the market for funds and could raise interest rates.

## **CAPITAL**

The designation applied in classical economic theory to one of the major factors of production, the others being land and labor. Capital can refer either to physical capital, such as plant and equipment, or to the financial capital resources required to purchase physical capital.

## **CONSTANT DOLLAR**

A dollar value adjusted for changes in prices. Constant dollar series are derived by dividing current dollar (see **CURRENT DOLLAR**) estimates by appropriate price indexes, a process generally known as deflating. The result is a series as it would presumably exist if prices were the same throughout as in the base year—in other words, as if the dollar had constant purchasing power. Any changes in such a series would reflect only changes in the real (physical) volume of output. Constant dollar figures are commonly used for gross national product and its components.

## **CONSUMER PRICE INDEX (CPI)**

A statistical measure of the average change in prices of goods and services purchased by urban wage earners and clerical workers for day-to-day living. The index compares the price (including taxes) of about 400 “market basket” items at current levels with the price for the same goods and services expressed in terms of a selected base year. Although the consumer price index is often called the “cost-of-living index,” it measures only price changes, which is just one of the several important factors affecting living costs. The index is published on a monthly basis by the Bureau of Labor Statistics.

## **COUNTERCYCLICAL**

Actions aimed at smoothing out swings in economic activity. Countercyclical action may take the form of monetary and fiscal policy, as well as more direct policies, such as countercyclical revenue sharing or jobs programs. Automatic (built-in) stabilizers have a countercyclical effect without necessitating changes in governmental policy. (See **AUTOMATIC STABILIZERS, STABILIZATION.**)

## **CROWDING OUT**

Refers to the shortage of credit for business investment as business competes in the credit market against sales of Government securities required to finance budgetary needs. If money were tight, such sales could raise interest rates sufficiently to “crowd out” private borrowing.

**CURRENT DOLLAR**

The dollar value of a good or service in terms of prices current at the time the good or service was sold. This is opposed to the value of the good or service in constant dollars. (See CONSTANT DOLLAR.)

**DEBT MANAGEMENT**

Operations of the U.S. Treasury Department that determine the composition of the Federal debt. Debt management consists primarily of manipulating the level of interest rates, the pattern of ownership of debt, and the maturity structure of debt.

**DEFICIT FINANCING**

A situation in which the Government's excess of expenditures over revenue for a given period of time is financed primarily by borrowing from the public.

**DEFLATION**

A decrease in the general price level usually accompanied by declining levels of output, increasing unemployment, and a contraction of the supply of money and credit. A significant general price decline during the contraction phase of the business cycle no longer occurs in advanced economies because of institutional barriers to downward adjustments in wages and prices. Declines in output with increases in unemployment, however, are sometimes themselves referred to as deflationary changes.

**DEVALUATION**

The lowering of the value of a nation's currency in relation to gold or to the currency of other countries, when this value is set by government intervention in the exchange market. It is normally used with reference to fixed exchange rates.

**DISCOUNT RATE**

The interest rate that a commercial bank pays when it borrows from a Federal Reserve bank. The discount rate is one of the tools of monetary policy used by the Federal Reserve. The Federal Reserve customarily raises or lowers the discount rate to signal a shift toward restraining or easing its money and credit policy. (See MONETARY POLICY.)

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### **DISPOSABLE PERSONAL INCOME**

Personal income less personal taxes and nontax payments to the Government. It is the income available to persons for spending or saving.

### **ECONOMETRICS**

A subdiscipline of economics that uses mathematical and statistical techniques in estimating economic relationships and testing economic theories. Econometric models attempt to measure the impact of one economic variable on another in order to explain past events, to forecast future events, or to evaluate the results of a particular economic policy.

### **ECONOMIC GROWTH**

An increase in a nation's productive capacity coupled with an increase in the production of goods and services. Economic growth usually is measured by the annual rate of increase in real (constant dollars) gross national product.

### **ECONOMIC INDICATORS**

A set of statistical series that have had a systematic relationship to the business cycle. Each indicator is classified as leading, coincident, or lagging, depending on whether it generally changes direction in advance of, coincident with, or subsequent to changes in the overall economy. Although no one indicator or set of indicators is a wholly satisfactory predictor of the business cycle, taken as a whole they are valuable tools for identifying and analyzing business cycle movements.

### **ECONOMIC MODEL**

A simplified representation of relationships among economic variables. A model can be presented verbally, diagrammatically, or as a set of mathematical equations.

### **EMPLOYMENT**

All persons who, during the week when the employment survey was taken, did any work for pay or profit, or who worked for 15 hours or more without pay on a farm or in a business operated by a member of the family. Also included are persons who did not work or look for work but had a job or business from which they were temporarily absent during the week.

**GROSS NATIONAL PRODUCT (GNP)**

The market value of all goods and services produced by labor, capital, and property supplied by residents of the United States in a given period of time. Depreciation charges and other allowances for business and institutional consumption of fixed capital goods are subtracted from GNP to get net national product. GNP comprises the purchases of goods and services by persons and Government, gross private domestic investment (including the change in business inventories), and net exports (exports less imports) The GNP can be expressed in current or constant dollars.

**GNP GAP**

The difference between the economy's output of goods and services and its potential output at full employment, i.e., the difference between actual GNP and the potential GNP.

**IMPLICIT PRICE DEFLATOR (GNP DEFLATOR)**

A price index for all goods and services produced in the economy, derived by calculating the ratio of the gross national product in current prices to the gross national product in constant prices. It is a weighted average of the price indexes used to deflate the components of current dollar GNP, the implicit weights being expenditures in the current period.

**INFLATION**

A persistent rise in the general price level which results in a decline in the purchasing power of money.

**LABOR FORCE**

Those persons who are employed plus those who are seeking work but are unemployed. The total labor force includes members of the armed forces stationed either in the United States or abroad (these are excluded from the civilian labor force).

**LIQUIDITY**

The ease with which an asset can be converted to cash at prevailing prices. Demand deposits (checking accounts) are more liquid than time (savings) deposits, but both are more liquid than real estate or plant and equipment.

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## **MACROECONOMICS**

The branch of economics that is concerned with aggregate economic analysis as opposed to the analysis of individual economic units, markets, or industries (microeconomics). For example, it includes the study of the general price level, national output or income, and total employment, rather than the prices of individual commodities or income and employment of individual firms.

## **MICROECONOMICS**

The branch of economics concerned with analysis of individual economic units, markets, or industries as opposed to aggregates (macroeconomics). For example, it deals with the division of total output among industries, products, and firms; with the allocation of resources among competing uses; and with the determination of relative prices of particular goods.

## **MONETARY POLICY**

Policies affecting the money supply, interest rates, and credit availability, that are intended to promote national economic goals such as employment, economic growth, and price level stability. Monetary policy is primarily directed by the Board of Governors of the Federal Reserve System and the Federal Open Market Committee. Monetary policy works by influencing the cost and availability of bank reserves. This is accomplished through open-market operations (the purchase and sale of securities, primarily Government securities), changes in the ratio of reserves to deposits that commercial banks are required to maintain, and changes in the discount rate.

## **MONEY SUPPLY**

The amount of money in the economy, variously defined.  $M_1$  consists of currency (coin and paper money) plus demand deposits (checking accounts).  $M_1$  is also known as the "money stock" or "the narrowly defined money supply."  $M_2$  is  $M_1$  plus commercial bank time and savings deposits other than large certificates of deposits (CDs), while  $M_3$  includes large CDs as well.

## **NATIONAL INCOME ACCOUNTS**

Accounts prepared and published on a quarterly and annual basis by the Department of Commerce, providing a detailed statistical description of the United States economy. These accounts depict in dollar terms the composition and use of the Nation's output and the distribution of national income to different recipients. The accounts



make it possible to trace long-term trends and current fluctuations in economic activity. The data that measure the Nation's total output are estimated in two principal ways:

- The value of the goods and services produced by the economy—referred to as the product side of the account. This is divided into the major uses for the output of the economy: consumer purchases, business investment, exports, and Government purchases.
- The costs incurred and types of income earned in producing those goods and services—referred to as the income side. This presents wages and salaries, profits, and other forms of income, indirect taxes, and capital consumption allowances generated in the production process.

Because the national income accounts offer a consistent picture of the economy, these accounts are basic tools used in analyzing past and current performance of the economy and also in forecasting future economic developments. Furthermore, this quantitative framework makes these accounts of great importance in the formulation of national economic policies.

#### **NET NATIONAL PRODUCT (NNP)**

The net market value of the goods and services produced by labor and property supplied by residents of the United States. Net national product equals gross national product less capital consumption allowances, which are estimates of the value of the capital goods "used up" in producing the gross national product.

#### **OPEN-MARKET OPERATIONS**

The purchase and sale of various securities, chiefly marketable Government securities, by the Federal Reserve System in the open market for the purpose of implementing Federal Reserve monetary policy. Open-market operations, one of the most flexible instruments of monetary policy, affects member bank reserves and thus the availability and cost of credit.

#### **PERSONAL INCOME**

The income received by persons (i.e., individuals, nonprofit institutions, private noninsured welfare funds, and private trust funds) from all sources. These sources include production; transfer payments from Government and business; and Government interest, which is treated like a transfer payment. Personal income is the sum of wage and salary disbursements, other labor income, proprietors' income, rental income

of persons, (less personal

#### **POTENTIAL GROWTH**

An estimate of the rate of utilization of the economy's resources. Utilization has been about 4 percent

#### **PRIME RATE**

The rate of interest charged by banks to their most creditworthy customers

#### **RECESSION**

A decline in the level of economic activity that is identified by a contraction of Economic Indicators for two consecutive quarters

#### **RESERVE REQUIREMENTS**

The percentage of deposits that banks are required to hold in their vaults or in the Federal Reserve. The policy of the bank is to maintain a certain level of reserves

#### **STABILIZATION POLICY**

The maintenance of a stable economic environment during a severe cycle of fluctuations in economic activity

#### **STAGFLATION**

The simultaneous occurrence of stagflation (stagnation and inflation)

of persons, dividends, personal interest income, and transfer payments, less personal contributions for social insurance

#### **POTENTIAL GROSS NATIONAL PRODUCT**

An estimate of how much the economy could produce with full utilization of its productive resources and existing technology. Full utilization has conventionally been defined as an unemployment rate of about 4 percent.

#### **PRIME RATE**

The rate of interest charged by commercial banks for short-term loans to their most creditworthy customers.

#### **RECESSION**

A decline in overall business activity which is pervasive, substantial, and of at least several months duration. Historically, recessions have been identified by a private research group—the National Bureau of Economic Research—as a decline in real gross national product for two consecutive quarters.

#### **RESERVE REQUIREMENTS**

The percentage of deposit liabilities that U.S. commercial banks are required to hold as a reserve at their Federal Reserve bank or as cash in their vaults. The reserve requirement is one of the tools of monetary policy. The Federal Reserve authorities can control the lending capacity of the banks, and thus influence the money supply, by varying the ratio of reserves to deposits that commercial banks are required to maintain.

#### **STABILIZATION**

The maintenance of high-level economic activity with an absence of severe cyclical fluctuations. Stability is usually measured by an absence of fluctuations in production, employment, and prices, three aspects of economic activity that tend to fluctuate in a cyclical fashion.

#### **STAGFLATION**

The simultaneous existence of high unemployment and high inflation.

## **SUBSIDY**

Generally, a payment by the Government or another benefit for which no current service is rendered and which is designed to support the conduct of an economic enterprise or activity, such as ship operating subsidies. It may also refer to provisions of the tax system that provide certain tax benefits (see TAX EXPENDITURES in the section on terms used in the budget process) and to the public provisions of loans, goods, services, etc., at lower prices than the recipients would have to pay in the market, such as interest subsidy.

## **TRANSFER PAYMENTS**

Government or business payments to individuals or organizations for which no current or future goods or services are required to be provided in return. Government transfer payments include social security benefits, unemployment insurance benefits, Government retirement and veterans benefits, and welfare payments. Business transfer payments include corporate gifts to nonprofit institutions and bad debts incurred by customers.

## **TREASURY BILLS**

The shortest term Federal security issued by the U.S. Government. Treasury bills have maturity dates varying from 3 to 12 months and are sold at a discount from face value rather than carrying an explicit rate of interest.

## **UNEMPLOYMENT**

Persons who, during a specified week, had no employment but were available for work and had sought employment within the past 4 weeks, were laid off from a job, or were waiting to report to a new job within 30 days.

## **UNEMPLOYMENT RATE**

The number of unemployed persons expressed as a percentage of the civilian labor force.

## **UNEMPLOYMENT RATE, INSURED**

The number of insured unemployed as a percentage of covered employment, i.e., those persons who are eligible to receive unemployment compensation benefits.

## **WAGES AND SALARIES**

Monetary remuneration for services rendered by employees of a corporation or other enterprise. Includes salaries, wages, bonuses, and commissions. Excludes payments to independent contractors and payments to the self.

## **WHOLESALE PRICES**

A measure of the average price level of goods and services sold in large quantities. Designed to measure the volume of trade in the United States. The Bureau of Economic Analysis publishes a monthly index of 2,700 commodities and services. Finished products are weighted more heavily than raw materials.

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### **WAGES AND SALARIES**

Monetary remuneration of employees, including the compensation of corporate officers, commissions, tips, bonuses, and receipts in kind that represent income to the recipients.

### **WHOLESALE PRICE INDEX**

A measure of producer prices in the United States. The index is designed to show changes in prices of commodities sold in substantial volume at the primary market level. The index is compiled monthly by the Bureau of Labor Statistics and includes a representative group of 2,700 commodities, ranging from crude rubber, cotton, and iron ore to finished apparel, tires, and machinery.

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