

# ANALYTICAL PERSPECTIVES



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BUDGET OF THE UNITED STATES GOVERNMENT

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*Fiscal Year 1999*

## THE BUDGET DOCUMENTS

***Budget of the United States Government, Fiscal Year 1999*** contains the Budget Message of the President and information on the President's 1999 budget proposals. In addition, the *Budget* includes the Nation's first 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 1998

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 ASSUMPTIONS

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# 1. ECONOMIC ASSUMPTIONS

## Introduction

The prudent fiscal and monetary policies pursued during this Administration have fostered the healthiest economy in over a generation. Judged by the yardsticks of growth, jobs, unemployment, inflation, interest rates and the stock market, 1997 was a banner year. Real Gross Domestic Product (GDP) expanded by nearly 4 percent, the Nation's payrolls increased by 3.2 million jobs, and the unemployment rate fell to the lowest level in 24 years. Despite robust growth, inflation edged down; the rise in the Consumer Price Index excluding the volatile food and energy components last year was the smallest since 1965. The combination of low inflation and low unemployment pulled the "Misery Index"—the sum of the inflation and unemployment rates—to its lowest level in three decades.

Households and businesses have prospered in this environment. Wages and salaries after adjustment for inflation have increased faster than at any time in the past two decades. And thanks to unusually strong productivity growth for this stage of an expansion, profits also have grown at a healthy pace. The share of profits in GDP climbed to over 10 percent last year, the highest it has been since 1968.

Financial markets have responded to these favorable developments by bidding up the prices of bonds and equities. Long-term interest rates, which move in the opposite direction from bond prices, fell one-half percentage point last year. At year's end, the yield on the 30-year Treasury bond was below 6 percent, the lowest level in four years. In early January, the rate fell another one-quarter percentage point to the lowest level since this maturity was first regularly issued in 1977.

The Dow Jones Industrial Average rose 23 percent during 1997, which followed a 68 percent gain during 1995–96. Since the end of 1994, the Dow average has doubled, making this the best three-year performance in the postwar period and the second best in the 101-year history of the Dow. The broader market indexes, the S&P 500 and the NASDAQ composite index, also doubled during these three years.

These outstanding financial and nonfinancial achievements—fostered by sound fiscal and monetary policies—have further boosted business and consumer confidence. Businesses last year spent heavily on capacity-expanding new plant and equipment; investment rose at a double-digit pace after adjustment for inflation. Consumer optimism soared. According to the University of Michigan Consumer Sentiment Index, optimism reached the highest level since the survey began in the early 1950s. Overseas investors also have expressed their confidence in the U.S. economy. With many finan-

cial markets around the world in turmoil, foreign investors increasingly turned to the safe haven provided by U.S. financial markets.

The fundamental forces affecting the economy and prospective fiscal and monetary policies point to continued healthy economic conditions in the coming years. The budget is projected to reach balance in 1999—the first time that has occurred in three decades—and to remain in balance during the remainder of the 10-year planning horizon. A stronger dollar is likely to keep inflation low. While some may have thought that real growth in the recent past was too fast, in the future these concerns may well be eased by developments in Asia. Against this background, monetary policy should be able to accommodate continued economic growth with low inflation.

The Administration projects real growth in the next few years to be around 2.0 percent per year, before rising to 2.4 percent in 2002–2007. The unemployment rate, which at current low levels may run the risk of igniting inflation, is projected to edge up slightly to a rate that the Administration conservatively estimates to be consistent with stable inflation. Nonetheless, millions of new jobs are expected to be created. Short-term interest rates are projected to decline and long-term rates are expected to remain relatively low as private and public credit demands ease and as expectations of continued low inflation are incorporated into bond yields. Beyond 1999, the Administration's economic projections represent expected trends rather than a definite cyclical pattern.

Private forecasters have a similarly favorable view of the economic outlook. The January *Blue Chip* consensus forecast, an average of 50 private forecasts, projected real growth, unemployment and inflation at rates nearly identical to those used in this budget. The projected interest rates were somewhat higher than in the budget assumptions. The similarity to the private sector forecasts is an indication that the Administration's assumptions are a reasonable, prudent basis for projecting the budget.

The expansion that began in April 1991 has just completed 82 consecutive months of growth, exceeding 17 of the 20 expansions of this century. By December of this year, the expansion will become the second longest U.S. expansion of all time and the longest peacetime expansion. If it continues through February 2000, this expansion will set a new longevity record, outlasting the current record of 106 months of uninterrupted growth in the 1960s. According to the *Blue Chip* survey, most private-sector forecasters now expect this to happen.

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 fiscal balance and the structural deficit. The chapter concludes with estimates of the sensitivity of the budget to changes in economic assumptions.

### Fiscal and Monetary Policy

When this Administration took office, its first priority was to reverse the 12-year trend of large, uncontrolled fiscal deficits. The Administration proposed, and Congress passed, the landmark Omnibus Budget Reconciliation Act of 1993 (OBRA) which set the budget deficit on a downward path. After having reached a postwar record of \$290 billion in 1992—a huge 4.7 percent of GDP—the deficit has declined each year, falling to just \$22 billion in 1997—just 0.3 percent of GDP. The last time the deficit share of GDP was this low was in 1970.

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. Over the five years 1993–97, the cumulative deficit reduction has been \$811 billion. In other words, OBRA and subsequent developments have enabled the Treasury to issue \$811 billion less debt than would have been required under previous law. By 1998, the cumulative deficit reduction from 1994 through 1998 is estimated to be \$1.1 trillion, more than double the original estimate.

While OBRA fundamentally altered the course of fiscal policy towards lower deficits, it was not projected to eliminate the deficit. In the absence of further action, deficits were expected to begin to climb once again. To prevent this and bring the budget into surplus, last summer the Administration negotiated the Balanced Budget Agreement with the Congress. This budget proposes to achieve a surplus in 1999—three years earlier than originally projected. The last budget surplus was in 1969. OBRA and the Balanced Budget Agreement together are expected to reduce the deficit by a cumulative total of \$3.3 trillion over 1993–2002 compared with the pre-OBRA baseline.

The economy has outperformed most forecasters' expectations in recent years and, at the same time, deficits have been much lower than projected. 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 extra capacity, in turn, prevents shortages and bottlenecks that might otherwise emerge.

Lower interest rates also raise equity prices, which reduces the cost of capital to business and increases

household wealth and optimism. The added impetus to business and consumer spending creates new jobs and business opportunities. The result is more production, more income, more jobs, more Federal revenues, and a smaller deficit—a virtuous circle of prosperity. That has been the experience of the past five years, and it will be the likely consequence of policies that achieve budget surpluses, and reduce Government debt.

In this expansion, monetary policy shifted when necessary to prevent inflation from picking up, and shifted again to prevent the expansion from stalling when that seemed needed. In 1994 and early 1995, monetary policy tightened when rapid growth raised the possibility that inflationary pressures were about to build. During 1995 and early 1996, monetary policy eased because the expansion appeared to be slowing unduly and the risk of higher inflation had lessened. Since January 1996, monetary policy has remained steady. The sole adjustment was in March 1997 when the federal funds rate target was raised one-quarter percentage point to its current level of 5½ percent.

Stable monetary policy for the past two years has kept the 3-month Treasury bill rate in a narrow range around 5 percent. Long-term interest rates have fluctuated in response to the outlook for inflation and the deficit. When economic growth accelerated during the first four months of 1997, the yield on the 30-year Treasury bond edged up 50 basis points to 7.1 percent. During the remainder of the year, however, the rate fell over 100 basis points in response to low inflation, the agreement to balance the budget, the unexpectedly low 1997 budget deficit, and international developments. By early 1998, the yield had fallen to 5.7 percent.

### Recent Developments

**Real Growth:** The economy expanded an estimated 3.7 percent over the four quarters of 1997, up from 2.8 percent the prior year. As in 1996, the fastest growing sector was business fixed investment. During the first three quarters of 1997, business spending for new plant and equipment rose at a 13 percent annual rate after adjustment for inflation, led by an 18 percent advance in equipment spending. The biggest gains continued to be for information processing and related equipment, but businesses invested heavily in other forms of equipment and in structures as well.

This exceptionally strong business capital spending has boosted productivity and expanded industrial capacity to meet current and future demands. Manufacturing capacity rose by more than 5 percent in each of the past three 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 1997, the manufacturing operating rate was near 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, rising real incomes,



and large capital gains have provided households with the resources and willingness to spend heavily, especially on discretionary purchases. Overall consumer spending after adjustment for inflation rose at a 4 percent annual rate during the first three quarters of the year; spending on durable goods soared at a 9 percent pace.

The same factors spurring consumption, along with relatively low mortgage rates, pushed new home sales during the first 11 months of 1997 to their highest level since 1978. Buoyant sales and low inventories of unsold homes have provided a strong incentive for builders to start new construction. Housing starts remained at high levels last year, and residential investment, after adjustment for inflation, increased at nearly a 5 percent annual rate during the first three quarters of the year.

Government purchases, on balance, made only a small contribution to GDP growth last year. Federal government spending in GDP after adjustment for inflation was about unchanged over the first three quarters. State and local spending rose at only a 2 percent rate during this period, despite the healthy fiscal surpluses that have resulted from sharply rising incomes and profits.

The foreign sector was the primary restraint on growth last year, trimming real GDP growth by nearly 1 percentage point during the first three quarters of the year. Although exports expanded rapidly, import growth was even stronger. The widening of the net export deficit reflected the relatively faster growth of domestic demand in the United States than in our trading partners, and also the rise in the dollar. Last year, the dollar gained 12 percent on a trade-weighted basis on top of a 4 percent rise during 1996.

**Labor Markets:** The performance of the labor market last year far exceeded most predictions. At the start of the year, most forecasters had expected the unemployment rate to rise slightly during 1997. Instead, the unemployment rate fell 0.6 percentage point to 4.7 percent by December 1997. November's rate was 4.6 percent. This is the lowest two consecutive months since March/April 1970. When this Administration took office, the unemployment rate was 7.3 percent. All demographic groups have benefited from the decline. Thirty-eight states had unemployment rates of 5.0 percent or less at the end of last year; only five had rates above 6.0 percent.

The Nation's payrolls expanded by 3.2 million jobs last year, the biggest gain since 1994. Since the Administration took office in January 1993, 14.3 million jobs have been created. Job growth was widespread across industries last year. The service sector accounted for most of the new jobs, but manufacturing industries increased their payrolls by over 200,000 jobs. State and local government payrolls also expanded, while Federal government employment continued to contract. The abundance of employment opportunities pushed the employment/population ratio up to 64.1 percent by year-end, the highest level on record.

**Inflation:** Despite rapid growth and the unusually low unemployment rate last year, inflation not only remained low, it actually declined. The broadest measure of inflation, the GDP chain-weighted price index, rose at just a 1.9 percent annual rate during the first three quarters of 1997, 0.4 percentage point less than during the four quarters of 1996. The last time aggregate inflation was this low was in 1964. The Consumer Price Index (CPI) and the CPI excluding food and energy also increased less in 1997 than in 1996. The core CPI excluding food and energy rose just 2.2 percent last year, the slowest rise since 1965. The total CPI rose even less, 1.7 percent, because of falling energy prices.

The favorable inflation performance was the result of several factors. The rise in the dollar has reduced the costs of imported materials and intensified price competition from imports. Non-oil import prices have fallen nearly every month in the past two years. Although the pace of wages and salaries picked up, overall compensation costs were restrained by continued low health-care inflation. Finally, robust investment in new plant and equipment has contributed to unusually strong productivity growth for this stage of an expansion, restraining inflation by offsetting gains in labor compensation. Unit labor costs have risen very slowly during the first three quarters of 1997.

The absence of inflation 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 5.4 percent. That is 0.1 percentage point less than estimated in the 1998 Budget assumptions and 0.3 percentage point less than in the 1997 Budget.

By the end of 1997, the unemployment rate was about three-quarter percentage point below the current estimate of NAIRU. In the absence of special factors, if unemployment remains below NAIRU, inflation would eventually creep up. The Administration forecast for real growth over the next three years, however, is moderate enough to imply that unemployment will return to 5.4 percent.

### Statistical Issues

The U.S. statistical agencies endeavor to produce accurate measures of the economy's performance. Nonetheless, in recent years serious concerns have been raised about possible mismeasurement, 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, that is, GDP would match Gross Domestic Income (GDI). However, because the series are based on 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  $-\$103$  billion in the third quarter of 1997—a nearly record-setting 1.3 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  $\$71$  billion. A swing of this magnitude means that during the past four and a half years, the annual average real growth rate measured from the familiar output side has been about 0.5 percentage point less than the growth rate measured from the income side. During the first three quarters of last year, real GDP rose at a 3.8 percent annual rate but real Gross Domestic Income at a 4.5 percent pace. In the third quarter of 1997, the divergence widened further. Real GDP growth was at a 3.1 percent annual rate, but real GDI surged at a 4.5 percent rate.

The absence of a single, clear picture of the economy's actual growth performance is a cause for concern. It is difficult to know if growth is accelerating or decelerating; if actual growth is above or below the economy's potential growth rate; or even what the economy's potential growth rate is.

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, measured from the last cyclical peak to the third quarter of 1997, labor productivity growth has increased at a 1.1 percent annual rate according to the official productivity statistics which measure output growth from the product side. Labor productivity growth measured from the income side, however, has risen at a 1.5 percent annual rate.

It is unclear whether the product or the income side provides the more accurate measure of growth. The Bureau of Economic Analysis recognizes the shortcomings of both measures but believes that GDP is a more reliable measure of output than GDI (see *The Survey of Current Business*, August 1997, page 19). Other experts believe that GDI, or 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 measure. The recent combination of low inflation and a rising profits share suggests that productivity growth is stronger than reported from the output side. Moreover, the unexpected strength of Treasury receipts in the last two 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 excluded from the national income accounts, this source does not fully account for the surge.

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 have a larger degree of uncertainty because they are dependent on the forecast for growth. As shown in Table 1-6, "Sensitivity of the Budget to Economic Assumptions," errors in forecasting real GDP growth can have a significant effect on the budget balance.

**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 have important meaning relative to a goal of price stability when inflation is low, while it may have less significance when inflation is higher.

In recent years, serious questions have been raised about the magnitude of bias in the Consumer Price Index. 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. The Bureau of Labor Statistics (BLS), however, believes that the empirically demonstrated bias is significantly less.

The BLS has instituted a number of methodological changes in recent years to improve the accuracy of the Consumer Price Index, and has announced several more changes that will be put in place this year and next. Taken together, these changes are estimated to result in a 0.7 percentage point slower annual rise in the CPI by 1999. The changes instituted from 1995-1997 are estimated to have slowed the growth of the CPI by 0.3 percentage point per year; the forthcoming changes are expected to trim another 0.4 percentage point per year. Because the CPI is used to deflate some nominal spending components of GDP, a slower rise in the CPI translates into a faster rise in real GDP. By 1999, measured real GDP growth and, therefore, productivity growth, is likely to be boosted by 0.2 percentage point per year as a consequence of the cumulative improvements to the CPI since 1995.

Two methodological improvements have been instituted beginning with the release of the CPI for January 1998: an updating of the expenditure weights, and a better technique for estimating quality improvements for computers. Together, the two changes are expected to slow CPI growth by 0.2 percentage point per year.

This year, the BLS updated the expenditure weights used in the CPI from a 1982-84 basis to 1993-95, using Consumer Expenditure Survey data. At the same time, BLS introduced a more accurate geographic sample based on the 1990 decennial census, and redefined the groupings of items. In the future, BLS expects to introduce updated expenditure weights more frequently than in the past, when there were approximately 10 years between updates.

For computers and peripheral equipment, the BLS has now begun to use a hedonic regression procedure to distinguish price from quality changes. The esti-

mated value of an improvement obtained from this regression procedure is deducted from the observed price change for the product. For example, if the CPI sample of computer prices shows no change in the retail price of a new computer, but it is 20 percent better than the prior model as measured by the hedonic procedure, the CPI will report a corresponding drop in price for this model. A similar procedure has been adopted for estimating computer prices in the Producer Price Index and in the National Income and Product Accounts. It is especially important to measure accurately, and on a timely basis, the extraordinary leaps in computer power that must be a part of a meaningful measure of computer prices.

For 1999, BLS has announced that it will select items to 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.

A very important change next year will be the replacement of the current fixed-weighted Laspeyres formula by a geometric mean formula for combining individual price quotations at the lower level of aggregation in the CPI. Under certain assumptions, a CPI calculated using geometric means more closely approximates a cost-of-living index. Unlike the current fixed-weighted aggregation, the geometric mean formula allows for shifts in consumer spending patterns in response to changes in relative prices within categories of goods and services.

Since last April, the BLS has been publishing an experimental CPI each month that uses geometric means for all lower level aggregation and has provided a historical series beginning with December 1990. If a geometric mean is used for all lower level aggregation, BLS estimates that the growth in the CPI would be slowed by about one-quarter percentage point per year. Partial adoption would result in a lesser impact. BLS is expected to announce shortly which categories will be shifted to geometric means next year and the likely impact on the growth of the CPI.

### Economic Projections

The economy's strong performance last year and the continuation of the virtuous circle of prosperity made possible by sound fiscal and monetary policies raises the possibility that actual economic developments may even be better than the assumptions—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.

**Virtuous Circle of Prosperity:** 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 support a continuation of the favorable economic performance of recent years. The shift from Federal Government dissaving to saving would pull interest rates down, stimulating private sector invest-

ment in new plant and equipment. The economy is likely to continue to grow, although at a more moderate pace than during 1997. While job opportunities are expected to remain plentiful, the unemployment rate is likely to rise gradually to a level consistent with stable inflation. New job creation would boost incomes and consumer spending and keep confidence at a high level. Continued low inflation would enable monetary policy to support economic growth. Growth, in turn, would further improve the budget balance.

**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 conservative, mainstream assumptions, growth has exceeded the pace that can be maintained on a sustained basis, which could eventually result in upward pressures on inflation. A slowdown has been expected for this reason. Also, the financial dislocations in Asia could contribute to this slowing of U.S. growth. 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. Real GDP growth in 2008 is projected to slow to 2.3 percent to reflect the beginning of the years of 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 1 percentage point during 1998, as our export growth is curtailed by slower growth in Asia and the appreciation of the dollar. Thereafter, as the effects of the crisis abroad wane, export growth is likely to pick up slightly. Beginning with 1999, 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, the high level of housing starts in recent years and underlying demographic trends may tend to reduce growth. Consumer spending, especially on durable goods, is also likely to moderate from the rapid pace of 1997. The fundamental factors supporting consumer spending are likely to remain favorable, although not quite to the same extent as during 1997. The government component of GDP will hardly grow through 2003. A decline in Federal consumption and gross investment is projected to be offset by moderate growth in State and local spending.

Continued strong growth of business fixed investment and the output-increasing effects of methodological improvements to the CPI noted above are expected to raise the measured trend of productivity growth during the next six years to 1.3 percent per year. By comparison, during the seven years following the last business cycle peak in the third quarter of 1990, productivity growth averaged 1.1 percent per year, as measured from the GDP side of the accounts.

**Table 1-1. ECONOMIC ASSUMPTIONS<sup>1</sup>**  
(Calendar years; dollar amounts in billions)

	Actual 1996	Projections						
		1997	1998	1999	2000	2001	2002	2003
<b>Gross Domestic Product (GDP):</b>								
Levels, dollar amounts in billions:								
Current dollars .....	7,636	8,080	8,430	8,772	9,142	9,547	9,993	10,454
Real, chained (1992) dollars .....	6,928	7,187	7,357	7,503	7,652	7,820	8,008	8,199
Chained price index (1992 = 100), annual average .....	110.2	112.5	114.6	116.9	119.5	122.1	124.8	127.5
Percent change, fourth quarter over fourth quarter:								
Current dollars .....	5.6	5.5	4.0	4.1	4.3	4.6	4.6	4.6
Real, chained (1992) dollars .....	3.2	3.6	2.0	2.0	2.0	2.3	2.4	2.4
Chained price index (1992 = 100) .....	2.3	1.9	2.0	2.1	2.2	2.2	2.2	2.2
Percent change, year over year:								
Current dollars .....	5.1	5.8	4.3	4.1	4.2	4.4	4.7	4.6
Real, chained (1992) dollars .....	2.8	3.7	2.4	2.0	2.0	2.2	2.4	2.4
Chained price index (1992 = 100) .....	2.3	2.0	1.9	2.0	2.2	2.2	2.2	2.2
<b>Incomes, billions of current dollars:</b>								
Corporate profits before tax .....	677	729	754	768	790	805	830	851
Wages and salaries .....	3,633	3,868	4,057	4,237	4,424	4,623	4,840	5,068
Other taxable income <sup>2</sup> .....	1,693	1,786	1,859	1,915	1,975	2,046	2,128	2,213
<b>Consumer Price Index (all urban):<sup>3</sup></b>								
Level (1982-84 = 100), annual average .....	157.0	160.7	164.1	167.7	171.5	175.5	179.5	183.6
Percent change, fourth quarter over fourth quarter .....	3.2	2.0	2.2	2.2	2.3	2.3	2.3	2.3
Percent change, year over year .....	2.9	2.4	2.1	2.2	2.3	2.3	2.3	2.3
<b>Unemployment rate, civilian, percent:</b>								
Fourth quarter level .....	5.3	4.8	5.0	5.2	5.4	5.4	5.4	5.4
Annual average .....	5.4	5.0	4.9	5.1	5.3	5.4	5.4	5.4
<b>Federal pay raises, January, percent:</b>								
Military <sup>4</sup> .....	2.6	3.0	2.8	3.1	3.0	3.0	3.0	3.0
Civilian <sup>5</sup> .....	2.4	3.0	2.8	3.1	3.0	3.0	3.0	3.0
<b>Interest rates, percent:</b>								
91-day Treasury bills <sup>6</sup> .....	5.0	5.0	5.0	4.9	4.8	4.7	4.7	4.7
10-year Treasury notes .....	6.4	6.4	5.9	5.8	5.8	5.7	5.7	5.7

<sup>1</sup> Based on information available as of early December 1997.

<sup>2</sup> Rent, interest, dividend and proprietor's components of personal income.

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> Overall average increase, including locality pay adjustments.

<sup>6</sup> Average rate (bank discount basis) on new issues within period.

Potential GDP growth of 2.4 percent during the projection horizon 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 0.4 percent per year since 1994, as falling unemployment and rapidly expanding job opportunities have strongly induced job-seeking. But with the labor force participation rate and employment/population ratio at post-World War II highs, it is prudent to project a slower rise in the coming years. In addition, the female participation rate, which had risen sharply during much of the postwar period, grew much slower during the 1990s, and this trend is assumed to continue.

The real GDP growth projection of 2.0 percent through 2000 is consistent with a gradual rise in the unemployment rate to 5.4 percent. Unemployment is then projected to remain on a plateau at that level

from 2001 onward, when real GDP growth averages the Administration's estimate of the economy's potential growth rate.

**Inflation:** With unemployment expected to be slightly below NAIRU during the next three years, inflation is projected to creep up by about one-quarter percentage point by 2000. The CPI is projected to increase 2.3 percent in that year and the subsequent years of the forecast horizon; the GDP chain-weighted price index is projected to increase 2.2 percent in 2000 and beyond. The relatively small 0.1 percentage point difference between the two inflation measures is narrower than in the past because of recent and forthcoming methodological improvements to both indexes.

Despite the relatively tight labor market in the next few years, inflation 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, as discussed above, the methodological improvements to the CPI will offset some of the rise that might otherwise occur. By 1999, the improvements instituted this year and next will trim about 0.4 percentage point off of the annual rise in the CPI. These same improvements are likely to restrain the rise in the GDP chain weighted price index by about 0.1 percentage point per year.

**Interest Rates:** The assumptions, which were finalized in early December, project a gradual decline in short- and long-term interest rates consistent with the improved fiscal balance and low inflation. By 2001 the 91-day Treasury bill rate is expected to be 30 basis points lower than the fourth quarter 1997 average; the yield on the 10-year Treasury bond is projected to be 20 basis points lower.

The sharp drop in long-term rates in early 1998 has already driven long-term rates below the levels anticipated in the economic assumptions. Recent developments, including the improved budget outlook, may have caused market participants to lower their expectations for inflation and credit demands. The turmoil in Asian markets may have fostered further portfolio adjustments into the safe haven of U.S. bonds. In light of these developments, it is possible that long-term rates will be lower on average than those in the economic assumptions. Financial markets, however, can be quite volatile; the recent drop in long rates could prove to be temporary.

**Incomes:** The moderating of real growth during the projection horizon is expected to shift the distribution of national income slightly, augmenting the share going to labor while trimming the unusually high profits share in GDP. On balance, total taxable income is projected to decline gradually as a share of GDP.

Between 1997 and 2003, aggregate wages and salaries are projected to rise 31 percent in nominal terms and 15 percent after adjustment for inflation. Corresponding to the rise in the wage share, corporate profits before tax are projected to rise just 16 percent in nominal terms from 1997 to 2003, a markedly slower pace than in recent years. By 2003, taxable profits as a share of GDP are projected to be about 1 percentage point lower than the 30-year high reached during 1997. The favorable impact of lower interest rates on the debt service payments of the corporate sector helps to cushion the impact on profits of the expected shift of income back toward wages.

Lower interest rates will pull down the share of personal interest income in GDP because the household sector is a net lender in the economy. Little change is expected in the shares of other components of taxable income (dividends, rents and proprietors' income).

### Comparison with CBO

The Congressional Budget Office (CBO) develops economic projections used by Congress in formulating its budget policy. In the executive branch, the analogous function is performed jointly by the Treasury, the Council of Economic Advisers (CEA), and the Office of Management and Budget (OMB). These two sets of economic projections can be compared with one another, but differences in their preparation should be borne 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 unchanged; thus, it makes a "pre-policy" or baseline projection, while the Administration's projections are "post-policy."

- The two sets of projections are often prepared at different times. The Administration's projections must be prepared months ahead of the release of the budget. Differences in the Administration's and CBO's near-term forecasts, therefore, can be due to the availability of more recent data to CBO; a direct comparison with the CBO near-term projections is not always meaningful. 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 current CBO and Administration projections.

- **Real GDP:** The projections of real GDP growth are quite similar. The Administration projects that real GDP will grow at an average annual rate of 2.2 percent from 1998 through 2003; CBO projects a 2.1 percent rate.
- **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, CBO assumes that inflation will average 2.3 percent a year over the 1998–2003 period while the Administration projects a 2.1 percent average for that span; CBO expects the annual rate of change in the CPI to average 0.4 percentage point higher than the Administration forecast over the same period.
- **Unemployment:** CBO projects unemployment to rise from its fourth quarter average of 4.7 percent to 5.9 percent by 2003, slightly above its estimate of the NAIRU. The Administration believes unemployment will average its estimate of the NAIRU, 5.4 percent, during 2001 to 2003.
- **Interest rates:** Both the Administration and CBO expect a similar decline to a level of 4.7 percent by the year 2001 for the 91-day bill rate. The Administration, however, projects a slightly greater (0.2 percentage point) decline in long-term rates than does CBO.
- **Income distribution:** Both CBO and the Administration project a decline in the profits share of GDP, although both also expect a shift of income from personal interest income to corporate profits. In part because the Administration assumes a slightly larger decline in long-term interest rates than does CBO, it projects less of a decline in the profits share. CBO projects a slightly higher wage and salary share of GDP than does the Ad-

Table 1-2. COMPARISON OF ECONOMIC ASSUMPTIONS

(Calendar years; percent)

	Projections					
	1998	1999	2000	2001	2002	2003
<b>Real GDP (chain-weighted):<sup>1</sup></b>						
CBO January .....	2.3	1.9	1.9	2.0	2.2	2.3
1999 Budget .....	2.0	2.0	2.0	2.3	2.4	2.4
<b>Chain-weighted GDP Price Index:<sup>1</sup></b>						
CBO January .....	2.1	2.2	2.4	2.5	2.4	2.5
1999 Budget .....	2.0	2.1	2.2	2.2	2.2	2.2
<b>Consumer Price Index (all-urban):<sup>1</sup></b>						
CBO January .....	2.4	2.5	2.7	2.8	2.8	2.8
1999 Budget .....	2.2	2.2	2.3	2.3	2.3	2.3
<b>Unemployment rate:<sup>2</sup></b>						
CBO January .....	4.8	5.1	5.4	5.6	5.8	5.9
1999 Budget .....	4.9	5.1	5.3	5.4	5.4	5.4
<b>Interest rates:<sup>2</sup></b>						
<b>91-day Treasury bills:</b>						
CBO January .....	5.3	5.2	4.8	4.7	4.7	4.7
1999 Budget .....	5.0	4.9	4.8	4.7	4.7	4.7
<b>10-year Treasury notes:</b>						
CBO January .....	6.0	6.1	6.0	5.9	5.9	5.9
1999 Budget .....	5.9	5.8	5.8	5.7	5.7	5.7
<b>Taxable income<sup>3</sup> (share of GDP):</b>						
CBO January .....	79.0	78.3	77.7	77.3	77.0	76.7
1999 Budget .....	79.1	78.9	78.6	78.3	78.0	77.8

<sup>1</sup> Percent change, fourth quarter over fourth quarter.<sup>2</sup> Annual averages, percent.<sup>3</sup> Taxable personal income plus corporate profits before tax.

ministration. Overall, CBO's taxable income share of GDP declines from 79.1 percent for 1997 to 76.7 percent for 2003; the Administration's assumptions also show a decline, but only to 77.8 percent for 2003. Both forecasts thus recognize that the 1997 share is historically high, in large measure reflecting the discrepancy in recent GDP and GDI growth rates discussed earlier in this Chapter.

CBO has a good economic forecasting record. During much of the 1980s, its forecasts were more accurate than those of the Administrations then in office. The record over the last five years, however, has been more mixed. Since it took office in 1993, this Administration has placed high priority on careful and prudent economic forecasts. Economic performance in the last four years has been better than assumed by the Administration, while exceeding CBO's assumptions by an even wider margin. The Administration's cautious approach to forecasting is one of the reasons that actual deficits have consistently come in below expectations since 1993.

The differences in economic assumptions between the Administration and CBO have been small—smaller than they were under previous Administrations, and well within the usual range of error in such projections. CBO's assumptions and those used in this Budget are unusually close, and both are similar to private sector forecasts such as the *Blue Chip* consensus. However, even small differences in economic assumptions can yield sizable differences in budget projections when extended over a long planning horizon. Given the positive

economic outlook in the United States—steady growth, robust job creation, and low inflation and interest rates with none of the excesses that foreshadow an economic downturn—there are sound reasons for believing that the Administration's projection is likely to be close to the actual outcome.

### 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 balanced budget would result in a significant decline in interest rates that would serve to extend the economic expansion at a moderate pace, while helping to maintain low, steady rates of inflation and unemployment. A shift to a balanced budget and the ensuing lower interest rates were also expected to shift income from interest to profits. This would have favorable effects on budget receipts and the deficit, 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 more favorable economic experience in 1997 than was anticipated. Economic growth was stronger than expected in 1997, while inflation and unemployment were lower. Because of this favorable experience, the projected annual averages for the unemployment and inflation rates have been reduced slightly. At the same time, interest rates are again assumed to decline in this

**Table 1-3. COMPARISON OF ECONOMIC ASSUMPTIONS IN THE 1998 AND 1999 BUDGETS**  
(Calendar years; dollar amounts in billions)

	1997	1998	1999	2000	2001	2002	2003
Nominal GDP:							
1998 Budget assumptions <sup>1</sup> .....	8,005	8,379	8,786	9,226	9,686	10,167	10,674
1999 Budget assumptions .....	8,080	8,430	8,772	9,142	9,547	9,993	10,454
Real GDP (percent change): <sup>2</sup>							
1998 Budget assumptions .....	2.0	2.0	2.3	2.3	2.3	2.3	2.3
1999 Budget assumptions .....	3.6	2.0	2.0	2.0	2.3	2.4	2.4
GDP price index (percent change): <sup>2</sup>							
1998 Budget assumptions .....	2.5	2.6	2.6	2.6	2.6	2.6	2.6
1999 Budget assumptions .....	1.9	2.0	2.1	2.2	2.2	2.2	2.2
Consumer Price Index (percent change): <sup>2</sup>							
1998 Budget assumptions .....	2.6	2.7	2.7	2.7	2.7	2.7	2.7
1999 Budget assumptions .....	2.4	2.1	2.2	2.3	2.3	2.3	2.3
Civilian unemployment rate (percent): <sup>3</sup>							
1998 Budget assumptions .....	5.3	5.5	5.5	5.5	5.5	5.5	5.5
1999 Budget assumptions .....	5.0	4.9	5.1	5.3	5.4	5.4	5.4
91-day Treasury bill rate (percent): <sup>3</sup>							
1998 Budget assumptions .....	5.0	4.7	4.4	4.2	4.0	4.0	4.0
1999 Budget assumptions .....	5.0	5.0	4.9	4.8	4.7	4.7	4.7
10-year Treasury note rate (percent): <sup>3</sup>							
1998 Budget assumptions .....	6.1	5.9	5.5	5.3	5.1	5.1	5.1
1999 Budget assumptions .....	6.4	5.9	5.8	5.8	5.7	5.7	5.7

<sup>1</sup> Adjusted for July 1997 NIPA revisions.

<sup>2</sup> Fourth quarter-to-fourth quarter.

<sup>3</sup> Calendar year average.

budget, but the decline is smaller in percentage points, in part because the deficit has already fallen much faster than expected.

The net effects on the budget of these modifications in the economic outlook are shown in Table 1-4. The largest effects come from higher receipts during 1998-2002 due to higher projected levels of taxable in-

comes. In all years through 2003, there are higher outlays for interest due to the smaller expected decline in interest rates, offset by lower outlays for cost-of-living adjustments to Federal programs due to lower rates of inflation. A more favorable economic outlook since last year improves the budget balance by \$38 billion for 1998 and by \$15 billion in 2003.

**Table 1-4. EFFECTS ON THE BUDGET OF CHANGES IN ECONOMIC ASSUMPTIONS SINCE LAST YEAR**  
(In billions of dollars)

	1998	1999	2000	2001	2002	2003
<b>Budget totals under 1998 Budget economic assumptions and 1999 Budget policies:</b>						
Receipts .....	1,630.0	1,714.3	1,775.4	1,855.1	1,947.3	2,032.4
Outlays .....	1,677.9	1,745.0	1,796.8	1,846.8	1,874.5	1,964.5
Deficit (-) or surplus .....	-47.9	-30.7	-21.4	8.3	72.8	67.8
<b>Changes due to economic assumptions:</b>						
Receipts .....	27.9	28.4	18.2	7.5	2.0	-4.2
Outlays:						
Inflation .....	-4.4	-8.1	-12.4	-16.8	-20.8	-25.3
Unemployment .....	-5.4	-4.2	-2.4	-1.0	-1.0	-1.1
Interest rates .....	0.7	3.4	7.3	10.6	12.7	13.7
Interest on changes in borrowing .....	-1.0	-2.8	-4.2	-5.1	-5.8	-6.5
Total, outlay decreases (net) .....	-10.1	-11.8	-11.7	-12.4	-14.9	-19.2
Increase in surplus or reduction in deficit .....	38.0	40.2	29.9	19.9	17.0	15.0
<b>Budget totals under 1999 Budget economic assumptions and policies:</b>						
Receipts .....	1,657.9	1,742.7	1,793.6	1,862.6	1,949.3	2,028.2
Outlays .....	1,667.8	1,733.2	1,785.0	1,834.4	1,859.6	1,945.4
Deficit (-) or surplus .....	-10.0	9.5	8.5	28.2	89.7	82.8

### 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 NAIRU. The portion of the surplus or deficit that can be traced to such factors is called the cyclical surplus or deficit. The remainder, the portion that would remain with unemployment at NAIRU (consistent with a 5.4 percent unemployment rate), is called the structural surplus or deficit.

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 returns to normal operating levels.

In the early 1990's, 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.

Because unemployment is projected to be quite close to NAIRU over the forecast horizon, the cyclical component of the surplus is small. For the period 1997 through 2000, the unemployment rate is slightly below the estimated NAIRU of 5.4 percent, resulting in cyclical surpluses. 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. The most significant point illustrated by this table is the fact that of the \$268 billion reduction in the actual budget deficit between 1992 and 1997 (from \$290 billion to \$22 billion), 35 percent (\$94 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.

### 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 or deficit.

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 higher rate of real GDP growth is generally associated with a declining rate of unemployment, while weak 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 1998 only and the unemployment rate rises by one-half percentage point, the fiscal 1998 deficit would increase by \$9.1 billion; receipts in 1998 would be lower by about \$7.5 billion, and outlays would be higher by about \$1.5 billion, primarily for unemployment-sensitive programs. In 1999, the receipts shortfall would grow further to about \$16.2 billion, and outlays would increase by about \$5.5 billion relative to the base, even though the growth rate in calendar 1999 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.

Table 1-5. ADJUSTED STRUCTURAL BALANCE

(In billions of dollars)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Unadjusted deficit (-) or surplus .....	-290.4	-255.0	-203.1	-163.9	-107.4	-21.9	-10.0	9.5	8.5	28.2	89.7	82.8
Cyclical component .....	-72.5	-57.2	-27.8	-8.4	-4.2	21.4	30.1	19.6	9.0	.....	.....	.....
Structural deficit (-) or surplus .....	-217.9	-197.8	-175.3	-155.5	-103.2	-43.4	-40.1	-10.0	-0.4	28.2	89.8	82.8
Deposit insurance outlays .....	-2.3	-28.0	-7.6	-17.9	-8.4	-14.4	-4.5	-4.5	-1.9	-1.4	-1.2	-0.3
Adjusted structural deficit (-) or surplus .....	-220.3	-225.8	-182.9	-173.4	-111.6	-57.8	-44.6	-14.5	-2.3	26.7	88.6	82.5



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 (1998–2003) 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 \$153.3 billion relative to the base case by 2003.

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 \$130.2 billion worsening of the budget balance by 2003.

The effects of an abrupt and sustained one percentage point increase in the level of the unemployment rate (due, say, to a sudden rise in labor force participation relative to the base case), with no change in the level or growth rate of real GDP, are shown in a fourth example. In this case, unemployment-sensitive outlays would increase by amounts rising from \$6.5 billion in 1998 to \$12.4 billion in 2003. The effects on the surplus would be smaller (a \$7.9 billion reduction in 2003), however, because under current law, federal unemployment tax collections would gradually rise during a period of sustained higher unemployment rates.

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 1998 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 1998 rise by \$5.8 billion and receipts by \$8.7 billion, for a decrease of \$2.8 billion in the 1998 deficit. In 1999, outlays would be above the base by \$14.2 billion, due in part to lagged cost-of-living adjustments; receipts would rise \$17.6 billion above the base, however, resulting in a \$3.4 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 \$62.6 billion to outlays and \$106.5 billion to receipts in 2003, for a net increase in the surplus of \$43.9 billion.

The table also shows the interest rate and the inflation effects separately, and rules of thumb for the added interest cost associated with changes in the budget surplus or deficit (increased or reduced borrowing). 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	1998	1999	2000	2001	2002	2003
<b>Real Growth and Employment</b>						
<b>Budgetary effects of 1 percent lower real GDP growth:</b>						
For calendar year 1998 only: <sup>1</sup>						
Receipts .....	-7.5	-16.2	-18.7	-19.0	-19.5	-20.1
Outlays .....	1.5	5.5	6.8	8.2	9.8	11.6
Decrease in surplus (-) .....	-9.1	-21.8	-25.5	-27.2	-29.3	-31.7
Sustained during 1998-2003: <sup>1</sup>						
Receipts .....	-7.5	-24.0	-43.4	-63.6	-85.2	-108.0
Outlays .....	1.5	7.1	14.0	22.3	32.6	45.3
Decrease in surplus (-) .....	-9.1	-31.1	-57.4	-86.0	-117.8	-153.3
Sustained during 1998-2003, with no change in unemployment:						
Receipts .....	-7.5	-24.3	-44.5	-66.1	-89.4	-114.4
Outlays .....	0.2	1.1	2.9	5.9	10.1	15.8
Decrease in surplus (-) .....	-7.7	-25.4	-47.4	-71.9	-99.5	-130.2
<b>Budgetary effects of 1 percent higher unemployment rate:</b>						
Sustained during 1998-2003, with no change in real GDP:						
Receipts .....	*	0.9	2.2	3.2	3.9	4.5
Outlays .....	6.5	9.4	10.1	10.7	11.4	12.4
Decrease in surplus (-) .....	-6.5	-8.5	-7.9	-7.5	-7.5	-7.9
<b>Inflation and Interest Rates</b>						
<b>Budgetary effects of 1 percentage point higher rate of:</b>						
Inflation and interest rates during calendar year 1998 only:						
Receipts .....	8.7	17.6	17.5	16.2	17.0	17.9
Outlays .....	5.8	14.2	11.9	11.5	11.1	10.5
Increase in surplus (+) .....	2.8	3.4	5.6	4.7	5.9	7.4
Inflation and interest rates, sustained during 1998-2003:						
Receipts .....	8.7	26.7	45.4	63.8	84.1	106.5
Outlays .....	5.9	20.7	32.8	44.0	53.6	62.6
Increase in surplus (+) .....	2.8	6.0	12.7	19.8	30.5	43.9
Interest rates only, sustained during 1998-2003:						
Receipts .....	1.2	2.9	3.7	4.0	4.3	4.6
Outlays .....	5.5	16.0	21.7	25.1	27.5	29.1
Decrease in surplus (-) .....	-4.3	-13.0	-17.9	-21.2	-23.2	-24.4
Inflation only, sustained during 1998-2003:						
Receipts .....	7.5	23.8	41.7	59.8	79.8	101.9
Outlays .....	0.4	4.7	11.1	18.9	26.1	33.5
Increase in surplus (+) .....	7.1	19.0	30.6	41.0	53.7	68.3
<b>Interest Cost of Higher Federal Borrowing</b>						
Outlay effect of \$100 billion additional borrowing during 1998 .....	2.9	5.5	5.6	5.8	6.0	6.3

\*\$50 million or less.

<sup>1</sup>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 balanced assessment of the Government's financial condition requires several alternative perspectives. This chapter presents a framework for such analysis.

The usual business accounting techniques do not work well for the Government. A full evaluation of the Government's financial condition must consider a broader range of information than would usually be shown on a business balance sheet, and no one of the tables in this chapter should be treated as if it were "the balance sheet" of the Federal Government. Rather, this 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 this commitment of resources. In this way, the presentation that follows offers the kind of information that a financial analyst would expect to find on a balance sheet, taking into account the Government's unique task 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 considerable caution. The conclusions are tentative and subject to future 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 a financial analysis of the Federal Government, but they are only a partial reflection of the full range of Government resources and responsibilities. The assets include only items that are actually owned by the Government; but the Government can also rely on taxes and other means to meet future obligations. The liabilities in the table are limited to the binding commitments resulting from prior Government actions; but the Government's financial responsibilities are considerably broader than this.
- The second part presents possible future paths for the Federal budget extending well into the next century, including an extension of the proposals in the 1999 Budget. The information is summarized in Table 2-2. The analysis in this part offers the clearest indication of the long-run financial burdens that the Government faces, and the

resources that will be available to meet them. Some future claims on the Government receive 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 1996.

- The third part of the presentation features information on broader economic and social conditions which the Government affects in some degree by its actions. Table 2-4 is a summary of national wealth highlighting the different categories of Federal investment that have contributed to wealth. Table 2-5 is a sample of economic and social indicators. No single statistic can capture all the ramifications of Federal actions, so a set of indicators is needed to encompass the full range of Government activities and interests. Table 2-5 is intended to illustrate what might be learned from a more complete set of indicators.

### Relationship with FASAB Objectives

The framework presented here meets the stewardship objective<sup>1</sup> 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 experimental presentation here explores one possible approach for meeting this objective at the Government-wide level.

<sup>1</sup> *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 that way. Why can't the Government run 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 balance sheet, but to benefit the Nation—its people and businesses—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 1980s has been a decline in the price of gold, which has reduced the value of the Government's gold holdings. But that price decline—and the resulting deterioration of the Government's balance sheet—was 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 doesn't Table 2-1 say that the Government is insolvent?**

No. Just as the Federal Government's responsibilities are of a different nature than those of a private business, so are its resources. Its 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, seignorage and other means. These powers give the Government the ability to meet its present obligations and those it will incur through 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. In countries where governments totter on the brink of true insolvency, lenders are either unwilling to lend them money, or do so only in return for a substantial interest premium.

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

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 with the recently enacted agreement to balance the budget, the excess of Government liabilities over assets should begin to shrink.

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

Because the Government is not a business, and its primary goal is not to earn profits and to enhance its own wealth, accounting standards designed to illuminate how much a business earns and how much equity it has would be misleading, and would not provide useful information. In recent years, the Federal Accounting Standards Advisory Board has developed, and the Federal Government has adopted, an accounting framework that reflects the Government's functions and answers the questions for which it should be accountable. This framework addresses the Government's 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; a Government-wide consolidated financial report for fiscal year 1997 following these standards is scheduled to be issued later this year.

This chapter addresses the "stewardship objective"—assessing the interrelated financial condition of the Federal Government and of the Nation. The data in this chapter are intended to develop a fuller understanding of 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 isn't social security shown as a liability in Table 2-1?***

Social security benefits are a political and moral responsibility of the Federal Government, but they are not a liability. In the past, the Government has unilaterally decreased as well as increased benefits, and the Social Security Advisory Council has recently suggested further reforms that would change benefits, if enacted by Congress. When the amount in question can be changed unilaterally, it is not ordinarily considered a liability.

There are a number of other Federal programs that are quite similar in their promises to social security, including Medicare and veterans benefits, to name only two. These programs are not usually considered to be liabilities. Treating social security differently from these programs would be hard to justify. There is no bright line dividing social security from Government's other income maintenance programs.

A similar problem arises on the tax side. If social security benefits were to be treated as liabilities, logic would suggest that the earmarked social security payroll tax receipts that finance those benefits ought to be considered assets. However, no other tax receipts are 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 balance the budget, but can this be a permanent solution? When the baby-boom generation retires, won't the deficit 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, balancing the budget will leave the country much better prepared to address these problems.

Once the budget comes into balance, it will be possible to preserve that balance for some time to come (under an extension of the economic and technical assumptions used for this budget). Far from being an exercise in futility, balancing the budget now is one of the key steps towards keeping it 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 to permit a deficit so long as it was no larger than the amount spent on Federal investments?***

Gross Federal investment in physical capital was \$114 billion in 1997. This was considerably larger than the 1997 Federal deficit, but that does not necessarily mean that the 1997 deficit was "too small."

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 applies only to net investment, after depreciation is subtracted, because only net investment augments the assets available to offset the increase in debt resulting from the borrowing. As discussed in Chapter 6 of this volume, net investment in physical capital owned by the Federal Government is estimated to have been negative in 1997 and to be negative again in 1998 and 1999. Thus, even more deficit reduction would be required by this proposed criterion than is required to balance the present budget. 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 or 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 positive in 1999, but by only a moderate amount.

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 deficit.

Finally, the Federal Government has responsibilities for supporting the overall financial and economic well-being of the Nation. In this broader context, it might want to manage its fiscal policy so as to augment private saving and investment by paying for its own investments from current revenues, instead of borrowing in the credit market and crowding out private investment. Considerations other than the size of Federal investment need to be weighed in choosing the appropriate level of the surplus or deficit.

### 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. The standard budget presentation, however, with its focus on annual outlays, receipts, and the deficit, does not provide all the information needed for a full analysis of the Government's financial and investment decisions. Information about Federal assets and liabilities, and budget projections beyond the usual forecast horizon are needed for such analysis. We must also examine the effects on society and the economy of Government policies to evaluate how well the Federal Government is performing. 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. The data needed to judge its performance go beyond a simple measure of net assets. Consider, for example, Federal investments in education or infrastructure, which generate returns that flow mainly to households, private businesses or other levels of government, rather than back to the Federal Treasury. 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 sharp increase in 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. The budget provides a comprehensive measure of the Government's annual cash flows, and 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 be expected to 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. Taken together, these formal obligations are 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. Many such changes occurred in last year's Balanced Budget Agreement. 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. Some such data are currently available, but far more need to be developed to obtain a full picture. Examples of what might be done are also shown below.

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 might require adjustment.

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

ASSETS/RESOURCES		LIABILITIES/RESPONSIBILITIES
<p><b>Federal Assets</b></p> <p>Financial Assets  Gold and Foreign Exchange  Other Monetary Assets  Mortgages and Other Loans  Less Expected Loan Losses  Other Financial Assets</p> <p>Physical Assets  Fixed Reproducible Capital  Defense  Nondefense  Inventories  Non-reproducible Capital  Land  Mineral Rights</p>	<b>Federal  Governmental  Assets  and Liabilities  (Table 2-1)</b>	<p><b>Federal Liabilities</b></p> <p>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</p> <p>Net Balance</p>
<p><b>Resources/Receipts</b></p> <p>Projected Receipts  Addendum: Real GDP Projections</p>	<b>Long-Run  Federal  Budget  Projections  (Table 2-2)</b>	<p><b>Responsibilities/Outlays</b></p> <p>Discretionary Outlays  Mandatory Outlays  Social Security  Health Programs  Other Programs  Net Interest</p> <p>Deficit</p>
<p><b>National Assets/Resources</b></p> <p>Federally Owned Physical Assets  State &amp; Local Physical Assets  Federal Contribution  Privately Owned Physical Assets  Education Capital  Federal Contribution  R&amp;D Capital  Federal Contribution</p>	<b>National  Wealth  (Table 2-4)</b>	<p><b>National Needs/Conditions</b></p> <p>Indicators of economic, social, educational, and environmental conditions to be used as a guide to Government investment and management.</p>
	<b>Change in Trust  Fund Balances  (Table 2-3)</b>	
	<b>Social  Indicators  (Table 2-5)</b>	



## 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 1997 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.<sup>2</sup> Currently, the total real value of Federal assets is estimated to be only about 14 percent greater than it was in 1960. Meanwhile, Federal liabilities have increased by 170 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 asset values. Currently, the net excess of liabilities over assets is about \$3.3 trillion, or \$12,000 per capita.

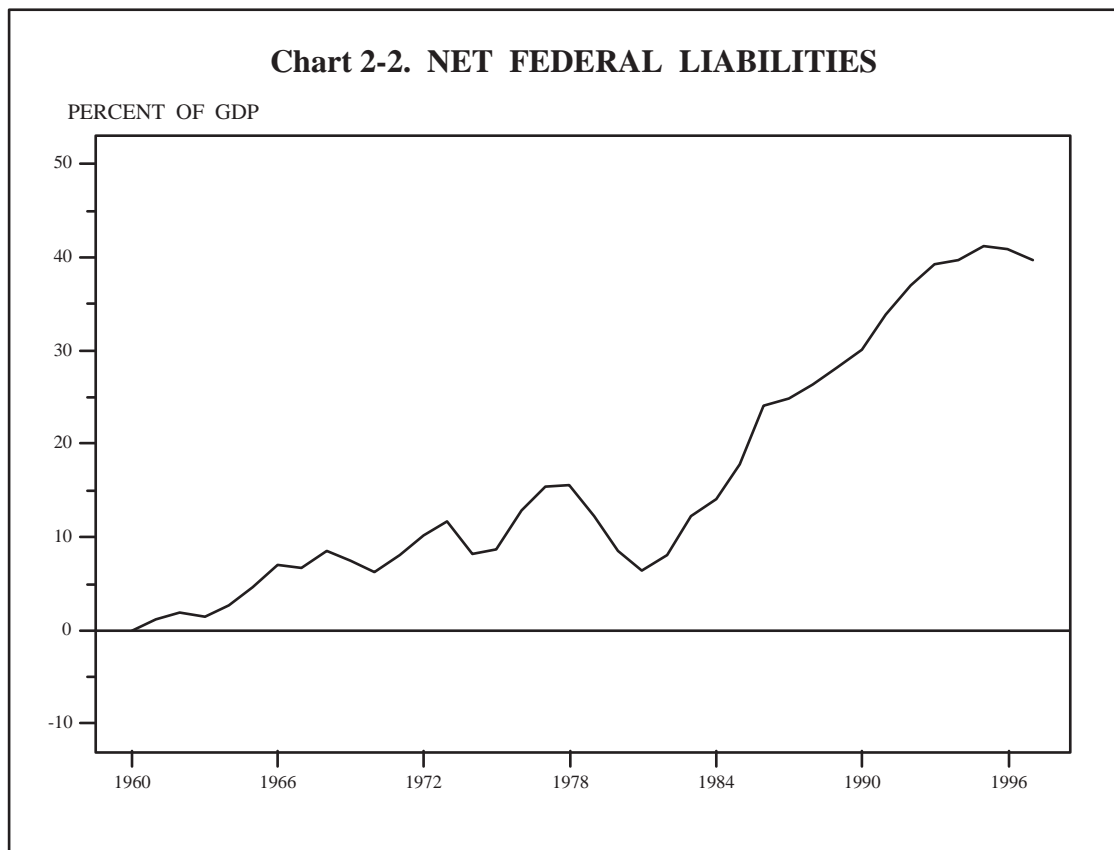
<sup>2</sup>This temporary improvement highlights the importance of the other tables in this presentation. What is good for the Federal Government as an asset holder is not necessarily favorable to the economy. The decline in inflation in the early 1980s reversed the speculative runup in gold and other 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 1997 dollars)

	1960	1965	1970	1975	1980	1985	1990	1991	1992	1993	1994	1995	1996	1997
<b>ASSETS</b>														
Financial Assets:														
Gold and Foreign Exchange	103	72	61	136	336	161	202	181	178	178	178	184	168	142
Other Monetary Assets .....	39	55	33	15	39	25	32	23	41	41	32	32	44	44
Mortgages and Other Loans less Expected Loan Losses	127	163	211	211	290	356	289	293	270	240	228	201	176	160
Other Financial Assets .....	61	81	65	66	82	106	159	190	222	201	188	185	185	182
Subtotal .....	329	370	365	419	731	631	663	666	688	636	599	579	551	494
Physical Assets:														
Fixed Reproducible Capital:														
Defense .....	931	911	886	723	627	788	817	831	828	815	803	777	754	732
Nondefense .....	138	212	249	273	296	319	337	340	342	343	346	351	349	357
Inventories .....	264	228	212	188	230	263	229	208	202	186	177	158	140	127
Nonreproducible Capital:														
Land .....	91	126	157	243	309	332	328	299	267	251	247	245	243	244
Mineral Rights .....	329	304	250	348	632	712	476	451	426	404	374	350	395	413
Subtotal .....	1,752	1,781	1,755	1,776	2,094	2,414	2,187	2,128	2,064	2,000	1,947	1,880	1,882	1,872
<b>Total Assets</b> .....	<b>2,081</b>	<b>2,151</b>	<b>2,119</b>	<b>2,195</b>	<b>2,825</b>	<b>3,046</b>	<b>2,851</b>	<b>2,794</b>	<b>2,752</b>	<b>2,636</b>	<b>2,546</b>	<b>2,459</b>	<b>2,433</b>	<b>2,366</b>
<b>LIABILITIES</b>														
Financial Liabilities:														
Currency and Bank Reserves	230	253	279	284	285	302	360	365	383	413	439	446	454	474
Debt held by the Public .....	999	985	836	822	1,063	1,886	2,589	2,792	3,049	3,200	3,286	3,371	3,410	3,358
Miscellaneous .....	26	28	30	43	67	93	139	127	119	118	116	120	123	144
Subtotal .....	1,254	1,266	1,145	1,148	1,415	2,281	3,088	3,284	3,551	3,731	3,840	3,937	3,988	3,976
Insurance Liabilities:														
Deposit Insurance .....					2	9	69	76	39	13	9	5	2	1
Pension Benefit Guarantee Corp. ....				43	31	43	42	46	51	66	32	20	54	30
Loan Guarantees .....			2	6	12	10	15	24	27	30	32	28	32	38
Other Insurance .....	31	28	22	20	27	17	19	19	19	18	17	17	16	16
Subtotal .....	31	29	24	70	72	79	146	165	135	127	90	69	104	85
Federal Pension Liabilities .....	794	1,006	1,193	1,355	1,781	1,766	1,694	1,682	1,693	1,628	1,603	1,614	1,566	1,568
<b>Total Liabilities</b> .....	<b>2,079</b>	<b>2,300</b>	<b>2,362</b>	<b>2,573</b>	<b>3,268</b>	<b>4,126</b>	<b>4,927</b>	<b>5,132</b>	<b>5,380</b>	<b>5,486</b>	<b>5,532</b>	<b>5,620</b>	<b>5,658</b>	<b>5,629</b>
<b>Balance</b> .....	<b>2</b>	<b>-149</b>	<b>-243</b>	<b>-378</b>	<b>-443</b>	<b>-1,080</b>	<b>-2,077</b>	<b>-2,338</b>	<b>-2,628</b>	<b>-2,851</b>	<b>-2,986</b>	<b>-3,161</b>	<b>-3,226</b>	<b>-3,263</b>
<b>Per Capita (in 1997 dollars)</b> .....	<b>12</b>	<b>-765</b>	<b>-1,184</b>	<b>-1,751</b>	<b>-1,938</b>	<b>-4,517</b>	<b>-8,286</b>	<b>-9,228</b>	<b>-10,259</b>	<b>-11,012</b>	<b>-11,426</b>	<b>-11,982</b>	<b>-12,117</b>	<b>-12,150</b>
<b>Ratio to GDP (in per- cent)</b> .....	<b>0.1</b>	<b>-4.6</b>	<b>-6.3</b>	<b>-8.7</b>	<b>-8.5</b>	<b>-17.8</b>	<b>-30.1</b>	<b>-33.9</b>	<b>-37.0</b>	<b>-39.2</b>	<b>-39.7</b>	<b>-41.3</b>	<b>-40.9</b>	<b>-39.8</b>

\* This table shows assets and liabilities 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 1997 are extrapolated in some cases.



### **Assets**

The assets in Table 2-1 reflect 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 \$500 billion at the end of FY 1997. 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 over the last five years, as the 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 subsidy on these loans is over \$30 billion as of 1997. 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 Fiscal Year 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 over \$1.0 trillion in 1997 (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. 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 fluctuated but are about the same now as they were in 1990.

*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 1997, the value of Government assets is estimated to have been about \$2.4 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 its workers, and an imputed liability for Federal insurance and loan guarantee programs.

*Financial Liabilities:* Financial liabilities amounted to about \$4.0 trillion at the end of 1997. The largest

component was Federal debt held by the public, amounting to around \$3.4 trillion. This measure of Federal debt is net of the holdings of the Federal Reserve System (about \$400 billion at the end of FY 1997). 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 \$474 billion in currency and bank reserves, which are mainly obligations of the Federal Reserve System, and \$144 billion 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, initial outlays may be small or, if a fee is charged, they may even be negative; but the risk of future outlays associated with such commitments can be very large. In the past, the cost of such risks was not recognized until after a loss was realized. In Table 2-1 rough estimates are shown for the accrued liability resulting from such obligations. Of these, about half were for Federal loan guarantees, while the Pension Benefit Guarantee Corporation and other Federal insurance programs ac-

counted for most of the rest. The resolution of the many failures in the Savings and Loan and banking industries has helped to reduce the losses in this category by about 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. As of 1997, the discounted present value of the benefits is estimated to have been around \$1.6 trillion.<sup>3</sup>

### ***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 1992 it was 37 percent of GDP. Between then and now, there has been little further increase. Last year, the net balance as a percentage of GDP fell for the second straight year; and it ended the year at under 40 percent of GDP. As the budget reaches balance, the ratio of net liabilities to GDP will continue to decline.

## **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, seignorage, and regulation. Therefore, the best way to examine the balance between future Government obligations and resources is by projecting the budget. The budget offers the most comprehensive measure of the Government's financial burdens and its resources. By projecting total 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 ahead projections are pushed. Even so, long-run budget projections are needed to assess the full implications of current 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 clearly intended to continue indefinitely.

It is evident even now that there will be mounting challenges to the budget after the turn of the 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 both social security and Medicare. 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. 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 declines in fertility and mortality, with concomitant

<sup>3</sup>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 1997 liability is extrapolated from recent trends.

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 Long-Range Outlook for the Budget.**—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 unsustainable 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.<sup>4</sup> The deficit would have exceeded 10 percent of GDP by 2010—a level unprecedented for peacetime—and continued sharply upward, driving the debt to unsustainable levels.

The Omnibus Budget Reconciliation Act of 1993 (OBRA 1993) 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 last year's Balanced Budget Agreement, the deficit was expected to remain at around 1.5 percent of GDP through 2010. But still, a longer-term budget problem remained. After 2010, the deficit was projected to begin an unsustainable rise that would reach 20 percent of GDP shortly after 2050 if uncorrected.

The Balanced Budget Agreement, enacted last year by the President and the Congress, took the next major step. The Agreement is now expected to eliminate the deficit in 1999, and the policies proposed in this Budget would, if continued in the long run, preserve a balanced budget for many years. Deficits will reemerge in the long run, though they would be relatively small as a percentage of the economy until well into the next century. Ultimately, as described in greater detail below, even these small deficits, pushed by demographic factors, could create compounding deficit pressures in the very long run.

This greatly improved long-run deficit outlook contrasts with the generally prevailing opinion among budget experts—at least prior to the enactment of last year's Balanced Budget Agreement—that the long-run outlook for the deficit is bleak. 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 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.”<sup>5</sup> On a narrower front, the annual trustees' reports for both

the social security and Medicare trust funds have for some time projected long-run actuarial deficiencies.

One sign that the consensus may be shifting as a result of recent policy actions is provided by the most recent of a series of reports from the General Accounting Office on the long-run budget outlook.<sup>6</sup> The 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 will emerge in the long run absent major entitlement reforms, but the date at which the deficit starts to rise is postponed significantly as a result of recent actions. That is similar to the analysis reported here, although the timing of the upswing in the deficit comes sooner in the GAO report.

**Economic and Demographic Projections.**—Long-run budget projections require a long-run demographic and economic forecast—even though any such forecast is highly uncertain and 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 projections, 2008—2.3 percent per year for the CPI, 5.4 percent for the unemployment rate, and 5.7 percent for the yield on 10-year Treasury notes.
- Productivity growth is assumed to continue at the same rate as it averages in the Administration's projections, approximately 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 and an expected decline in the proportion of women in their childbearing years. The slowdown is expected to lower the rate of population growth from over 1 percent per year to about half that rate by the year 2020.
- Labor force participation is also expected to decline as the population ages and the proportion of retirees in the population increases. Over the next decade, however, the Administration projects a higher rate of labor force participation than in the latest Trustees' Report. That difference is preserved in the long-run projections below.
- The real rate of economic growth is determined by the expected growth of the labor force (assuming a stable unemployment rate) plus productivity growth. Because labor force growth is expected to slow and productivity growth is assumed to be constant, real GDP growth declines after 2008 from around 2.4 percent to 1.4 percent per year.

<sup>4</sup>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 1997 dollar by over 50 percent by 2030, and by 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.

<sup>5</sup>Long-Term Budgetary Pressures and Policy Options, March 1997.

<sup>6</sup>Analysis of Long-Term Fiscal Outlook, October 1997.

Although this result is perfectly logical given population trends, it would result in a very low sustained rate of real economic growth by U.S. historical standards.

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. In their investigations of the long-run outlook, both CBO and GAO have explored such feedback effects and found that they accelerate the destabilizing effects of sustained budget deficits.

**The Deficit Outlook.**—Chart 2-3 shows five alternative deficit projections: one based on the policies in place prior to enactment of OBRA 1993; another incorporating all of the subsequent changes in budget policy prior to passage of last year's Balanced Budget Agreement; and three alternative scenarios of the current policy projection. The chart clearly illustrates the dramatic improvement in the deficit that has already been achieved. If the budget is balanced in 1999 as is now expected, it will substantially ease the task of maintaining fiscal stability when the retirement bulge hits after 2008.

Table 2-2 shows long-range projections for the major categories of spending under current policy assumptions. The table shows that the entitlement programs are expected to absorb an increasing share of budget resources.

- Under current policy, social security benefits, driven by the retirement of the baby-boom generation, rise from 4.5 percent of GDP in 2000 to 6.3 percent in 2030 and to 6.5 percent by 2050.
- Medicare rises from 2.4 percent of GDP in 2000 to 4.6 percent in 2030 and 5.0 percent by 2050.
- Federal Medicaid spending goes up from 1.3 percent of GDP in 2000 to 3.2 percent in 2030 and 5.3 percent in 2050.
- Partially offsetting these increases in entitlement programs, discretionary spending falls as a share of GDP, from 6.3 percent in 2000 to 3.7 percent in 2030 and 2.8 percent in 2050, as real economic growth outpaces the growth in these programs (assumed to equal inflation).

Long-range projections such as these are subject to enormous uncertainty. Detailed analysis of the sensitivity of the results to key assumptions follows later, but Chart 2-3 highlights two of the key risks to the outlook. A projection of the conventional current-services budget shows small surpluses through 2054. However, the budget moves sharply to deficit thereafter as the fundamental demographic forces reassert themselves, and by 2070 the deficit exceeds the worst figures of the

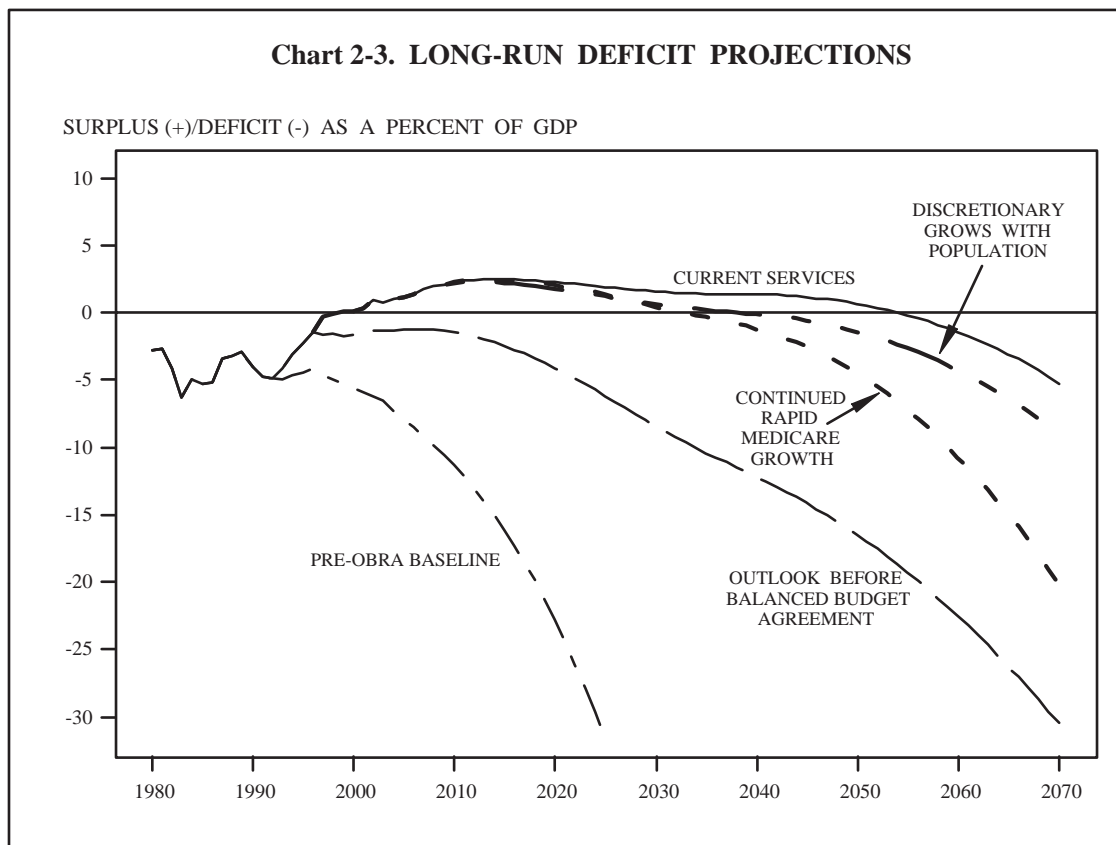


Table 2-2. LONG-RUN BUDGET PROJECTIONS OF 1999 BUDGET POLICY  
(Percent of GDP)

	1995	2000	2005	2010	2020	2030	2040	2050	2060	2070
<b>Current services:</b>										
Receipts .....	18.8	19.8	19.7	19.8	20.0	20.1	20.2	20.3	20.2	20.2
Outlays .....	21.1	19.7	18.5	17.5	17.7	18.5	18.8	19.6	21.7	25.5
Discretionary .....	7.6	6.3	5.5	4.9	4.2	3.7	3.2	2.8	2.5	2.2
Mandatory .....	10.3	10.8	11.1	11.6	13.9	16.1	17.2	18.4	20.2	22.3
Social security .....	4.6	4.5	4.5	4.7	5.6	6.3	6.4	6.5	6.7	6.8
Medicare .....	2.2	2.4	2.5	2.8	3.7	4.6	5.0	5.0	5.1	5.3
Medicaid .....	1.2	1.3	1.5	1.8	2.5	3.2	4.0	5.3	6.8	8.7
Other .....	2.3	2.6	2.6	2.3	2.1	2.0	1.8	1.6	1.6	1.5
Net interest .....	3.2	2.6	1.8	1.0	-0.5	-1.3	-1.5	-1.6	-1.0	1.0
Surplus or deficit (-) .....	-2.3	0.1	1.2	2.3	2.3	1.6	1.4	0.7	-1.4	-5.2
Federal debt held by the public .....	50.1	42.1	30.3	15.8	-9.2	-22.0	-26.8	-27.6	-15.6	18.9
Primary surplus or deficit (-) .....	0.9	2.7	3.0	3.3	1.8	0.3	-0.2	-0.9	-2.4	-4.3
<b>Continued rapid Medicare growth:</b>										
Receipts .....	18.8	19.8	19.7	19.8	20.0	20.1	20.2	20.3	20.2	20.2
Outlays .....	21.1	19.7	18.5	17.5	17.9	19.7	21.4	24.8	31.0	40.5
Discretionary .....	7.6	6.3	5.5	4.9	4.2	3.7	3.2	2.8	2.5	2.2
Mandatory .....	10.3	10.8	11.1	11.6	14.1	16.9	18.6	20.9	23.9	27.4
Social security .....	4.6	4.5	4.5	4.7	5.6	6.3	6.4	6.5	6.7	6.8
Medicare .....	2.2	2.4	2.5	2.8	3.9	5.4	6.4	7.5	8.9	10.4
Medicaid .....	1.2	1.3	1.5	1.8	2.5	3.2	4.0	5.3	6.8	8.7
Other .....	2.3	2.6	2.6	2.3	2.1	2.0	1.8	1.7	1.5	1.5
Net interest .....	3.2	2.6	1.8	1.0	-0.4	-0.9	-0.4	1.1	4.5	10.9
Surplus or deficit (-) .....	-2.3	0.1	1.2	2.3	2.1	0.4	-1.2	-4.5	-10.7	-20.2
Federal debt held by the public .....	50.1	42.1	30.3	15.8	-8.5	-15.5	-6.4	20.6	81.9	193.8
Primary surplus or deficit (-) .....	0.9	2.7	3.0	3.3	1.6	-0.5	-1.6	-3.4	-6.2	-9.3
<b>Discretionary grows with population:</b>										
Receipts .....	18.8	19.8	19.7	19.8	20.0	20.1	20.2	20.3	20.2	20.2
Outlays .....	21.1	19.7	18.5	17.6	18.1	19.5	20.3	21.7	24.5	29.3
Discretionary .....	7.6	6.3	5.5	4.9	4.5	4.2	3.7	3.4	3.0	2.7
Mandatory .....	10.3	10.8	11.1	11.6	13.9	16.1	17.2	18.4	20.2	22.3
Social security .....	4.6	4.5	4.5	4.7	5.6	6.3	6.4	6.5	6.7	6.8
Medicare .....	2.2	2.4	2.5	2.8	3.7	4.6	5.0	5.0	5.1	5.3
Medicaid .....	1.2	1.3	1.5	1.8	2.5	3.2	4.0	5.3	6.8	8.7
Other .....	2.3	2.6	2.6	2.4	2.2	2.0	1.7	1.6	1.6	1.5
Net interest .....	3.2	2.6	1.8	1.0	-0.3	-0.8	-0.6	-0.1	1.3	4.2
Surplus or deficit (-) .....	-2.3	0.1	1.2	2.2	1.8	0.6	-0.1	-1.4	-4.3	-9.0
Federal debt held by the public .....	50.1	42.1	30.3	15.9	-6.7	-13.9	-10.7	-0.8	24.7	76.2
Primary surplus or deficit (-) .....	0.9	2.7	3.0	3.2	1.5	-0.2	-0.7	-1.5	-2.9	-4.8

1980s, at over five percent of GDP. Furthermore, if discretionary spending were to keep pace with population growth as well as inflation—as might be required for the delivery of government services to that growing population, or because of threats to national security—the budget would continue in surplus through only 2032, and the deficit would reach nine percent of GDP by 2070. Finally, if the slowdown in Medicare costs currently projected for the early years of the next century by the Health Care Financing Administration (HCFA) were not to materialize, budget surpluses would disappear after 2038, and the deficit would grow to over 20 percent of GDP by 2070.

The long-run deficit outlook is much improved because of the actions taken by this Administration in cooperation with the Congress. Eliminating the budget deficit is expected to set the budget on a solid footing for many years to come. If these projections are correct, a balanced budget would not be transitory. Assuming a continuation of the Administration's economic and technical assumptions, the budget remains in balance

for several decades. However, the underlying problems are not fully eliminated. Table 2-2 shows that a primary, or non-interest, deficit reappears around 2035 even under the current-services case. Although the underlying imbalance is small, it is sufficient to begin a slow but irreversibly increasing spiral. The recurrence of the primary deficit means that eventually the pressure of rising entitlement claims will drive the unified deficit and Federal debt sharply higher relative to GDP.<sup>7</sup>

The keys to these projections are the economic assumptions, which have already been discussed, plus technical assumptions about Medicare and discretionary spending. The main reason why other analysts have reached different conclusions about the deficit is because of differences with these or other assumptions. The basic results shown here are highly sensitive to

<sup>7</sup>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. 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.

changes in these underlying assumptions. While Table 2–2 projects a budget that remains under control for several decades before underlying problems reemerge, small variations in assumptions can produce considerably more pessimistic—or even more optimistic—outcomes. Various alternative economic and technical assumptions are discussed below. Each alternative focuses on one of the key uncertainties in the outlook. Generally, the scenarios highlight negative possibilities rather than positive ones to explore all of the major risks in the outlook.

1. *Discretionary Spending:* By convention, the current-services estimates of discretionary spending 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. This assumption implies that the real value of Federal services is unchanging over time, which has the implication that the size of the Federal establishment would shrink relative to the size of the economy.<sup>8</sup> It also presupposes that the Nation's defense needs will not vary from their current projected levels. The relative decline in discretionary spending frees 4.1 percent of GDP for use in other ways in these projections.

Some budget analysts have assumed alternatively that discretionary spending would hold constant as a share of GDP in the long run; this requires it to increase in real terms whenever there is real economic growth. That is a more generous assumption for Government spending than the current services assumption used by OMB or CBO. It might be argued that with rising population and growth in real per capita incomes, the public demand for Government services—more national parks, better transportation, additional Federal support for scientific research—will increase as well. Provision of public person-to-person services might imply that spending should grow with population as well as prices. And if Government salaries keep in step with those in the private sector by rising slightly faster than overall inflation, then total spending growing only as fast as inflation implies a shrinking Federal work force. However, such demands might be met within constant real dollar spending through increased productivity in the Federal sector, such as has allowed the recent reduction of the Federal workforce by more than 316,000. Spending for provision of “public goods” that naturally apply to the entire population—such as national defense or information (like the Weather Service)—need not increase just because the economy and the population grow. Furthermore, an assumption of a constant discretionary spending share of GDP would be in sharp contrast with recent experience; since its peak in 1968, the discretionary spending share of GDP

has been cut virtually in half (from 13.6 percent to 6.9 percent in 1997).

Thus, there are arguments on both sides; for purposes of analysis, the projections in Table 2–2 show both the standard current services assumptions, with discretionary spending increasing in step with inflation, and an alternative assumption that allows discretionary spending to increase for population growth in addition to general inflation. Chart 2–4 adds a third assumption, under which discretionary spending grows still more rapidly, to maintain a constant percentage of GDP (which is the assumption used by GAO, and is reported as an alternative by CBO).

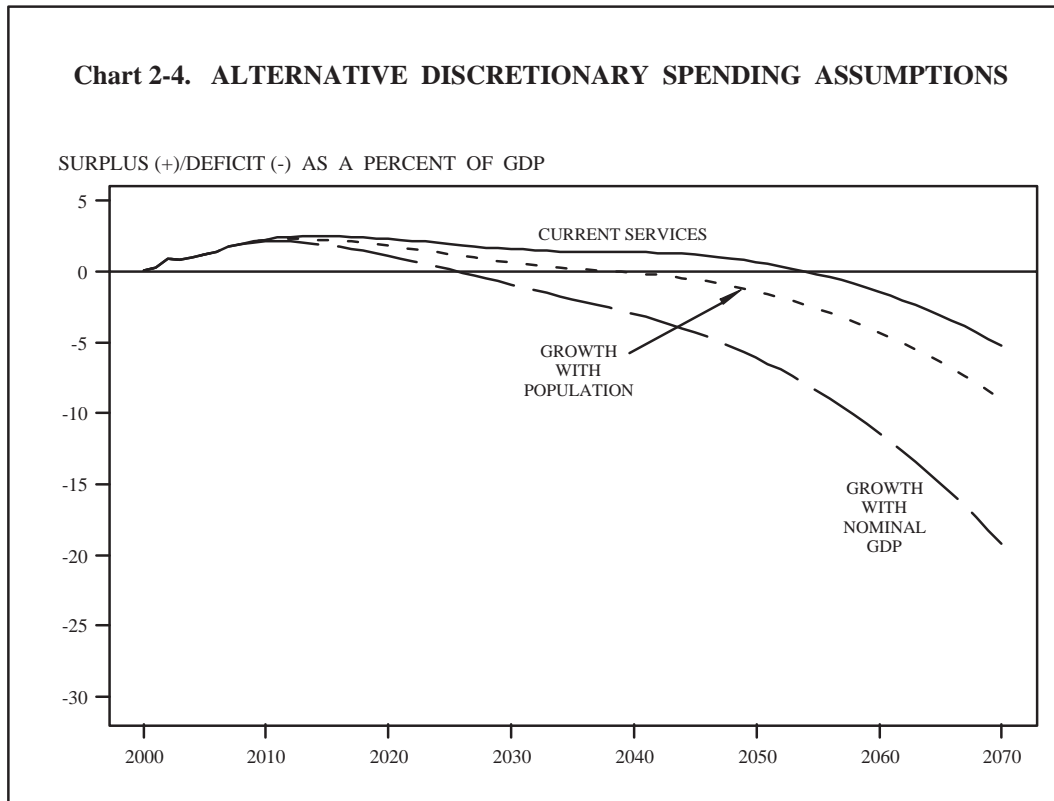
2. *Health Spending:* Some of the most volatile elements in recent budgets have been Federal health spending for Medicare and Medicaid. Expenditures for these programs have grown much faster than those of other entitlements, including social security. After the last year of the standard budget estimates in 2008, real per capita growth rates for Medicare benefits in the current services case are based on the projections in the latest report of the Medicare Trustees, which slow down markedly after 2015. Thus, while spending for Medicare (and Medicaid) is assumed to continue to grow more rapidly than the overall economy, real spending on a per capita basis is expected to stabilize at lower than the historical rates of increase. Also, for Medicare, the savings in the Balanced Budget Agreement are assumed to lower the level of spending permanently relative to earlier baselines; that is, the Trustees' prior growth estimates take off from the new lower base. However, when the Trustees made their projections last summer, they did not include the spending restraint in Medicare now anticipated over the next few years as a result of the Balanced Budget Agreement. Had they done so, it is conceivable that they would also have included a catch-up after 2002 that would have raised the long-run average growth rate assumed here. For that reason, the assumptions used in the current-services case could prove to be optimistic.

Chart 2–5 shows the current-services case, and the case (shown in Chart 2–3) under which Medicare cost growth continues without slowing after the end of the 10-year budget window in 2008. It also shows a still more pessimistic scenario, under which both Medicare and Medicaid per capita growth rates accelerate by one percentage point per year, and a more optimistic scenario, under which Medicare and Medicaid per capita growth rates slow to the rate of growth of GDP per capita.

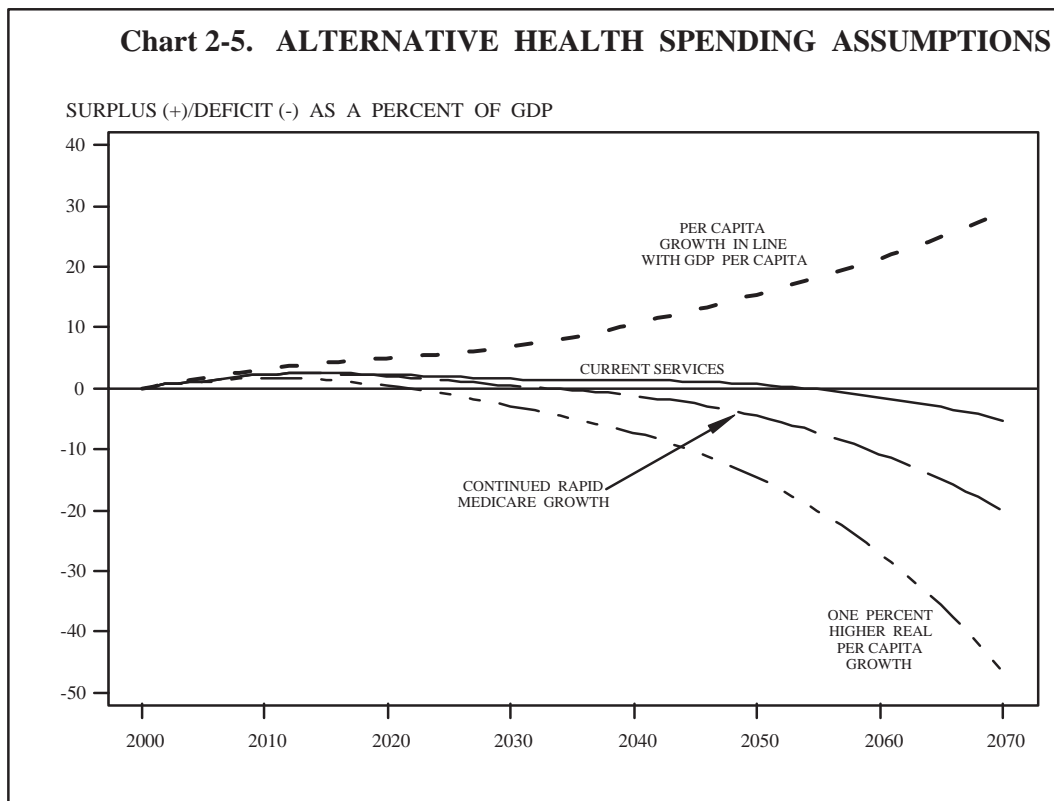
3. *Productivity:* Productivity growth in the U.S. economy slowed down after 1973. The slowdown is responsible for the slower rise in U.S. real incomes since that time. Productivity growth is affected by changes in the budget deficit which influence national saving, but many other factors influence it as well. The 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 what would happen to the budget deficit if productivity

<sup>8</sup>This is not precisely accurate. The real cost of providing the services would be unchanged, but the quantity of Federal services might or might not decline, depending on productivity. A significant portion of discretionary spending is Federal payroll costs. In a period of moderately rising real wages as assumed in the budget assumptions and in the Trustees' report, these costs would rise somewhat faster than inflation unless the number of employees were scaled back, which might or might not be offset by productivity gains.

**Chart 2-4. ALTERNATIVE DISCRETIONARY SPENDING ASSUMPTIONS**



**Chart 2-5. ALTERNATIVE HEALTH SPENDING ASSUMPTIONS**





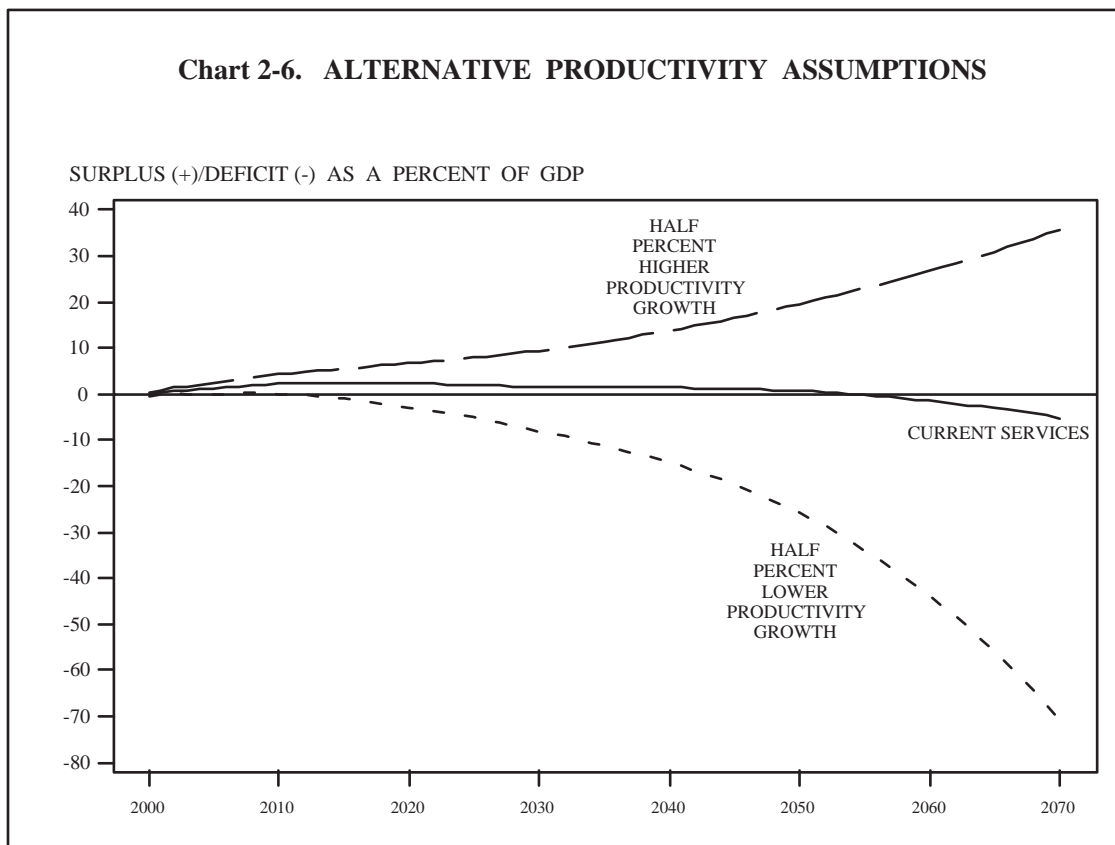
growth were either higher or lower than assumed. A higher rate of growth would make the task of preserving a balanced budget much easier; lower productivity growth would have the opposite effect. Chart 2-6 shows how the deficit varies with changes of one-half percentage point of average productivity growth.

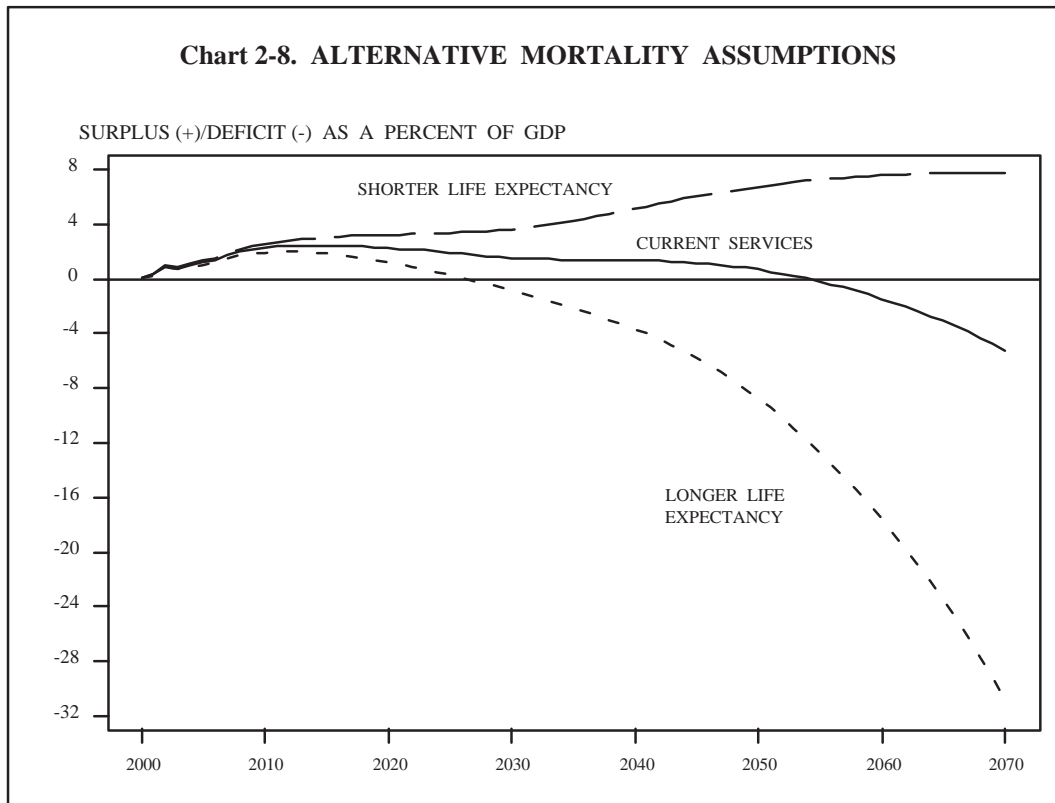
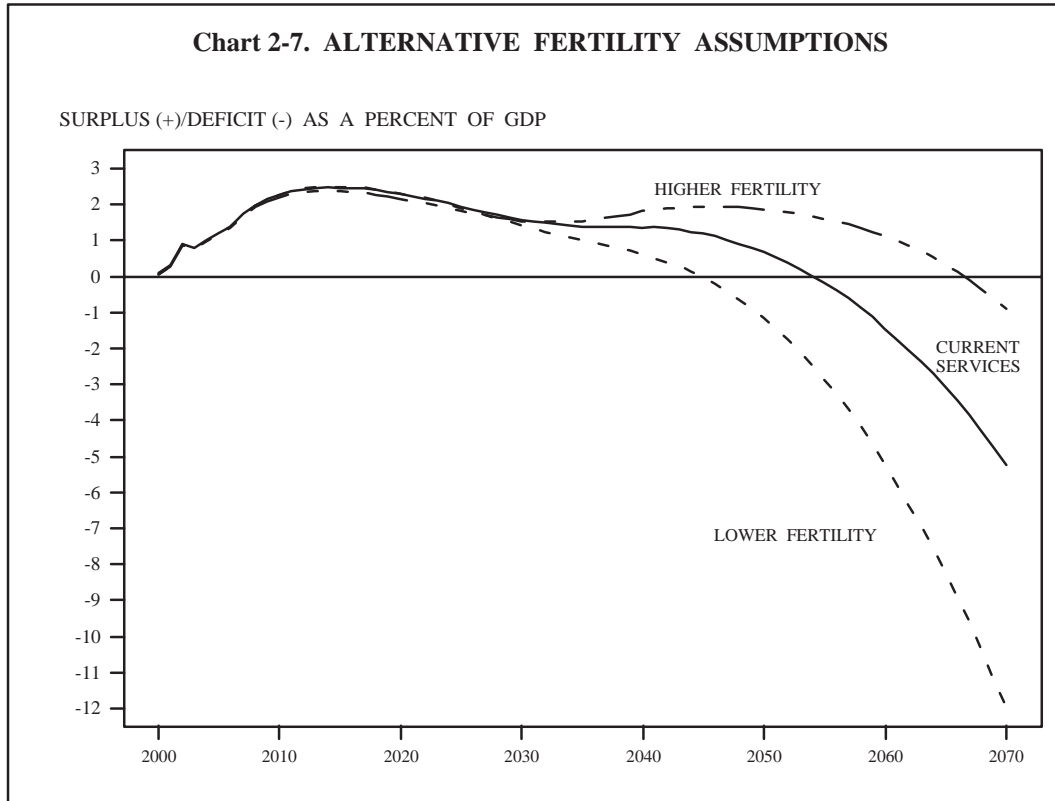
4. *Population:* In the long run, changing demographic patterns dictate the behavior of the projections. Changes in population growth feed into real economic growth through the effect on labor supply and employment. Changing demographics also affect entitlement spending, contributing to the surge of spending expected for social security and Medicare. The key assumptions underlying the demographic projections are fertility, mortality and immigration.

- The main reason for the expected 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. This is slightly below the replacement rate needed to maintain a constant population. The fertility rate was even lower 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 1950s and the baby bust in the 1970s came as surprise to demographers. A return to the higher fertility rates of the past is possible, but so is another

drop in fertility. Although the fertility rate has never fallen below 1.7 in U.S. history, such low rates have been observed recently in some European countries. Chart 2-7 shows the effects of alternative fertility assumptions on the deficit; higher fertility would contribute eventually to a larger labor force, and hence increase incomes and revenues, and reduce the deficit.

- The aging of the U.S. population is due to both lower fertility, which reduces the number of children per adult, and lengthening lifespans. Since 1970, the average lifespan for U.S. women has increased from 74.9 years to 79.3 years, and it is projected to rise to 82.9 years by 2050. Men do not live as long as women on average, but their lifespan has also increased from 67.1 years in 1970 to 72.6 years in 1995, and it is expected to reach 77.5 years by 2050. Longer lifespans mean that more people will live to receive social security and Medicare benefits, and will receive them for a longer time. If the U.S. population were to experience no further improvements in mortality, the shorter lifespans would help to lower the deficit. Conversely, if the population lives even longer than now expected, the outlook for the deficit would worsen. This is illustrated in Chart 2-8.
- The final demographic 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; and the last two decades of the 20th century have witnessed another burst of immigration. The annual net flow of legal immigrants has been averaging around 850,000 since 1992. 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 2–9 illustrates the effects on the deficit of varying immigration assumptions. In general, faster immigration yields a larger work force, and lower deficits.

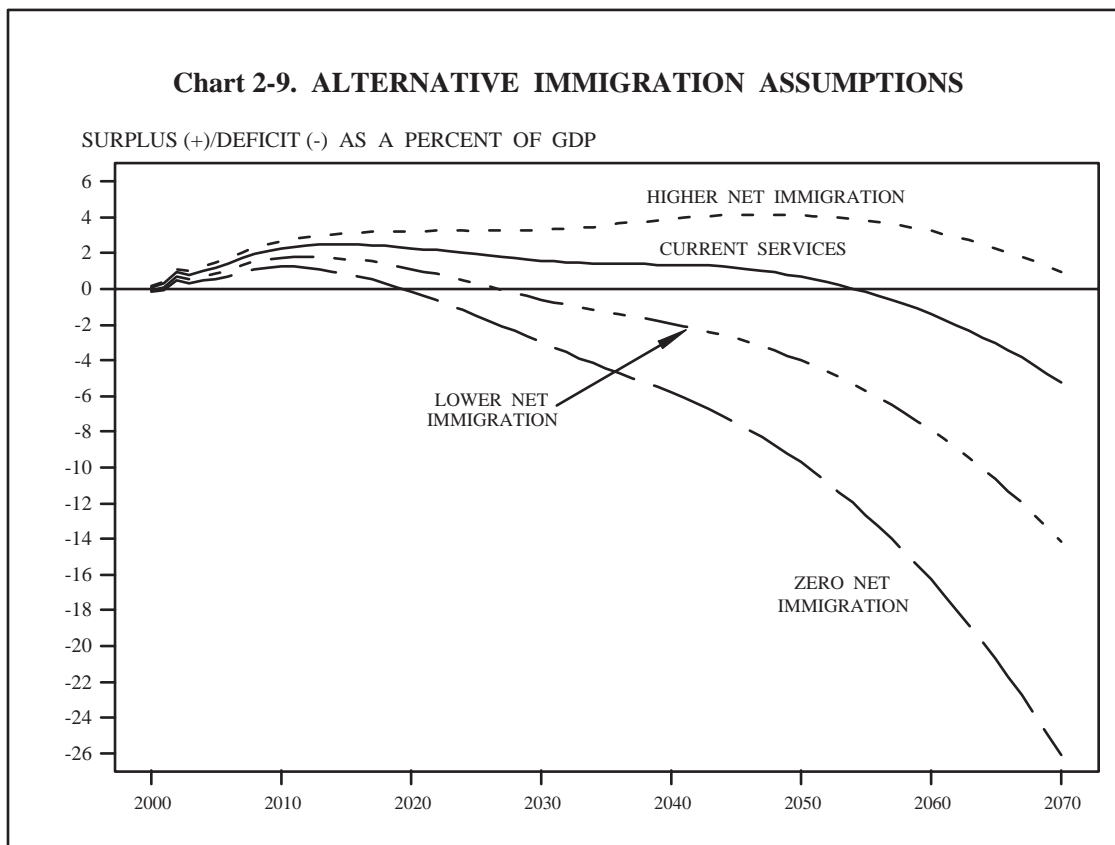
5. *What To Do With the Budget Surpluses:* The current projections show the budget running surpluses for several decades. These surpluses pay down the debt held by the public, after which, by the conventions of current-services budget projections, policy continues unchanged, and so negative debt accumulates for a time (though demographic pressures soon erode that negative debt again). Thus, the surpluses sharply reduce net interest expenses in future years, closing the virtuous cycle of deficit reduction and balanced budgets. If these surpluses were “spent” by increased spending or reduced taxes, it would worsen the outlook significantly. Chart 2–10 shows two alternative scenarios: one in which spending or tax cuts using the surpluses were purely temporary, and a second in which the additional budgetary costs grew with inflation over time. If the

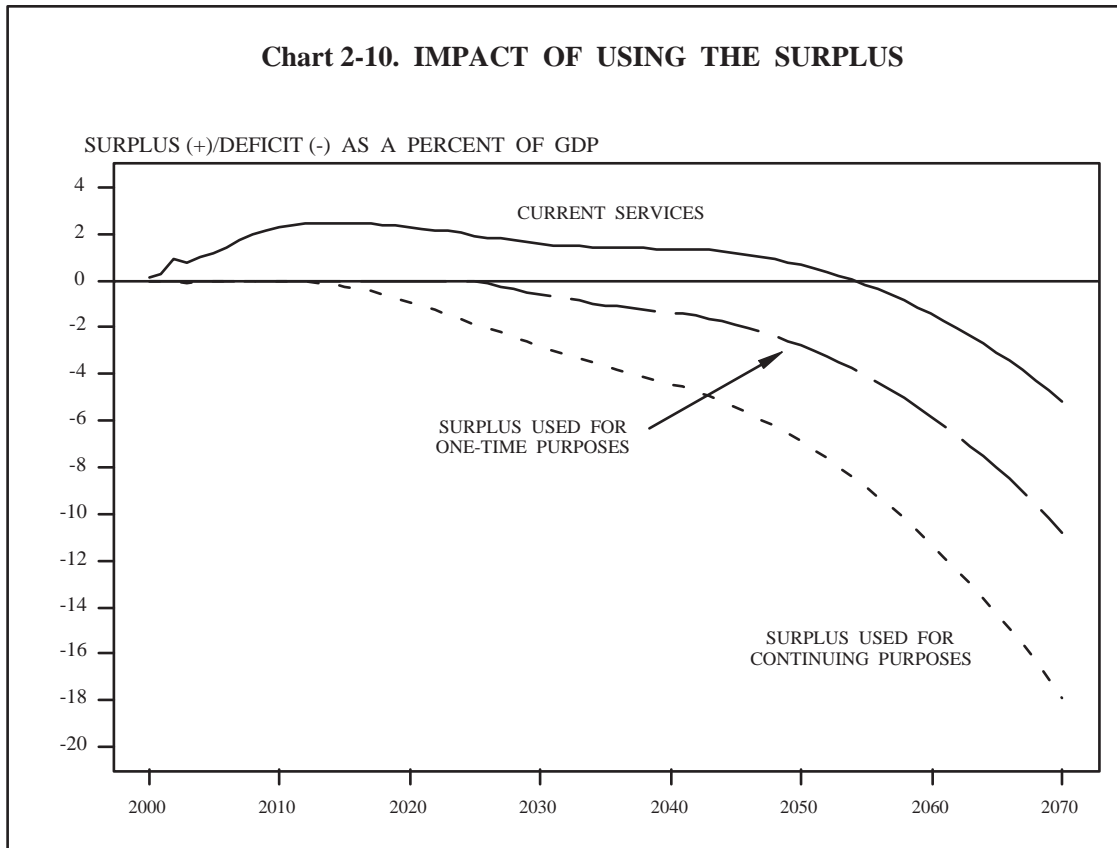
spending or tax cuts were purely temporary, the period of budget surpluses would be shortened by 30 years, with deficits recurring in 2025; by 2070, the deficit would grow to 10.8 percent of GDP. If the budgetary costs grew with inflation, however, budget surpluses would extend barely beyond the budget window, with deficits recurring in 2012. By 2070, the deficit would grow to an unsustainable 17.9 percent of GDP.

**Conclusion.**—Under President Clinton, the long-run outlook for the budget deficit has improved significantly. When this Administration took office, the deficit was projected to begin spiraling 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, a period of balanced budgets is expected to begin in 1999. This period is eventually followed by a return to deficits of a size that would demand the attention of policymakers.

Both social security and Medicare continue to confront long-run deficits in their respective Trust Funds, which must be addressed. But the favorable outlook for the unified budget should make it easier to address these difficult problems.

The budget outlook is based on many assumptions regarding demographic patterns, economic conditions, and budget policy. Under alternative assumptions, the budget outlook could be either more or less favorable,





and the degree of uncertainty increases with time. A key policy assumption is that budget discipline is maintained. This favorable outlook could easily be altered by future policy action, or by unforeseen events.

**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 budget projections do rely on the social security assumptions for population growth and labor force growth after the year 2008. 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 since 1996. There were only relatively small changes in the projected balances last year. The modest improvement in the Hospital Insurance fund was estimated prior to the passage of the Balanced Budget Agreement, which made numerous changes in Medicare. Prior to the Agreement the HI Trust Fund was expected to reach zero in 2001. The reforms in the Agreement have extended the projected life of the Trust Fund until 2010.

Achieving a positive 75-year balance may not be sufficient to put the Trust Funds on a self-sustaining basis. For example, raising the social security payroll tax by 2.2 percentage points would eliminate the 75-year actuarial imbalance in the Social Security Trust Fund, as seen from Table 2-3. However, even with the higher taxes, the income to the Fund would be insufficient to cover program outgo after 2020. Beyond that point the Trust Fund assets would have to be drawn down. Even though at the end of 75 years there would still be a small positive balance in the Trust Fund, one year later the balance would be gone. Based on the 75-year balance measure, some have claimed that social security could be "fixed" by a relatively small 2.2 percentage point change in payroll taxes. That statement ignores the fact that if social security were fixed in this way, it would remain fixed for only one year.

**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 1996 Report .....	-1.85	-0.34	-2.19	-4.52
Changes in balance due to changes in:				
Valuation period .....	-0.07	-0.01	-0.08	-0.09
Economic and demographic assumptions .....	0.03	0.00	0.03	0.20
Technical and other assumptions .....	0.03	-0.04	0.01	0.09
Total Changes .....	-0.01	-0.05	-0.04	0.20
Actuarial balance in 1997 Report .....	-1.84	-0.39	-2.23	-4.32

### 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 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, these capital stocks are not owned by the Federal Government, nor would they usually 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 in three categories: physical assets, education capital, and R&D capital. The Federal Government has made contributions to each of these categories, and these contributions are shown in the table. Data in this table are especially uncertain, because of the assumptions needed to prepare the estimates.

Federal investments are responsible for about 7 percent of total national wealth. This may seem like a small fraction, but it represents a large volume of capital—\$4.4 trillion. The Federal contribution is down from around 8 percent at the end of the 1980s, and from around 12 percent in 1960. Much of this reflects the shrinking size of the defense capital stocks, which have gone down from 13 percent of GDP to 9 percent in the last few years.

#### **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 \$26 trillion in 1997; by comparison, GDP was only about \$8 trillion.

The Federal Government's contribution to this stock of capital includes its own physical assets plus \$0.6 trillion in accumulated grants to State and local governments for capital projects. The Federal Government has financed about one-sixth 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. The idea is to measure how much it would cost to reeducate the U.S. workforce at today's prices. The estimate attempts to measure the replacement value of education rather than its original cost. This is more meaningful economically, 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 1997, of which about 3 percent was financed by the Federal Government. It exceeds the total value of the Nation's private 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 about two thirds of national income, and thinking of this income as the product of human capital suggests that the total value of

**Table 2-4 NATIONAL WEALTH**  
(As of the end of the fiscal year, in trillions of 1997 dollars)

	1960	1965	1970	1975	1980	1985	1990	1991	1992	1993	1994	1995	1996	1997
<b>ASSETS</b>														
Publicly Owned Physical Assets:														
Structures and Equipment .....	2.1	2.4	2.9	3.5	3.7	3.9	4.2	4.3	4.3	4.4	4.5	4.6	4.7	4.7
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	2.0	2.0	2.0
Federally Owned .....	1.1	1.1	1.1	1.0	0.9	1.1	1.2	1.2	1.2	1.2	1.1	1.1	1.1	1.1
Grants to State and Local Governments .....	0.1	0.2	0.3	0.5	0.6	0.7	0.8	0.8	0.8	0.8	0.8	0.9	0.9	0.9
Funded by State and Local Governments .....	0.9	1.1	1.5	2.0	2.1	2.1	2.3	2.3	2.3	2.4	2.5	2.6	2.6	2.6
Other Federal Assets .....	0.8	0.7	0.7	0.9	1.5	1.5	1.2	1.1	1.1	1.0	1.0	0.9	0.9	0.9
Subtotal .....	2.9	3.2	3.6	4.4	5.2	5.4	5.5	5.4	5.4	5.4	5.5	5.5	5.6	5.6
Privately Owned Physical Assets:														
Reproducible Assets .....	6.8	7.8	9.6	12.2	15.7	16.5	18.5	18.3	18.4	18.8	19.5	19.9	20.4	21.0
Residential Structures .....	2.6	3.0	3.6	4.6	6.2	6.5	7.3	7.2	7.3	7.5	7.8	8.0	8.2	8.5
Nonresidential Plant and Equipment .....	2.7	3.1	3.9	5.1	6.4	7.1	7.7	7.7	7.7	7.8	8.0	8.2	8.4	8.7
Inventories .....	0.7	0.7	0.9	1.1	1.3	1.2	1.3	1.2	1.2	1.2	1.2	1.3	1.3	1.3
Consumer Durables .....	0.8	0.9	1.2	1.4	1.6	1.8	2.2	2.2	2.2	2.3	2.3	2.4	2.5	2.5
Land .....	2.0	2.4	2.8	3.8	5.6	6.2	6.0	5.6	4.9	4.7	4.7	4.6	4.6	4.6
Subtotal .....	8.8	10.2	12.4	16.0	21.2	22.7	24.5	23.8	23.3	23.5	24.1	24.5	25.0	25.6
Education Capital:														
Federally Financed .....	0.1	0.1	0.2	0.3	0.4	0.6	0.7	0.8	0.8	0.8	0.8	0.9	0.9	0.9
Financed from Other Sources .....	6.4	8.3	11.0	12.8	15.7	18.8	23.9	24.7	25.4	26.2	26.9	28.0	29.0	30.3
Subtotal .....	6.4	8.4	11.3	13.2	16.1	19.4	24.6	25.5	26.2	27.0	27.8	28.9	29.9	31.3
Research and Development Capital:														
Federally Financed R&D .....	0.2	0.3	0.5	0.5	0.6	0.7	0.8	0.8	0.8	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	0.9	0.9	1.0	1.0	1.0	1.1	1.2
Subtotal .....	0.3	0.5	0.8	0.9	1.0	1.3	1.6	1.7	1.7	1.8	1.9	1.9	2.0	2.1
Total Assets .....	18.4	22.3	28.1	34.5	43.5	48.8	56.2	56.4	56.6	57.7	59.2	60.8	62.5	64.5
Net Claims of Foreigners on U.S. ....	-0.1	-0.2	-0.2	-0.0	-0.3	0.0	0.8	0.8	0.9	1.1	1.3	1.4	1.9	2.2
Balance .....	18.5	22.5	28.2	34.5	43.8	48.8	55.4	55.6	55.7	56.6	57.9	59.5	60.6	62.3
Per Capita (thousands of dollars) .....	102.5	115.8	137.7	159.7	191.9	203.9	221.2	219.6	217.5	218.8	221.6	225.4	227.7	231.9
Ratio to GDP .....	723.2	693.2	733.6	789.0	841.7	803.1	803.6	807.7	783.5	779.3	770.1	776.7	769.2	760.6
<b>ADDENDA:</b>														
Total Federally Funded Capital .....	0.5	0.6	0.8	1.2	2.2	3.2	3.9	4.1	4.1	4.3	4.4	4.5	4.7	4.8
Percent of National Wealth .....	12.1	11.2	10.1	9.5	9.3	9.3	8.5	8.4	8.4	8.2	8.1	7.9	7.8	7.7

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.<sup>9</sup> That stock is estimated to have been about \$2.0 trillion in 1997. Although this is a large amount of research, it is a relatively small portion of total National wealth. About half of this stock was funded by the Federal Government.

<sup>9</sup>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.

### **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 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 imbalance in the U.S. current account, but even so the size of this debt is small compared with the total stock of U.S. assets. It amounted to about 3½ percent of national wealth in 1997.

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 5.2 percent of total U.S. wealth as shown in Table 2-4.

### ***Trends in National Wealth***

The net stock of wealth in the United States at the end of 1997 was about \$62 trillion. Since 1980, it has increased in real terms at an annual rate of 2.0 percent per year—less than half the 4.4 percent real growth rate it averaged from 1960 to 1980. Public capital formation slowed down even more between the two periods. Since 1980, public capital has increased at an annual rate of only 0.5 percent, compared with 2.9 percent over the previous 20 years.

The net stock of private nonresidential plant and equipment grew 1.8 percent per year from 1980 to 1997 compared with 4.4 percent in the 1960s and 1970s, and the stock of business inventories increased less than 0.1 percent per year. However, private nonresidential fixed capital has increased more rapidly since 1992—2.4 percent per year—reflecting the recent investment boom.

The accumulation of education capital, as measured here, has also slowed down since 1980, but not nearly as much. It grew at an average rate of 4.7 percent per year in the 1960s and 1970s, about the same as the average rate of growth in private physical capital during the same period. Since 1980, education capital has grown at a 4.0 percent annual rate. This reflects the extra resources devoted to schooling in this period, and the fact that such resources were rising in relative value. R&D stocks have grown at about the same rate as education capital since 1980.

### ***Other Federal Influences on Economic Growth***

Many Federal policies contributed to the slowdown in capital formation that occurred after 1980. Federal investment policies obviously were important, but the Federal Government also contributes to wealth in ways that cannot be easily captured in a formal presentation. Monetary and fiscal policies affect the rate and direction of capital formation. Regulatory and tax policies affect how capital is invested, as do the Federal Government's credit assistance policies.

One important channel of influence is the Federal budget deficit, which determines the size of the Federal Government's borrowing requirement. Smaller deficits in the 1980s would have resulted in a 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 1997 had fiscal policy avoided the buildup in the debt.

### ***Social Indicators***

There are certain broad responsibilities that are unique to the Federal Government. Especially impor-

tant is the Government's role in 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 only a limited subset drawn from the wide 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 in varying degrees by many Government policies and programs, as well as by external factors beyond the Government's control. They are not outcome indicators, because they do not measure 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 deeper 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 trade-offs 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 reduction in Federal absorption of saving through deficit reduction, and other Administration policies to enhance economic growth are expected

Table 2-5. ECONOMIC AND SOCIAL INDICATORS

General categories	Specific measures	1960	1965	1970	1975	1980	1985	1990	1991	1992	1993	1994	1995	1996	1997
<b>Economic:</b>															
Living Standards	Real GDP per person (1992 dollars)	12,512	14,792	16,521	17,896	20,252	22,345	24,559	24,058	24,447	24,738	25,352	25,630	25,998	26,833
	Average annual percent change	0.3	5.0	-1.1	-1.6	-1.4	2.8	0.3	-2.0	1.6	1.2	2.5	1.1	1.4	3.2
	Median income (1994 dollars):														
	All households	NA	NA	33,181	32,943	33,763	34,439	35,945	34,705	34,261	33,922	34,158	35,082	35,492	NA
	Married couple families	28,617	33,330	39,951	41,506	44,118	45,350	47,893	47,225	46,847	46,695	47,598	48,452	49,707	NA
	Female householder, no spouse present	14,461	16,203	19,348	19,107	19,841	19,918	20,325	19,228	19,039	18,940	19,307	20,272	19,911	NA
	Income share of middle three quintiles (%)	54.0	53.9	53.6	53.8	53.6	52.2	51.2	51.4	51.0	48.9	49.0	49.1	48.9	NA
	Poverty rate (%) <sup>1</sup>	22.2	17.3	12.6	12.3	13.0	14.0	13.5	14.2	14.8	15.1	14.5	13.8	13.7	NA
Economic security	Inflation and unemployment:														
	Civilian unemployment (%)	5.5	4.5	4.9	8.5	7.1	7.2	5.5	6.7	7.4	6.8	6.1	5.6	5.4	5.0
	CPI-U (year over year % change)	1.7	1.6	5.7	9.1	13.5	3.6	5.4	4.2	3.0	3.0	2.6	2.8	3.0	2.3
Employment prospects	Increase in total payroll employment (millions)	-0.5	2.9	-0.5	0.4	0.2	2.5	0.3	-0.8	1.1	2.8	3.9	2.2	2.5	3.2
	Managerial or professional jobs (% of civilian employment)	NA	NA	NA	NA	NA	24.1	25.8	26.3	26.2	26.8	27.5	28.3	28.8	29.1
Wealth creation	Net national saving rate (% of GDP)	10.8	12.5	8.7	6.7	7.5	6.2	4.4	4.3	3.1	3.4	4.3	5.1	5.7	6.4
Innovation	Patents issued to U.S. residents (thousands)	42.0	53.9	50.1	51.4	40.8	43.4	53.0	57.8	58.8	61.2	64.3	64.5	69.4	NA
	Multifactor productivity (average annual percent change)	0.4	3.0	-0.2	0.8	-2.3	0.5	-0.2	-1.0	1.5	0.5	0.7	NA	NA	NA
<b>Social:</b>															
Families	Children living with female Householder, no spouse present (% of all children)	9	10	12	16	18	21	22	22	23	23	23	23	24	NA
Safe communities	Violent crime rate (per 100,000 population) <sup>2</sup>	160	199	364	482	597	557	732	758	758	747	714	685	634	597
	Murder rate (per 100,000 population) <sup>2</sup>	5	5	8	10	10	8	9	10	9	10	9	8	7	7
	Juvenile crime (murders and nonnegligent manslaughter per 100,000 persons age 14-17)	NA	NA	NA	NA	13	10	24	27	26	30	29	24	NA	NA
Health and illness	Infant mortality (per 1,000 live births) <sup>3</sup>	26.0	24.7	20.0	16.1	12.6	10.6	9.2	8.9	8.5	8.4	8.0	7.6	7.2	6.3
	Low birthweight (<2,500 gms) babies (%)	7.7	8.3	7.9	7.4	6.8	6.8	7.0	7.1	7.1	7.2	7.3	7.3	7.4	NA
	Life expectancy at birth (years)	69.7	70.2	70.8	72.6	73.7	74.7	75.4	75.5	75.8	75.5	75.7	75.8	76.1	NA
	Cigarette smokers (% population 18 and over)	NA	42.4	39.5	36.4	33.2	30.1	25.5	25.6	26.5	25.0	NA	NA	NA	NA
	Bed disability days (average days per person)	6.0	6.2	6.1	6.6	7.0	6.1	6.2	6.5	6.3	6.7	6.2	NA	NA	NA
Learning	High school graduates (% of population 25 and older)	44.6	49.0	55.2	62.5	68.6	73.9	77.6	78.4	79.4	80.2	80.9	81.7	81.7	NA
	College graduates (% of population 25 and older)	8.4	9.4	11.0	13.9	17.0	19.4	21.3	21.4	21.4	21.9	22.2	23.0	23.6	NA
	National assessment of educational progress: <sup>4</sup>														
	Mathematics—high school seniors	NA	NA	NA	302	300	301	305	306	307	307	306	307	307	NA
	Science—high school seniors	NA	NA	305	293	286	288	290	292	294	294	294	295	296	NA
Participation	Voting for President (% eligible population)	62.8	NA	NA	NA	52.8	NA	NA	NA	55.1	NA	NA	NA	48.9	NA
	Voting for Congress (% of eligible population)	58.5	NA	43.5	NA	47.6	NA	33.1	NA	50.8	NA	37.4	NA	45.7	NA
	Individual charitable giving per capita (1997 dollars)	210	251	301	320	349	367	448	448	441	439	434	465	NA	NA
<b>Environment:</b>															
Air quality	Population living in counties with ozone levels exceeding the standard (millions)	NA	NA	NA	NA	NA	76	63	70	43	51	50	71	NA	NA
Water quality	Population served by secondary treatment or better (millions)	NA	NA	NA	NA	NA	134	155	157	159	162	164	166	168	NA

<sup>1</sup> The poverty rate does not reflect noncash government transfers such as Medicaid or food stamps.<sup>2</sup> Not all crimes are reported, and the fraction that go unreported may have varied over time, the figures for 1997 are preliminary estimates based on partial reporting.<sup>3</sup> The figure for 1997 is based on preliminary data through April.<sup>4</sup> Some data from the national educational assessments have been interpolated.

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.

## 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, which is valued in the Flow-of-Funds at a constant historical price, is 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. These price deflators are



available going back as far as 1940. For earlier years, deflators were based on historical statistics for constant price public capital formation. The capital stock series were adjusted for depreciation on a straight-line basis, assuming useful lives of 46 years for water and power projects; 40 years for other direct Federal construction; and 16 years for major nondefense equipment and for defense procurement.

*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. The Bureau of Economic Analysis is in the process of preparing satellite accounts to accompany the National Income and Product Accounts that will report on changes in mineral deposits for the Nation as a whole, but this work is not yet completed.

### **Liabilities**

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

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

*Pension Liabilities:* For 1979–1996, 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 not actuarial; they are extrapolations. The estimate for 1997 is a projection.

### **Long-Run Budget Projections**

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

*Demographic and Economic Projections:* For the years 1998–2008 the assumptions are identical to those used in the budget. As always, 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 participation are extended using the intermediate assumptions from the 1997 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. Income shares of GDP are held constant at their levels in the last year of the Administration forecast with one exception: wages and salaries decline gradually as a share of GDP through 2028.

*Budget Projections:* For the budget period, 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 grows at the rate of inflation. 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.

Surpluses after 2008 were assumed to be used to reduce taxes or increase spending, leaving the budget precisely in balance.

*Alternative Scenarios:* The alternative budget scenarios are intended to illustrate the impact of variations in key assumptions underlying the projections.

- *Discretionary.* The alternatives for discretionary spending assume that discretionary budget authority after 2008 grows with inflation and total population growth, or with nominal GDP growth.
- *Health care costs.* The high scenario for health care costs assumes that Medicare and Medicaid real spending per beneficiary grows one percent faster than in the basic projections, while the low cost scenario assumes that real spending per beneficiary grows at the rate of real GDP per capita. The scenario eliminating the Medicare trustees’ assumed slowdown in costs holds real growth per beneficiary at an average of 2.4 percent annually for Medicare Parts A and B combined.
- *Productivity.* The scenarios for productivity growth assume that productivity grows one-half percentage point faster or slower than in the basic projections.
- *Fertility.* The scenarios for fertility assume that the total fertility rate rises to 2.2 or falls to 1.6, consistent with the social security trustees’ range for fertility in their high and low cost assumptions.
- *Life expectancy.* The scenarios for life expectancy are consistent with the high and low life expectancy assumptions in the long run population projections published by the Bureau of the Census. The high scenario assumes that life expectancy rises to 86.4 years for males and 92.3 years for females in 2050. The low scenario assumes that life expectancy falls slightly to 70.9 years for males and 78.8 years for females in 2050.

- *Immigration.* The scenarios for higher and lower immigration assume that net immigration is 1,350,000 persons per year and 450,000 persons per year, 50 percent higher and lower than the 900,000 persons assumed in the basic projections.

### 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 included 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 unrevised 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 1997 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.

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 implicit price deflator for GDP 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*, 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 based on data from the National Science Foundation, *Surveys of Science Resources*. The industry-financed R&D stock component is 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 2–3 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 President's annual *Economic Report* and the *Statistical Abstract of the United States*.

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**FEDERAL RECEIPTS AND COLLECTIONS**

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### 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 1999 are estimated to be \$1,742.7 billion, an increase of \$84.9 billion

or 5.1 percent relative to 1998. 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 3.9 percent between 1999 and 2003, rising to \$2,028.2 billion.

As a share of GDP, receipts are projected to decline from 19.9 percent in 1998 to 19.6 percent in 2003.

Table 3-1. RECEIPTS BY SOURCE—SUMMARY

(In billions of dollars)

Source	1997 actual	Estimate					
		1998	1999	2000	2001	2002	2003
Individual income taxes .....	737.5	767.8	791.5	804.6	833.4	877.1	915.5
Corporation income taxes .....	182.3	190.8	198.0	202.9	209.2	214.7	220.4
Social insurance and retirement receipts .....	539.4	571.4	595.9	623.0	649.0	677.8	706.5
(On-budget) .....	(147.4)	(155.4)	(161.8)	(169.1)	(176.3)	(183.5)	(189.9)
(Off-budget) .....	(392.0)	(416.0)	(434.1)	(453.9)	(472.7)	(494.3)	(516.6)
Excise taxes .....	56.9	55.5	72.0	69.6	71.6	74.0	74.6
Estate and gift taxes .....	19.8	20.4	20.5	21.6	22.6	24.4	25.6
Customs duties .....	17.9	18.4	18.2	19.5	20.4	22.4	24.0
Miscellaneous receipts .....	25.5	33.5	46.7	52.2	56.4	59.0	61.4
<b>Total receipts</b> .....	<b>1,579.3</b>	<b>1,657.9</b>	<b>1,742.7</b>	<b>1,793.6</b>	<b>1,862.6</b>	<b>1,949.3</b>	<b>2,028.2</b>
(On-budget) .....	(1,187.3)	(1,241.9)	(1,308.6)	(1,339.7)	(1,389.9)	(1,455.0)	(1,511.5)
(Off-budget) .....	(392.0)	(416.0)	(434.1)	(453.9)	(472.7)	(494.3)	(516.6)

Table 3-2. CHANGES IN RECEIPTS

(In billions of dollars)

	Estimate					
	1998	1999	2000	2001	2002	2003
Receipts under tax rates and structure in effect January 1, 1998 <sup>1</sup> .....	1,657.9	1,728.7	1,774.4	1,837.3	1,918.0	1,991.8
Social security (OASDI) taxable earnings base increases:						
\$68,400 to \$70,800 on Jan. 1, 1999 .....		1.1	3.0	3.3	3.6	3.9
\$70,800 to \$74,100 on Jan. 1, 2000 .....			1.6	4.1	4.5	4.9
\$74,100 to \$76,800 on Jan. 1, 2001 .....				1.3	3.3	3.7
\$76,800 to \$79,800 on Jan. 1, 2002 .....					1.4	3.7
\$79,800 to \$82,800 on Jan. 1, 2003 .....						1.4
Proposals <sup>2</sup> .....	-0.1	12.9	14.7	16.7	18.5	18.7
<b>Total, receipts under existing and proposed legislation</b> .....	<b>1,657.9</b>	<b>1,742.7</b>	<b>1,793.6</b>	<b>1,862.6</b>	<b>1,949.3</b>	<b>2,028.2</b>

<sup>1</sup> These estimates assume a social security taxable earnings base of \$68,400 through 2003.

<sup>2</sup> Net of income offsets.

## ENACTED LEGISLATION

Several laws were enacted in 1997 that have an effect on governmental receipts. The major legislative changes affecting receipts are described below.

***Airport and Airway Trust Fund Tax Reinstatement Act of 1997.***—This Act reinstated, through September 30, 1997, aviation excise taxes that expired on December 31, 1996. The reinstated taxes on commercial air transportation included a 10-percent excise tax on domestic passenger tickets, a \$6-per-person international departure tax, and a 6.5-percent domestic air freight excise tax. The reinstated taxes also included an excise tax on fuels used in general aviation of 17.5 cents per gallon for jet fuel and 15 cents per gallon for aviation gasoline. In addition, the Act authorized the Treasury Department to transfer to the Airport and Airway Trust Fund any aviation excise taxes collected during the fourth quarter of calendar year 1996 but not remitted to the Federal government during that period.

***Taxpayer Relief Act of 1997.***—This Act, together with the Balanced Budget Act of 1997, implements the bipartisan budget agreement announced on May 2, 1997. The legislation includes, with certain modifications, the key features of the Administration's proposals to give middle-income families the tax relief they need to help raise their children, save for the future, and pay for postsecondary education. In addition, the provisions of the Act promote a fairer tax system and encourage economic growth, while being fiscally responsible. The major provisions of the Act are described below.

### Family Tax Relief

***Provide tax credit for dependent children.***—A credit is allowed for each dependent child under the age of 17. The credit equals \$400 for 1998 and rises to \$500 for 1999 and subsequent years. The credit is phased out 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 amount of the credit and the thresholds are not indexed for inflation. The phase-out rate is \$50 for each \$1,000 of modified AGI (or fraction thereof) in excess of the threshold. For low-income families with three or more children, a refundable child credit is available to the extent that their income and employee payroll taxes exceed their earned income tax credit.

### Education Tax Incentives

***Provide tax credits for higher education tuition expenses.***—Taxpayers are allowed to claim a per-student nonrefundable tax credit (Hope Credit) for qualified tuition and fees for enrollment of the taxpayer, the taxpayer's spouse or the taxpayer's dependent in a postsecondary degree or certificate program. To be eligible

for the credit, a student must be enrolled on at least a half-time basis. The Hope Credit is equal to 100 percent of the first \$1,000 of qualified expenses and 50 percent of the next \$1,000 of qualified expenses, for a maximum credit of \$1,500 per student. The maximum credit is indexed for inflation. The Hope Credit is available for expenses paid after December 31, 1997, for education furnished in academic periods beginning after that date, and is available for only the first two years of a student's post-secondary education. Alternatively, taxpayers are allowed a nonrefundable Lifetime Learning Credit for all postsecondary education, including graduate education. The credit is equal to 20 percent of qualified tuition and fees paid during the taxable year on behalf of the taxpayer, the taxpayer's spouse, or the taxpayer's dependent. A maximum credit of \$1,000 per family is provided for expenses paid after June 30, 1998 and before January 1, 2003; the maximum credit increases to \$2,000 per family effective for expenses paid after December 31, 2002. There is no limit on the number of years for which the Lifetime Learning Credit may be claimed. With respect to an eligible student, a taxpayer may elect either the Hope Credit, the Lifetime Learning Credit, or the exclusion from gross income for withdrawals from an education savings account (discussed below), but only one of these preferences may be used in a taxable year. Both credits are phased out for married taxpayers filing a joint return with modified AGI between \$80,000 and \$100,000 and for single taxpayers and heads of households with modified AGI between \$40,000 and \$50,000. The phase-out ranges will be indexed for inflation beginning in 2002.

***Provide deduction for student loan interest.***—Interest paid on a qualified education loan during the first 60 months that payment is required is deductible for income tax purposes, effective for payments due and paid after December 31, 1997. The maximum allowable deduction is \$1,000 in 1998, \$1,500 in 1999, \$2,000 in 2000 and \$2,500 in 2001 and subsequent years. The maximum amount is not indexed for inflation. In addition, the deduction is phased out ratably for single taxpayers with AGI between \$40,000 and \$55,000 and for married taxpayers filing a joint return with AGI between \$60,000 and \$75,000. The phase-out ranges are indexed for inflation beginning after 2002.

***Expand tax preferences provided qualified State tuition programs.***—Qualified State tuition programs (programs eligible for tax-exempt status and deferral of tax on earnings) are expanded to include State programs where individuals prepay for room and board, in addition to tuition, fees, books and supplies. This Act also expands the definition of eligible institution, expands the definition of "member of the family" with regard to tax-free rollovers of credits or account balances, and clarifies the estate and gift tax treatment of contributions to such programs. These modifications generally are effective after December 31, 1997.

*Provide penalty-free withdrawals from Individual Retirement Accounts (IRAs) for education expenses.*—Penalty-free withdrawals are permitted from IRAs for qualified higher education expenses of the taxpayer, the taxpayer's spouse, and the children and grandchildren of the taxpayer and the taxpayer's spouse. The provision applies to distributions made after December 31, 1997 with respect to expenses paid after that date for education furnished in academic periods beginning after that date.

*Establish education savings accounts for children under 18.*—Effective for taxable years beginning after December 31, 1997, taxpayers may contribute up to \$500 per year, per beneficiary under age 18, to an education savings account. Earnings on contributions accumulate tax-free and distributions are excludable from gross income to the extent that the distribution does not exceed qualified higher education expenses incurred during the year the distribution is made. The earnings portion of a distribution not used to cover qualified education expenses is includable in the gross income of the beneficiary and is generally subject to an additional 10-percent tax. However, prior to the beneficiary reaching age 30, tax-free (and penalty-free) roll-overs of account balances may be made to an education IRA benefitting another family member. The contribution limit is phased out ratably for married couples filing a joint return with AGI between \$150,000 and \$160,000 and for single taxpayers and heads of households with AGI between \$95,000 and \$110,000. If a taxpayer uses tax-free education savings account withdrawals for a student's qualified education expenses in a taxable year, neither the Hope Credit nor the Lifetime Learning Credit may be claimed in that year for the same student's education expenses.

*Extend exclusion for employer-provided educational assistance.*—Certain amounts paid by an employer for undergraduate educational assistance expenses are excluded from the employee's gross income for income and payroll tax purposes. This exclusion, which was scheduled to expire with respect to undergraduate education beginning after June 30, 1997, is extended to apply to undergraduate education courses beginning before June 1, 2000. The exclusion is limited to \$5,250 of undergraduate educational assistance with respect to an individual during a calendar year.

*Modify limit on qualified section 501(c)(3) private activity bonds.*—Interest on State and local government bonds generally is excluded from income if the bonds are issued to finance activities carried out and paid for with revenues of these governments. Interest on bonds issued by these governments to finance activities of other persons, e.g., private activity bonds, is taxable unless a specific exception is provided in law. One such exception is for private activity bonds issued by certain tax-exempt organizations (section 501(c)(3) organizations) to finance activities that do not constitute an unrelated trade or business. The \$150 million limit on the amount of outstanding bonds issued by an organization for other than hospital purposes is repealed, effective

for section 501(c)(3) bonds issued after August 5, 1997 that are used to finance capital expenditures incurred after that date.

*Enhance deduction for corporate contributions of computer technology and equipment.*—Under current law augmented deductions are provided for certain corporate contributions of inventory property and scientific equipment. The amount of augmented deduction available to a corporation making these contributions is equal to its basis in the donated property plus one-half of the amount of ordinary income that would have been realized if the property had been sold. However, the amount of augmented deduction cannot exceed twice the basis of the donated property. Effective for contributions made in taxable years beginning after 1997 and before January 1, 2000, the list of contributions that qualify for the augmented deduction is expanded to include gifts of computer technology and equipment to be used within the United States for educational purposes in any of grades K-12.

*Provide tax credit for holders of qualified zone academy bonds.*—Certain financial institutions that hold qualified zone academy bonds are provided a non-refundable tax credit in an amount equal to a credit rate (set by the Department of Treasury) multiplied by the face amount of the bond. The tax credit is includable in the gross income of the holder as interest. A qualified zone academy bond is any bond issued by a State or local government, provided that (1) 95 percent of the proceeds are used for the purpose of renovating, providing equipment to, developing course materials for use at, or training teachers and other school personnel in a qualified zone academy and (2) private entities have promised to contribute to the qualified zone academy certain equipment, technical assistance or training, employee services, or other property or services with a value equal to at least 10 percent of the bond proceeds. A total of \$400 million of qualified zone academy bonds may be issued in each of 1998 and 1999. The bond cap is allocated each year to the States according to their respective populations of individuals below the poverty line; any unused allocation may be carried into subsequent years.

### **Savings and Investment Incentives**

*Expand Individual Retirement Accounts (IRAs).*—Under prior law, eligibility for a deductible IRA was phased out for a single taxpayer with AGI between \$25,000 and \$35,000 and a married taxpayer filing a joint return with AGI between \$40,000 and \$50,000, if the individual (or the individual's spouse) was an active participant in an employer-sponsored retirement plan. Under this Act, the AGI thresholds and phase-out ranges are doubled over time. For 1998, eligibility is phased out for single taxpayers with AGI between \$30,000 and \$40,000, and for couples filing a joint return with AGI between \$50,000 and \$60,000. For 1999 through 2002, the phase-out ranges are increased by \$1,000 per year. For 2003, eligibility is phased out for single taxpayers with AGI between \$40,000 and

\$50,000, and for couples filing a joint return with AGI between \$60,000 and \$70,000. For 2004 and later years, the phase-out ranges are increased by \$5,000 per year until the phase-out range is \$50,000 to \$60,000 for single taxpayers (2005 and subsequent years) and \$80,000 to \$100,000 for couples filing a joint return (2007 and subsequent years). Spouses of individuals who are active participants in an employer-sponsored retirement plan, but who are not themselves active participants, are permitted to make deductible contributions to an IRA. This spousal deduction is phased out for taxpayers with AGI between \$150,000 and \$160,000.

A new, tax-free nondeductible IRA called the "Roth IRA" is created. Eligibility for participation in these IRAs is phased out for single taxpayers with AGI between \$95,000 and \$110,000 and for married couples filing a joint return with AGI between \$150,000 and \$160,000. Taxpayers with AGI of less than \$100,000 are eligible to roll over or convert an existing IRA to a Roth IRA. Distributions from the Roth IRA generally are tax free if (i) made more than 5 years after an account has been established, and (ii) made after age 59½, upon death or disability, or for first-time homebuyer expenses (up to a \$10,000 lifetime cap). The same exceptions to the 10-percent early withdrawal tax apply to Roth IRAs and deductible IRAs, and these prior law exceptions have been expanded to include withdrawals for qualified first-time homebuyer expenses and qualified education expenses. Annual contributions to all IRAs for an individual may not exceed \$2,000.

*Reduce tax rate on capital gains.*—The maximum capital gains tax rate for individuals is 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 is retained for collectibles and, effective July 29, 1997, for assets held between 1 year and 18 months. Real estate depreciation recapture generally is taxed at a maximum rate of 25 percent. Beginning in 2001, assets acquired after December 31, 2000 and held for 5 years will be taxed at favorable rates of 8 percent (those in the 15-percent bracket) and 18 percent (those in other tax brackets). A taxpayer holding a capital asset or an asset used in his/her trade or business on January 1, 2001, may elect to treat the asset as having been sold on that date for its fair market value and as having been reacquired at the market price. Taxes must be paid on any gain realized as a result of the election; losses are disallowed.

*Provide capital gains exclusion on sale of principal residence.*—Under prior law gains on the sale of a taxpayer's principal residence were subject to the capital gains tax; however, taxes on the gain could be deferred through the purchase of a new home of equal or greater value within a specified period of time. Taxpayers over 55 could elect to take a one-time exclusion of up to \$125,000 of gain from the sale of their home. Effective for sales on or after May 7, 1997, up to \$500,000 of gain from the sale of a taxpayer's principal residence (\$250,000 for a single taxpayer) is excluded from tax.

The exclusion is allowed each time a taxpayer selling or exchanging a principal residence meets the eligibility requirements, but generally no more frequently than once every two years. To be eligible for the exclusion, a taxpayer generally must have owned the residence and occupied it as a principal residence for at least two of the five years prior to the sale or exchange.

### Alternative Minimum Tax (AMT) Provisions

*Exempt small corporations from the AMT and conform AMT depreciation lives to the regular tax.*—For taxable years beginning after December 31, 1997, the corporate AMT is repealed for small businesses. A corporation with average gross receipts of less than \$5 million for three taxable years, the last of which begins after December 31, 1996, is a small business corporation for any taxable year beginning after December 31, 1997. The exemption continues to apply as long as the business has three-year average gross receipts of less than \$7.5 million. In addition, for property placed in service after December 31, 1998, the recovery periods used for purposes of the AMT depreciation adjustment are equal to the recovery periods used for purposes of the regular tax under present law.

### Estate, Gift, and Generation-Skipping Tax Provisions

*Increase estate and gift tax unified credit.*—Under prior law, a unified estate and gift tax credit of \$192,800 was provided, which effectively exempted the first \$600,000 of cumulative taxable transfers from tax. Under this Act, a phased-in increase in the unified credit increases the effective exemption to \$1,000,000 in 2006. The effective exemption is \$625,000 for decedents dying and gifts made in 1998, \$650,000 in 1999, \$675,000 in 2000 and 2001, \$700,000 in 2002 and 2003, \$850,000 in 2004, \$950,000 in 2005, and \$1,000,000 in 2006 and subsequent years.

*Provide estate tax exclusion for qualified family-owned businesses, including farms.*—If "family-owned business interests" comprise more than 50 percent of a decedent's estate and certain other requirements are met, the first \$1 million in qualified family-owned business interests may be excluded from a decedent's taxable estate. This exclusion, which is effective with respect to decedents dying after December 31, 1997, is in addition to the unified credit; however, the total amount excluded from tax is capped at \$1.3 million.

*Reduce estate tax for certain land subject to permanent conservation easement.*—A 40-percent estate tax exclusion is provided for the value of any land subject to a qualified conservation easement that meets specified requirements. The maximum allowable exclusion is \$100,000 in 1998, \$200,000 in 1999, \$300,000 in 2000, \$400,000 in 2001 and \$500,000 in 2002 and subsequent years. The exclusion may be taken in addition to the maximum exclusion for qualified family-owned business interests and applies to decedents dying after December 31, 1997.



*Prohibit the revaluation of gifts for estate tax purposes after expiration of 3-year statute of limitations.*—Estate and gift taxes generally must be assessed within 3 years after the filing of the return. In the past, in order to determine the appropriate tax rate bracket and unified credit for the estate tax, the Courts generally permitted the revaluation of a gift for which the statute of limitation period had expired. Effective for gifts made after August 5, 1997, revaluation of a gift for which the limitations period has expired is no longer permitted.

### Expiring Provisions

*Extend research and experimentation tax credit.*—The 20-percent tax credit for certain incremental research and experimentation expenditures is extended to apply to expenditures paid or incurred during the period June 1, 1997 through June 30, 1998.

*Extend orphan drug tax credit.*—The 50-percent non-refundable tax credit provided for qualified clinical testing expenses paid or incurred in the testing of certain drugs for rare diseases or conditions (generally known as “orphan drugs”) is permanently extended, effective for expenses paid or incurred after May 31, 1997.

*Extend 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 June 1, 1997 to deduct the full fair market value of the stock, rather than the adjusted basis of the contributed stock. This Act extends the rule for private foundations through June 30, 1998.

*Extend work opportunity tax credit, with modifications.*—Under prior law, an employer hiring individuals from one or more of seven targeted groups was allowed a work opportunity tax credit equal to 35 percent of the first \$6,000 in qualified first-year wages paid to a qualified individual beginning work after September 30, 1996 and before October 1, 1997. For wages paid to be eligible for the credit, the qualified individual had to be employed by the employer for at least 180 days (20 days in the case of a qualified summer youth employee) or 400 hours (120 hours in the case of a qualified summer youth employee). This Act extends the credit to apply to wages paid to qualified individuals beginning work after September 30, 1997 and before July 1, 1998. In addition, a credit of 25 percent is provided for wages paid to a qualified individual employed at least 120 and fewer than 400 hours, and the credit is increased to 40 percent for wages paid to a qualified individual employed for at least 400 hours. Eligibility is extended to members of families receiving AFDC benefits (or its successor programs) and to SSI beneficiaries.

*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 May 31, 1997, is temporarily extended through June 30, 1998. Refunds of any duty paid between May 31, 1997 and August 5, 1997 are provided upon request of the importer.

*Extend unemployment surtax and increase the statutory limit on Federal Unemployment Act (FUTA) trust fund balances.*—The temporary unemployment surtax of 0.2 percent imposed on employers, which was scheduled to expire with respect to wages paid after December 31, 1998, is extended through December 31, 2007. In addition, the statutory limit on balances in the Federal Unemployment Account (FUA) of the FUTA trust fund is increased from .25 percent to .50 percent of covered wages.

### District of Columbia (D.C.) Tax Incentives

*Designate D.C. Enterprise Zone.*—Certain economically depressed census tracts within D.C. are designated as the “D.C. Enterprise Zone.” The following tax incentives are available to businesses and individual residents within the zone: (1) a 20-percent wage credit for the first \$15,000 of wages paid to D.C. residents who work in the zone; (2) an additional \$20,000 of expensing under section 179 for qualified zone property; and (3) special tax-exempt financing for certain zone facilities. The D.C. Enterprise Zone designation will remain in effect for the period from January 1, 1998 through December 31, 2002.

*Provide zero-percent capital gains rate on certain Enterprise Zone property.*—A zero-percent capital gains rate is provided for capital gains from the sale of certain qualified assets held for more than five years. To qualify for the zero-percent rate, the asset must be within a census tract within the D.C. Enterprise Zone where the poverty rate is not less than 10 percent.

*Provide tax credit to first-time homebuyers.*—A tax credit of up to \$5,000 of the purchase price is provided first-time homebuyers of a principal residence in the District of Columbia. The credit phases out for single taxpayers with AGI between \$70,000 and \$90,000 and for married couples filing a joint return with AGI between \$110,000 and \$130,000. The credit is available with respect to property purchased after August 4, 1997 and before January 1, 2001.

### Welfare-to-Work Tax Credit

*Provide welfare-to-work tax credit.*—Employers are provided a tax credit on the first \$20,000 of eligible wages paid to qualified recipients of long-term family assistance (AFDC or its successor program) during the first two years of employment. 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 wages paid or incurred by the employer for a qualified employee who begins work on or after January 1, 1998 and before May 1, 1999.

### Excise Tax Provisions

*Repeal excise tax on diesel fuel used in recreational motorboats.*—The 24.3-cents-per-gallon excise tax on diesel fuel used in recreational motorboats is repealed. Under prior law, imposition of this tax had been suspended through December 31, 1997.

*Transfer 4.3-cents-per-gallon General Fund highway fuels tax to the Highway Trust Fund.*—Under prior law 4.3-cents-per-gallon of the excise tax on gasoline, diesel fuel, and special motor fuels used in highway vehicles was transferred to the General Fund of the Treasury. Under this Act, collections from these taxes are deposited in the Highway Trust Fund, with 3.45-cents-per-gallon allocated to the Highway Account and .85-cents-per-gallon allocated to the Mass Transit Account. Conforming amendments ensure that no direct spending increases will occur as a result of this transfer of funds.

*Modify deposit rules for excise taxes on highway motor fuels.*—The excise taxes imposed on highway motor fuels that would otherwise be required to be deposited with the Treasury after July 31, 1998 and before September 30, 1998 are not required to be deposited until October 5, 1998, resulting in a shift of collections from 1998 to 1999.

*Modify and expand excise tax on vaccines.*—Under prior law an excise tax was imposed on the following vaccines: DPT (diphtheria, pertussis, tetanus) at \$4.56 per dose; DT (diphtheria, tetanus) at \$0.06 per dose; MMR (measles, mumps, or rubella) at \$4.44 per dose; and polio at \$0.29 per dose. Effective for sales after August 5, 1997, a uniform rate of \$0.75 per dose on any listed vaccine component is imposed on all previously taxed vaccines. In addition, the tax is expanded to apply to HIB (haemophilus influenza type B), Hepatitis B, and varicella (chickenpox) vaccines

*Extend and modify excise taxes deposited in the Airport and Airway Trust Fund.*—Under prior law, the excise taxes deposited in the Airport and Airway Trust Fund were scheduled to expire after September 30, 1997. These taxes included a 10-percent excise tax on domestic passenger tickets, a \$6-per-person international departure tax, a 6.5-percent domestic air freight excise tax, and an excise tax on fuels used in general aviation of 17.5 cents per gallon for jet fuel and 15 cents per gallon for aviation gasoline. This Act extends these taxes for 10 years, through September 30, 2007, with the following modifications:

- *Tax on domestic passenger tickets.*—The 10-percent ad valorem tax on domestic passenger tickets is replaced with a combination ad valorem and per-domestic-flight-segment tax. Effective October 1, 1997 the tax is 9 percent of fare plus \$1 per domestic flight segment. The tax changes to 8 percent of fare and \$2 per domestic flight segment effective October 1, 1998; and to 7.5 percent of fare and \$2.25 per domestic flight segment effective October 1, 1999. The ad valorem tax remains at 7.5 percent, but the per-domestic-flight-segment tax increases to \$2.50 effective January 1, 2000, \$2.75 effective January 1, 2001 and \$3 effective

January 1, 2002. The \$3 rate is indexed annually for inflation effective January 1, 2003. The per-domestic-flight-segment tax is not imposed on flight segments to and from qualified rural airports; the ad valorem tax on such flights is 7.5 percent of fare. The 7.5 percent ad valorem tax also applies to payments to air carriers (and related parties) for the right to award air travel benefits.

- *Tax on international departures and arrivals.*—The \$6-per-passenger international departure tax is increased to \$12 per passenger and extended to apply to international arrivals effective October 1, 1997. A \$6-per-passenger rate is applicable to the international airspace component of flights between the 48 contiguous States and Alaska or Hawaii (or flights between Alaska and Hawaii). Both the \$6 and \$12 taxes are indexed annually for inflation effective January 1, 1999.
- *Deposit schedule for certain aviation taxes.*—Deposits of air passenger taxes otherwise due after August 14, 1997 and before October 1, 1997 are due on October 10, 1997. In addition, deposits of air passenger taxes otherwise required after August 14, 1998 and before October 1, 1998 are due on October 5, 1998. Deposits of commercial air cargo and aviation fuels taxes otherwise required to be made after July 31, 1998 and before October 1, 1998 are due on October 5, 1998.
- *Transfer of General Fund taxes.*—The 4.3-cents-per-gallon excise tax on aviation fuels that was deposited in the General Fund of the Treasury under prior law is deposited in the Airport and Airway Trust Fund effective October 1, 1997.

*Impose excise taxes on kerosene as diesel fuel.*—A 24.3-cents-per-gallon excise tax is imposed on diesel fuel upon removal from a registered terminal storage facility unless the fuel is indelibly dyed and is destined for a nontaxable use. Under prior law, undyed kerosene was not subject to the diesel fuel excise tax when it was removed from a terminal. Undyed kerosene was subject to tax, however, when it was blended with previously taxed diesel fuel. Effective July 1, 1998, kerosene is taxed as diesel fuel when it is removed from a terminal. Exceptions are provided for aviation fuel and, to the extent provided in regulations, for feedstock uses. In addition, special refund rules apply in certain cases of kerosene used for heating purposes.

*Reinstate excise taxes deposited in the Leaking Underground Storage Tank (LUST) Trust Fund.*—Before January 1, 1996, a 0.1-cent-per-gallon excise tax was levied on gasoline, other motor fuels, methanol and ethanol fuels, aviation fuels, and on fuels used in inland waterways and deposited in the LUST Trust Fund. This Act reinstates those taxes effective October 1, 1997 through March 31, 2005.

*Apply communications excise tax to prepaid telephone cards.*—A 3-percent excise tax is imposed on amounts paid for local and toll telephone service and teletypewriter exchange service. This Act extends this tax to

apply to amounts paid to communications service providers (in cash or in kind) for the right to award or otherwise distribute free or reduced-rate telephone service. The tax is effective for cards sold after October 31, 1997.

*Modify treatment of tires under the heavy highway vehicle retail excise tax.*—A 12-percent retail excise tax is imposed on certain heavy highway trucks and trailers, and on highway tractors. A separate manufacturer's excise tax is imposed on tires weighing more than 40 pounds. Under prior law, because tires were taxed separately, the value of tires installed on highway vehicles was excluded from the 12-percent retail excise tax on heavy highway vehicles. This Act repeals this exclusion; instead, a credit for the amount of manufacturers' excise tax paid on the tires is allowed. This change is effective after December 31, 1997.

### Small Business Provisions

*Clarify definition of principal place of business for home office deduction.*—The definition of "principal place of business" is expanded to include a home office that is used by the taxpayer to conduct administrative or management activities of the business, provided that there is no other fixed location where the taxpayer conducts substantial administrative or management activities of the business, regardless of whether such activities are performed by others at other locations. As under prior law, deductions are allowed only if the office is exclusively used on a regular basis as a place of business and, in the case of an employee, only if such exclusive use is for the convenience of the employer. The expanded definition applies to taxable years beginning after December 31, 1998.

*Increase 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: 40 percent for 1997; 45 percent for 1998 through 2002; 50 percent for 2003; 60 percent for 2004; 70 percent for 2005; and 80 percent for 2006 and subsequent years. This Act increases the allowable deduction to 100 percent 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.

*Increase deduction for business meals for certain individuals.*—Generally the amount allowable as a deduction for food and beverage is limited to 50 percent of the otherwise deductible amount. Exceptions to this 50-percent rule are provided for food and beverages provided to crew members of certain vessels and offshore oil or gas platforms or drilling rigs. This Act increases the deduction for food and beverages consumed while away from home by an individual during or incident to a period of duty subject to the hours of service limitations of the Department of Transportation. Such individuals include certain air transportation employees, interstate truck operators and bus drivers, certain rail-

road employees and certain merchant mariners. The increase in the deductible percentage is phased in as follows: 55 percent for 1998 and 1999, 60 percent for 2000 and 2001, 65 percent for 2002 and 2003, 70 percent for 2004 and 2005, 75 percent for 2006 and 2007, and 80 percent for 2008 and subsequent years.

*Increase standard mileage rate for purposes of computing the charitable deduction.*—Effective for taxable years beginning after December 31, 1997, for purposes of computing the charitable deduction, the standard mileage rate for the use of a passenger vehicle is increased from 12 cents per mile to 14 cents per mile.

### Incentives for Distressed Areas

*Provide tax incentive to clean up environmentally contaminated areas known as brownfields.*—A current deduction is allowed for certain costs incurred by businesses to remediate environmentally contaminated land in certain areas. Qualified sites generally are limited to those properties located in or next to census tracts with a poverty rate of 20 percent or more, Federal empowerment zones and enterprise communities, and areas subject to certain Environmental Protection Agency (EPA) Brownfields Pilots. To claim this incentive, taxpayers are required to obtain from the appropriate State or local agency verification that the site satisfies geographic and contamination requirements. The deduction is available for qualified expenses incurred after August 5, 1997 and before January 1, 2001.

*Expand and modify Empowerment Zone and Enterprise Community program.*—Under the Omnibus Budget Reconciliation Act of 1993 (OBRA 93), certain tax incentives were provided for nine empowerment zones (6 urban and 3 rural) and 95 enterprise communities. The tax incentives were a 20-percent employer wage credit, an additional \$20,000 of section 179 expensing, and a new category of tax-exempt financing. Qualifying businesses in empowerment zones were eligible for all three incentives, while businesses in enterprise communities were eligible only for the tax-exempt financing. This Act authorizes the designation of two additional urban empowerment zones within 180 days of enactment; however, the designations, which generally will remain in effect for 10 years, will not take effect before January 1, 2000. These two additional zones are subject to the same eligibility criteria as the original 6 urban empowerment zones, and, except for a modification of the wage credit, generally enjoy the same tax incentives as the original zones. For these two additional zones the wage credit is modified slightly to provide that the percentage of wages taken into account for purposes of determining the wage credit is 20 percent for 2000 through 2004, 15 percent for 2005, 10 percent for 2006, and 5 percent for 2007; the credit is not available for subsequent years. The Act also authorizes the designation of an additional 20 empowerment zones before 1999. Businesses in these 20 additional zones are not eligible for the wage credit, but are eligible to receive up to \$20,000 of additional section 179 expensing, and special tax-exempt financing benefits. The "brownfields

tax incentive" provided in this Act (see discussion above) is available within all designated empowerment zones.

### Financial Product Provisions

*Require recognition of gain on certain appreciated positions in personal property.*—Gains and losses generally are taken into account for tax purposes when realized. Gains or losses are usually realized with respect to a capital asset at the time the asset is sold or exchanged. However, because of special rules under prior law, many transactions designed to reduce or eliminate risk of loss and opportunity for gain on financial assets generally did not cause realization. For example, taxpayers could lock in gain on securities without recognizing gain for tax purposes by entering into a "short sale against the box," that is, the taxpayer could own securities the same as or substantially identical to the securities borrowed and sold short. This Act requires in some circumstances recognition of gain (but not loss) upon entering into a constructive sale of any appreciated financial position in stock, a debt instrument, or a partnership interest. A constructive sale occurs when the taxpayer enters into one of the following transactions with respect to the same or substantially identical property: (1) a short sale, (2) an offsetting notional principal contract, (3) a futures or forward contract, or (4) to the extent provided in regulations, one or more transactions that have substantially the same effect as one of the described transactions. This provision generally is effective for constructive sales entered into after June 8, 1997.

*Permit dealers in commodities and traders in securities and commodities to elect mark-to-market.*—This Act permits securities traders and commodities traders and dealers to elect mark-to-market accounting similar to that currently required for securities dealers. All securities held by an electing taxpayer in connection with a trade or business as a securities trader, and all commodities held by an electing taxpayer in connection with a trade or business as a commodities dealer or trader, are subject to mark-to-market treatment. Property not held in connection with an electing taxpayer's trading activity is not subject to the election provided that it is identified by the taxpayer, under rules similar to the present law rules for securities dealers, and the electing taxpayer can demonstrate by clear and convincing evidence that the property bears no relation to its activities as a trader. Gain or loss recognized by an electing taxpayer under the provision is ordinary gain or loss. This provision applies to taxable years ending after August 5, 1997.

*Change the treatment of gains and losses on extinguishment.*—The tax law distinguishes between the sale of a right or obligation to a third party and the extinguishment or retirement of the right or obligation. A sale to a third party can give rise to capital treatment while an extinguishment produces ordinary income. Under prior law extinguishment treatment was eliminated for all debt instruments except those issued by

natural persons and for most options and other positions in actively traded property. This Act eliminates the remaining portions of the extinguishment doctrine so that gain or loss attributable to the cancellation, lapse, expiration, or other termination of any right or obligation which is (or on acquisition would be) a capital asset in the hands of the taxpayer is treated as gain or loss from the sale or exchange of a capital asset. This change applies to property acquired or positions established 30 days after the date of enactment. In addition, redemptions of debt issued by natural persons and debt issued before July 2, 1982 are treated as an exchange and, accordingly, any gain or loss on that redemption is capital gain or loss effective for debt issued or purchased after June 8, 1997.

*Deny interest deduction on certain debt instruments.*—If an instrument qualifies as equity, the issuer generally does not receive a deduction for dividends paid. If an instrument qualifies as debt, the issuer may deduct accrued interest, including original issue discount (OID). The Act eliminates the deduction for interest and OID on a debt instrument that is issued by a corporation and that is payable in stock of the issuer or a related party. The Act applies to debt instruments that are mandatorily convertible or convertible at the issuer's option into stock of the issuer or of a related party. The Act does not apply to debt instruments that are convertible at the holder's option unless, at the time the instrument is issued, it is substantially certain that the holder's option will be exercised. This provision generally is effective for instruments issued after June 8, 1997.

*Require reasonable payment assumptions for interest accruals on certain debt instruments.*—A taxpayer that holds a debt instrument generally accrues interest income over the life of the instrument. Certain debt instruments, such as credit card receivables, do not require the debtors to pay interest if they pay their balances in full by a specified date. The operation of the interest accrual rules of prior law provided that, in such instances, the holder could assume that each debtor would pay its balance by the specified date and, thereby, avoid accruing interest over the life of the debt instrument. In these cases, the holder would not accrue any interest income until the specified date had passed. In the case of a large pool of such debt instruments, the assumption that each debtor will prepay (and thereby avoid a finance charge) is unrealistic and results in the mismeasurement of income. Under the Act, taxpayers that hold large pools of prepayable debt instruments must accrue interest on the pool by making a reasonable assumption regarding the timing of payments on the instruments that make up the pool. The provision is effective for taxable years beginning after August 5, 1997.

### Corporate Organizations and Reorganizations

*Require gain recognition for certain extraordinary dividends.*—A corporate shareholder generally is allowed to deduct a percentage of dividends received from

another domestic corporation. A distribution in redemption of stock may be treated as a dividend if the shareholder's proportionate interest in the distributing corporation has not been meaningfully reduced. In determining if a shareholder's interest has been meaningfully reduced, the ownership of options to purchase stock may be treated as actual stock ownership, rather than as a sale of the stock, if it is essentially equivalent to a dividend. Certain dividends and dividend equivalent transactions are treated as "extraordinary" dividends. Whether a dividend is "extraordinary" is determined, among other things, by reference to the size of the dividend in relation to the adjusted basis of the shareholder's stock. If a corporate shareholder receives an extraordinary dividend, the corporate shareholder must reduce the basis of the stock to which the distribution relates by the amount of the nontaxed portion of the dividend (generally the amount of the dividend that was deducted). Under prior law, if the nontaxed portion of the dividend exceeded the basis of the stock, the excess was deferred and not taxed as gain until the sale or disposition of the stock. Under this Act a corporate shareholder generally is required to recognize gain immediately with respect to any redemption treated as a dividend when the nontaxed portion of the dividend exceeds the basis of the shares surrendered, if the redemption is treated as a dividend due to options being counted as stock ownership. In addition, immediate gain recognition is required whenever the basis of stock with respect to which any extraordinary dividend is received is reduced below zero. These changes generally are effective for distributions after May 3, 1995, unless made pursuant to the terms of a written binding contract in effect on May 3, 1995 or a tender offer outstanding on May 3, 1995.

*Require gain recognition on certain distributions of controlled corporation stock.*—A corporation generally is required to recognize gain on a distribution of property (including stock of a controlled corporation) unless the distribution meets certain requirements. Under prior law, if various requirements were met, including restrictions relating to acquisitions and dispositions of stock of the distributing corporation or the controlled corporation, a distribution of the stock of a controlled corporation generally was tax-free to the distributing corporation. This Act adopts additional restrictions on acquisitions and dispositions of the stock of a distributing corporation or controlled corporation. Under this Act, the distributing corporation is required to recognize gain on the distribution of the stock of the controlled corporation if the shareholders of the distributing corporation do not retain 50-percent or more of the stock interest in either the distributing or controlled corporation during the four-year period commencing two years prior to the distribution. In addition, distributions within an affiliated group of corporations, in connection with such a distribution or acquisition transaction, are no longer tax free. These changes generally are effective for distributions after April 16, 1997.

*Reform the tax treatment of certain stock transfers.*—Certain sales of stock to a related corporation are treated as the payment of a dividend by the purchaser. Such dividends may qualify for the dividends received deduction; in addition, such dividends may bring with them foreign tax credits. For example, if a foreign-controlled domestic corporation sells the stock of a subsidiary to a foreign sister corporation, the domestic corporation may take the position that it is entitled to credit foreign taxes that were paid by the foreign sister corporation. This Act limits the amount treated as a dividend (and the associated foreign tax credits) from the purchaser to the amount of the purchaser's earnings and profits attributable to stock owned by U.S. persons related to the seller. The Act also clarifies that a deemed dividend from a purchaser that is a domestic corporation generally should be treated as an extraordinary dividend requiring a basis reduction and gain recognition to the extent that the nontaxed portion exceeds the basis of the shares transferred. These changes generally are effective for distributions or acquisitions after June 8, 1997, but do not apply to such distributions or acquisitions made pursuant to a written agreement that was binding on that date.

*Modify holding period for dividends-received deduction.*—The dividends-received deduction is allowed to a corporate shareholder only if the shareholder satisfies a 46-day holding period for the dividend-paying stock or a 91-day period for certain dividends on preferred stock. The 46- or 91-day holding period generally does not include any time in which the shareholder is protected from the risk of loss otherwise inherent in the ownership of an equity interest. However, under prior law, the holding period requirement did not have to be proximate to the time the dividend distribution was made. This Act requires that in order to qualify for the dividends-received deduction, the holding period requirement must be satisfied with respect to that dividend over a period immediately before or immediately after the taxpayer becomes entitled to receive the dividend. This change generally is effective for dividends paid or accrued more than 30 days after August 5, 1997.

### **Pension and Employee Benefit Provisions**

The Act makes a number of changes affecting pension plans and other employee benefits, including the following:

*Change rule relating to involuntary distributions from retirement plans.*—In the case of a participant who separates from service with the employer, a qualified retirement plan may cash out the participant's benefits without the participant's consent if the present value of the benefits does not exceed a dollar limit. The Act increases this limit from \$3,500 to \$5,000 effective for plan years beginning after August 5, 1997.

*Repeal excess distribution and excess retirement accumulation taxes.*—Under prior law, an individual's distributions from qualified retirement plans, tax-sheltered annuities and IRAs, that, in the aggregate, exceeded

\$160,000 in a calendar year (or, if made as a lump sum distribution, five times that amount) were subject to a 15-percent excise tax on "excess" distributions. This excise tax was suspended for distributions received in 1997, 1998, or 1999. An individual's balance in retirement plans was subject to an additional 15-percent estate tax on excess distributions to the extent that the balance exceeded the present value of a benefit that would not be subject to the 15-percent excise tax on excess distributions. The Act repeals both the excise tax on excess distributions (effective for distributions received after 1996) and the estate tax on excess retirement accumulations (effective for decedents dying after 1996).

*Treat matching contributions of self-employed individuals as not constituting elective deferrals.*—Employees may elect to make tax-deferred elective contributions ("elective deferrals") to a 401(k) plan up to an indexed dollar limit (\$10,000 for 1998). Employers may make matching contributions based on the employees' elective deferrals. Similarly, under a SIMPLE retirement plan, employees may make elective deferrals (of up to \$6,000 per year), and employers may make matching contributions. Under prior law, matching contributions that were made for a self-employed individual generally were treated as elective deferrals and were counted against the dollar limit on elective deferrals, as well as in the nondiscrimination test applicable to elective deferrals under a 401(k) plan (the ADP test). The Act changes this treatment of matching contributions for self-employed individuals. Instead of subjecting those contributions to the limits on elective deferrals and to the ADP test, the Act generally treats them like matching contributions made for employees. This change is effective for years beginning after 1997 in the case of 401(k) plans and for years beginning after 1996 in the case of SIMPLE plans.

*Change rules affecting State and local government and church plans.*—The Act makes a number of changes affecting retirement plans maintained by State and local governments and churches, including permanently exempting governmental plans from the nondiscrimination and minimum participation rules that otherwise apply to qualified plans. Those rules generally prohibit plans from discriminating in favor of highly compensated employees with respect to contributions or benefits, participation, coverage and compensation counted under the plan. The exemption generally is effective for taxable years beginning on or after August 5, 1997.

*Increase pension plan full funding limit.*—Contributions to a defined benefit pension plan are subject to a maximum "full funding" limit. Under prior law, the full funding limit generally was the lesser of the plan's accrued liability (based on projected benefits) or 150 percent of its current liability (based on benefits accrued to date). The Act increases the 150-percent-of-current-liability component of the full funding limit to 155 percent for plan years beginning in 1999 or 2000, 160 percent for plan years beginning in 2001 or 2002,

165 percent for plan years beginning in 2003 or 2004, and 170 percent for plan years beginning thereafter. The Act also extends the amortization period, from ten to twenty years, for amounts that could not be contributed because of the 150-percent-of-current-liability limit. This change is effective for plan years beginning after December 31, 1998.

*Require increased diversification of 401(k) investments.*—The Employee Retirement Income Security Act of 1974, as amended (ERISA), generally permits only up to 10 percent of the fair market value of the assets of a retirement plan to be invested in employer securities or real property leased to the employer that sponsors the plan. Prior law contained an exception to this rule permitting defined contribution plans, including section 401(k) plans, to invest more than 10 percent of their assets in employer securities or employer real property if the plan authorized such investments. The Act generally provides that a plan is not permitted to require that an employee's elective deferrals be invested in employer securities or employer real property if the employee's elective deferrals are in excess of one percent of the employee's eligible compensation and if employer securities and employer real property exceed 10 percent of the plan's assets. The provision does not apply to employee stock ownership plans or if the value of assets of all defined contribution plans of the employer does not exceed 10 percent of the value of assets of all pension plans maintained by the employer. The provision is effective for elective deferrals for plan years beginning after December 31, 1998.

### **Tax Exempt Organization Provisions**

*Repeal grandfather rule with respect to pension business of certain insurers.*—Under prior law, that portion of the business of the Teachers Insurance Annuity Association-College Retirement Equities Fund (TIAA-CREF) or of Mutual of America that was attributable to pension business was exempt from tax. Effective for taxable years beginning after December 31, 1997, TIAA-CREF and Mutual of America are treated for Federal tax purposes as life insurance companies; that portion of their business attributable to pension business is no longer exempt from tax.

### **Foreign Provisions**

*Place further restrictions on like-kind exchanges involving personal property.*—An exchange of property, like a sale, is generally a taxable transaction. However, no gain or loss is recognized if property held for productive use in a trade or business or for investment is exchanged for property of a like kind that is to be held for productive use in a trade or business or for investment. In general, any kind of real estate is treated as of a like kind with other real property; however, real property located in the United States and real property located outside the United States are not of a like kind. Under prior law, for personal property, property of a "like class" was treated as being of a like kind; no restrictions applied with regard to location

in or outside the United States. To conform the limitations on exchanges of personal property to the limitations on exchanges of real property, this Act provides that personal property predominantly used within the United States and personal property predominantly used outside the United States are not "like-kind" properties. This change generally is effective for exchanges after June 8, 1997, unless the exchange is pursuant to a binding contract in effect on such date.

*Impose holding period requirement for claiming foreign tax credits with respect to dividends.*—Under prior law, U.S. persons that received dividends from a regulated investment company (RIC), generally were entitled to an indirect credit for foreign taxes paid by the RIC, regardless of the shareholder's holding period for the RIC stock. A U.S. corporation that received a dividend from a foreign corporation in which it had a 10-percent or greater voting interest generally was entitled to an indirect credit for foreign taxes paid by the foreign corporation, also regardless of the shareholder's holding period. This Act generally disallows the foreign tax credits available with respect to a dividend from a corporation or RIC if the shareholder holds the stock for less than 16 days in the case of common stock and 46 days in the case of preferred stock. This provision is effective for dividends paid or accrued more than 30 days after August 5, 1997.

*Allow Foreign Sales Corporation (FSC) benefits for computer software licenses.*—The FSC provisions provide a limited exemption from U.S. tax for income arising in certain export transactions; under prior law, the exemption was not available for most exports of intangible property, including computer software copyrights. This Act extends FSC benefits to licenses of computer software for reproduction abroad. The provision applies to gross receipts from computer software licenses attributable to periods after December 31, 1997. In the case of a multi-year license, the provision applies to gross receipts attributable to the period of such license that is after December 31, 1997.

*Increase dollar limitation on exclusion for foreign earned income.*—U.S. citizens generally are subject to U.S. income tax on all their income, whether derived in the United States or elsewhere. U.S. citizens living abroad may be eligible to exclude from their income for U.S. tax purposes certain foreign earned income. In order to qualify for this exclusion, a U.S. citizen must be either (1) a bona fide resident of a foreign country for an uninterrupted period that includes an entire taxable year, or (2) present overseas for 330 days out of any 12 consecutive month period. In addition, the taxpayer must have his or her tax home in a foreign country. Under prior law, the maximum exclusion for foreign earned income for a taxable year was \$70,000. This Act increases the maximum exclusion to \$80,000 in increments of \$2,000 each year beginning in 1998. The limitation on the exclusion is indexed for inflation beginning in 2008.

### Other Corporate Provisions

*Require registration of certain corporate tax shelters.*—Under prior law promoters of a corporate tax shelter were required to register such shelters with the Internal Revenue Service (IRS). This Act generally requires a promoter of a corporate tax shelter to register the shelter with the Secretary of the Treasury no later than the next business day after the day when the shelter is first offered to potential users. This Act also increases the penalty for failing to register in a timely manner a corporate tax shelter and modifies the substantial understatement penalty. The tax shelter registration provision applies to any tax shelter offered to potential participants after the date the Treasury Department issues guidance with respect to the filing requirements. The modifications to the substantial understatement penalty apply to items with respect to transactions entered into after August 5, 1997.

*Treat certain preferred stock as "boot."*—Under prior law, in reorganization transactions, no gain or loss was recognized except to the extent "other property" (boot) was received; that is, property other than certain stock, including preferred stock. Upon the receipt of "other property," gain but not loss was recognized. This Act requires certain preferred stock that is received in otherwise tax-free transactions to be treated as "other property." This change generally is effective for transactions after June 8, 1997 but does not apply to such transactions made pursuant to a written agreement that was binding on that date.

### Administrative Provisions

*Require tax reporting for payments to attorneys.*—Treasury regulations require a payor to report payments of attorney's fees if the payments are made in the course of a trade or business. However, under prior law a payor generally was not required to report payments made to corporations. In addition, if a payment to an attorney was a gross amount and it could not be determined what portion was the attorney's fee (as in the case of lump-sum judgments or settlements made jointly payable to a lawyer and a plaintiff), then no reporting was required. This Act requires the reporting of gross proceeds on all payments made to attorneys by a trade or business in the course of the trade or business. In addition, the prior law exception for reporting payments to corporations no longer applies to payments made to attorneys. The provision is effective for payments made after December 31, 1997.

*Require reporting of payments to corporations rendering services to Federal agencies.*—All persons engaged in a trade or business and making payments of \$600 or more to another person in remuneration for services generally must report those payments to the IRS and to the recipient. No reporting is required if the recipient is a corporation, unless the payment is made to an attorney (see previous provision). To ensure that corporations that do business with the Federal Government appropriately report as income their payments from the Federal Government, this Act requires execu-



tive agencies to report payments of \$600 or more made to corporations for services rendered. An exception is provided for certain classified or confidential contracts. The provision is effective for returns the due date of which is more than 90 days after August 5, 1997.

*Establish IRS continuous levy and improve debt collection.*—Under this Act a continuous levy is applicable to non-means-tested recurring Federal payments, such as Federal salaries and pensions, received by individuals who owe delinquent tax debt. In addition, this Act provides that the levy attach up to 15 percent of any specified payment due the taxpayer. A continuous levy of up to 15 percent also applies to unemployment benefits and means-tested public assistance. The Act also permits the disclosure of otherwise confidential tax return information to the Treasury Department's Financial Management Service only for the purpose of, and to the extent necessary, in implementing these levies. The provision is effective for levies issued after August 5, 1997.

### **Earned Income Tax Credit (EITC) Compliance Provisions**

*Deny EITC eligibility for prior acts of recklessness or fraud.*—A taxpayer who fraudulently claims the EITC is denied eligibility for the subsequent 10 years. A taxpayer who erroneously claims the EITC due to reckless or intentional disregard of rules or regulations is denied eligibility for the subsequent 2 years. These sanctions are in addition to any other penalties imposed by current law and are effective for taxable years beginning after December 31, 1996.

*Require recertification for eligibility if past eligibility was denied as a result of deficiency procedures.*—A taxpayer who has been denied the EITC as a result of deficiency procedures is denied eligibility in subsequent years unless evidence of eligibility for the credit is provided. To demonstrate current eligibility the taxpayer is required to meet evidentiary requirements established by the Secretary of the Treasury. Failure to provide this information is treated as a mathematical or clerical error. A taxpayer who has been recertified as eligible for the EITC does not have to resubmit this information in the future unless the IRS again denies the EITC as a result of a deficiency procedure. The provision is effective for taxable years beginning after December 31, 1996.

*Require tax preparers to fulfill certain due diligence requirements.*—Effective for taxable years beginning after December 31, 1996, tax return preparers are required to fulfill certain due diligence requirements with respect to returns they prepare claiming the EITC. The penalty for failure to meet these requirements, which is in addition to any other penalties assessed under current law, is \$100 for each failure.

*Modify the definition of AGI used to phaseout the EITC.*—The EITC is phased out for individuals with earned income (or AGI, if greater) in excess of certain amounts. Under prior law, the definition of AGI used for the phase out of the earned income credit dis-

regarded the following losses: (1) net capital losses (if greater than zero); (2) net losses from trusts or estates; (3) net losses from nonbusiness rents and royalties; and (4) 50 percent of the net losses from business, computed separately with respect to sole proprietorships (other than in farming), sole proprietorships in farming, and other businesses. This Act modifies the definition of AGI used for phasing out the credit by adding two sources of nontaxable income: (1) tax-exempt interest and (2) nontaxable distributions from pensions, annuities, and individual retirement arrangements. The Act also increases to 75 percent the percentage of net losses from business disregarded from the definition of AGI used for the phase out of the EITC. These changes are effective for taxable years beginning after December 31, 1997.

*Use Federal case registry of child support orders for tax enforcement purposes.*—The Personal Responsibility and Work Opportunity Reconciliation Act of 1997 mandated the creation of a Federal Case Registry of Child Support Orders (the FCR) by October 1, 1998. The FCR is required to include the names, and the State case identification numbers of individuals who are owed or who owe child support or for whom paternity is being established. It may also include the social security numbers (SSNs) of these individuals. Under the Taxpayer Relief Act, the Secretary of the Treasury is provided access to the FCR not later than October 1, 1998. Also, by October 1, 1999, the data elements on the State Case Registry will include the SSNs of children covered by cases in the Registry, and the States will provide the SSNs of these children to the FCR.

*Expand Social Security Administration (SSA) records for tax enforcement.*—Effective February 1, 1998, SSA is required to obtain SSNs of both parents on minor children's applications for SSNs. The SSA will provide this information to the IRS as part of the Data Master File. This information will enable the IRS to identify questionable claims for the earned income credit, the dependent exemption, and other tax benefits before tax refunds are paid.

### **Other Revenue-Increase Provisions**

*Phase out preferential tax deferral for certain large farm corporations required to use accrual accounting.*—Under the Revenue Act of 1987, family farm corporations were required to change to the accrual method of accounting if their gross receipts exceeded \$25 million in any taxable year beginning after 1985. However, in lieu of including in gross income the entire amount of the adjustment attributable to the change in accounting method, a family farm corporation could establish a suspense account. The amount of the suspense account was to be included in gross income if the corporation ceased to be a family corporation or to the extent the gross receipts of the corporation from farming declined. This Act repeals the ability of family farm corporations to establish such a suspense account and also repeals the requirement to include a portion of a suspense account in income based on a decrease in the



gross receipts of the corporation. Any taxpayer required to change to the accrual method of accounting may take the adjustment attributable to the change in accounting method into account ratably over a ten-year period, beginning with the year of change. Any existing suspense accounts are to be restored to income ratably over a twenty-year period, subject to the existing law requirement to restore such accounts more rapidly. This provision is effective for taxable years ending after June 8, 1997, except that the first year in the twenty-year period for restoring existing suspense accounts to income is the first taxable year beginning after June 8, 1997.

*Modify loss carryback and carryforward rules.*—Under prior law, net operating losses (NOLs) generally could be used to offset taxable income from the prior three taxable years (carrybacks) and the succeeding 15 taxable years (carryforwards). This Act generally limits carrybacks of NOLs to 2 years and extends carryforwards to 20 years, effective for NOLs arising in taxable years beginning after the date of enactment. The 3-year carryback for NOLs of farmers and small businesses attributable to losses incurred in Presidentially declared disaster areas is preserved.

*Modify general business credit carryback and carryforward rules.*—A qualified taxpayer is allowed to claim a number of tax credits (collectively, known as general business credits) provided under current law (rehabilitation credit, energy credit, alcohol fuels credit, orphan drug credit, etc.), subject to certain limitations based on tax liability for the year. Under prior law, unused general business credits generally could be carried back three years and carried forward 15 years to offset tax liability of such years. This Act limits the carryback period for general business credits to one year and extends the carryforward period to 20 years. The change is effective for taxable years beginning after December 31, 1997.

*Expand the limitations on deductibility of premiums and interest with respect to life insurance, endowment and annuity contracts.*—The prior law premium deduction limitation is expanded to provide that no deduction is permitted for premiums paid on any life insurance, endowment or annuity contract, if the taxpayer is directly or indirectly a beneficiary under the contract. In addition, generally no deduction is allowed for interest paid or accrued on any indebtedness with respect to a life insurance policy or endowment or annuity contract covering the life of any individual. In the case of a taxpayer other than a natural person, no deduction is allowed for the portion of the taxpayer's interest expense that is allocable to unborrowed policy cash surrender values with respect to any life insurance policy or annuity or endowment contract issued after June 8, 1997. These limitations apply to contracts issued after June 8, 1997. For this purpose, a material increase in the death benefit or other material change in the contract generally causes the contract to be treated as a new contract.

*Expand requirement that involuntarily converted property be replaced with property acquired from an unrelated party.*—Gain realized by taxpayers from certain involuntary conversions is deferred to the extent the taxpayer purchases property similar or related in service or use to the converted property within a specified period of time. C corporations (and partnerships with one or more corporate partners that own more than 50 percent of the capital or profits interest in the partnership) generally are not entitled to defer gain if the replacement property is purchased from a related person. This Act extends the denial of deferral to any other taxpayer, including an individual, that acquires replacement property from a related person, unless the taxpayer has an aggregate realized gain of \$100,000 or less during the year as a result of involuntary conversions. In the case of a partnership or S corporation, the \$100,000 annual limitation applies to the entity and each partner or shareholder. The provision applies to involuntary conversions occurring after June 8, 1997.

### Miscellaneous Tax Provisions

*Provide income-averaging for farmers.*—Effective for taxable years beginning after December 31, 1997 and before January 1, 2001, an individual taxpayer generally is 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.

*Allow carryback of existing net operating losses of the National Railroad Passenger Corporation (Amtrak).*—Amtrak is allowed to carryback its net operating losses against the aggregate of the net tax liability of Amtrak's railroad predecessors. The maximum allowable refund payable to Amtrak, which is to be divided equally between the first two taxable years ending after the date of enactment, is \$2.323 billion. The availability of the refund was conditioned on enactment of Federal legislation authorizing reform; such legislation has been enacted.

*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. Under prior law the 100 percent of last year's safe harbor was modified to be a 110 percent of last year's liability safe harbor for any individual with an AGI of more than \$150,000 as shown on the return for the preceding taxable year. This Act modifies the safe harbor for individuals with AGI of more than \$150,000 as follows: for taxable years beginning in 1998, the safe harbor is 100 percent; for taxable years beginning in 1999, 2000, and 2001 the safe harbor is 105 percent; for taxable years beginning in 2002, the safe harbor is 112 percent. In addition, for any

period before January 1, 1998, for any estimated payment due before January 16, 1998, no estimated tax penalties will be imposed on an underpayment created or increased by a provision of the Taxpayer Relief Act of 1997.

**Balanced Budget Act of 1997.**—This Act, together with the Taxpayer Relief Act of 1997, implements the historic bipartisan budget agreement that will benefit generations of Americans. While this Act is primarily a balanced package of spending provisions that includes targeted program cuts while it invests in America's future, it also includes several revenue provisions. The major provisions of the Act affecting receipts are described below.

**Increase excise taxes on tobacco products.**—The excise tax on small cigarettes is increased from 24 cents per pack to 34 cents per pack effective January 1, 2000 and to 39 cents per pack effective January 1, 2002. The taxes on other tobacco products (large cigarettes, cigars, cigarette papers, cigarette tubes, chewing tobacco, snuff, and pipe tobacco) are increased proportionately. In addition, the tax on roll-your-own tobacco is imposed at the same rate as pipe tobacco.

**Increase employee contributions to the Civil Service Retirement System (CSRS) and the Federal Employees**

**Retirement System (FERS).**—Employee contributions to CSRS and FERS are increased by 0.5 percent of base pay in three steps. Contributions increase by 0.25 percent of base pay on January 1, 1999, another 0.15 percent on January 1, 2000 and a final 0.10 percent on January 1, 2001. These higher contribution rates are effective through 2002; on January 1, 2003, contribution rates return to the levels in effect on December 31, 1998.

**Authorize appropriation of funds for enforcement initiatives related to the EITC.**—In addition to any other funds available for this purpose, the following amounts are authorized to be appropriated to the Secretary of the Treasury for improved application of the earned income tax credit: not more than \$138 million for 1998, \$143 million for 1999, \$144 million for 2000, \$145 million for 2001 and \$146 million for 2002.

**Adjust payments to the Universal Service Fund.**—Payments to the Universal Service Fund by telecommunications carriers and other providers of interstate telecommunications are adjusted so that \$3 million in payments otherwise due in fiscal year 2001 are deferred until October 1, 2001. This shift in payments was subsequently repealed during the FY 1998 appropriations process.

## ADMINISTRATION PROPOSALS

### PROVIDE TAX RELIEF AND EXTEND EXPIRING PROVISIONS

The President's plan targets tax relief to provide child-care assistance to working families. It also includes new initiatives to promote energy efficiency and environmental objectives and new incentives to promote retirement savings, as well as education incentives and extensions of certain expiring tax provisions. In addition, the President's plan contains provisions to simplify the tax laws and to enhance taxpayers' rights.

#### Make Child Care More Affordable

**Increase 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 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. Eligibility for the credit would be simplified by elimination of a complicated household maintenance test. Certain credit parameters would be

indexed. The proposal would be effective for taxable years beginning after December 31, 1998.

**Establish tax credit for employer-provided child care.**—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, 1998.

#### 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 20 percent of the amount of qualified investment, subject to a cap. The credit generally would be available for equipment purchased over the five-year period beginning January 1, 1999 and ending December 31, 2003.

**Provide tax credit for the purchase of 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 one percent of the purchase price of the home, up to a maximum of \$2,000. The full credit would be available for homes purchased between January 1, 1999 and December 31, 2003. A credit of up to \$1,000 would be available for homes purchased between January 1, 2004 and December 31, 2005.

### Transportation

**Provide tax credit for high-fuel-economy vehicles.**—No income tax credit is provided currently for purchases of highly fuel-efficient vehicles. The Administration proposes to provide a credit of \$4,000 for each vehicle that gets three times the base fuel economy for its class. The \$4,000 credit would be available for purchases of qualifying vehicles after December 31, 2002. This credit would phase down beginning in 2007 and phase out in 2010. A \$3,000 credit would also be provided for purchases of vehicles achieving two times the base fuel economy for their class. The \$3,000 credit would be available for purchases of qualifying vehicles after December 31, 1999. This credit would phase down beginning in 2004 and phase out in 2006.

**Equalize treatment of parking and transit benefits.**—Under current law, employer-provided transit and vanpool benefits are only excluded from income if such benefits are in addition to, not in lieu of, other compensation. Under the Taxpayer Relief Act of 1997, however, parking benefits are excluded from income even if offered in lieu of other compensation. The Administration proposes to allow employers to offer their employees transit and vanpool benefits in lieu of compensation, beginning January 1, 1999, thus granting transit and vanpool benefits the same treatment as parking benefits. Also under current law, up to \$155 per month (in 1993 dollars) in employer-provided parking benefits and \$60 per month (in 1993 dollars) in employer-provided transit and vanpool benefits are excludable from income. The Administration proposes to raise the monthly limit on employer-provided transit and vanpool benefits excludable from income to be the same as the limit on parking.

### Industry

**Provide investment tax credit for combined heat and power (CHP) systems.**—Combined heat and power (CHP) assets are used in the production of electricity and process heat and/or mechanical power from the same primary energy source. No tax credits are currently available for investment in CHP property. The Administration proposes to establish a 10-percent investment credit for CHP systems in order to encourage and accelerate investment in such equipment. The credit would apply to property placed in service in the United States after December 31, 1998, and before January 1, 2004.

**Provide tax credit for replacement of certain circuitbreaker equipment.**—The chlorofluorocarbon substitute sulfur hexafluoride (SF6), an extremely harmful greenhouse gas, is used in some large power circuit breakers used in the transmission and distribution of electric power. The Administration proposes to make a tax credit available for the installation of new power circuit breaker equipment to replace certain circuit breakers that are prone to leak SF6. The credit would be equal to 10 percent of qualified investment. To be eligible for the credit, the replaced power circuit breakers must be dual pressure circuit breakers with a capacity of at least 115kV, contain SF6, and have been installed prior to December 31, 1985. The replaced equipment must be destroyed so as to prevent further use. The credit would apply only to new equipment placed in service in the five-year period beginning January 1, 1999 and ending December 31, 2003.

**Provide tax credit for certain perfluorocompound (PFC) and hydrofluorocompound (HFC) recycling equipment.**—Under current law, semiconductor manufacturers who install equipment to recover or recycle PFC and HFC gases used in the production of semiconductors may depreciate the cost of that equipment, but no tax credit is provided for the purchase of such equipment. PFCs and certain HFCs are among the most potent greenhouse gases because of their extreme stability in the atmosphere and strong absorption of radiation, and they are used extensively in the semiconductor manufacturing industry. The Administration proposes to provide a 10 percent tax credit for the installation of qualified PFC/HFC recovery or recycling equipment to recover gases used in the production of semiconductors. Equipment would qualify for the credit only if it recovers at least 99 percent of the PFCs and HFCs and the equipment is placed in service in the five-year period beginning January 1, 1999 and ending December 31, 2003.

### Renewables

**Provide tax credit for rooftop solar equipment.**—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 to make a new tax credit available for purchasers of rooftop 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, 1998 and before January 1, 2004 for solar water heating systems and after December 31, 1998 and before January 1, 2006 for rooftop photovoltaic systems.

**Extend wind and biomass tax credit.**—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.

### Promote Expanded Retirement Savings

Building on recent legislation, the Administration proposes further expansions of retirement savings incentives, including three new 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. Two of the 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 promoting portability, expanding workers’ and spouses’ rights to know about their retirement benefits, and simplifying the pension rules. These provisions generally are effective beginning in 1999.

**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 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 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 arrangement. 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 IRA arrangements, providing a marketing tool to financial institutions and advisors promoting new plan adoption, and increasing awareness of retirement savings options.

**Establish new small business pension plan.**—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, together with individual account balances that can benefit from favorable investment returns and have enhanced portability.

**Enhance portability and disclosure; simplify pensions.**—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). The Administration’s proposal also would enhance workers’ and spouses’ rights to know about their pension benefits—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 timely notification 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.

### Expand Education Incentives

**Provide incentives for public school construction.**—The Taxpayer Relief Act of 1997 enacted a provi-

sion 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 school construction. Under the proposal, State and local governments would be able to issue up to \$9.7 billion of “qualified school construction bonds” in each of 1999 and 2000. 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. At least 95 percent of the bond proceeds of a qualified school construction bond must be used to finance public school construction or rehabilitation. The Administration also proposes to expand the amount of qualified zone academy bonds that can be issued in 1999 from \$400 million to \$1.4 billion and to authorize an additional \$1.4 billion of qualified zone academy bonds in 2000, and to allow the proceeds of these bonds to be used for school construction.

***Extend and expand exclusion for employer-provided educational assistance.***—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 by one year to apply to undergraduate courses beginning before June 1, 2001. In addition, the exclusion would be expanded to cover graduate courses beginning after June 30, 1998 and before June 1, 2001.

***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, 1998.

### **Increase Low-Income Housing Tax Credit**

***Increase low-income housing tax credit per capita cap.***—Low-income housing tax credits provide an incentive to build and make available rental housing

units to households with incomes significantly below area medians. The amount of first-year credits that can be awarded in each State is currently limited by annual allocations of \$1.25 per capita. The \$1.25 per capita limitation 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 1998. 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.

### **Extend Expiring Provisions**

***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, 1998. The Administration proposes to extend the work opportunity tax credit so that the credit would be effective for individuals who begin work before May 1, 2000.

***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 May 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 May 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, 1998, for one year through June 30, 1999.

***Extend the deduction provided for contributions of appreciated stock to private foundations.***—The special rule that allows a taxpayer to deduct the full fair market value of qualified stock donated to a private foundation expires with respect to contributions made after June 30, 1998. The Administration proposes to extend the provision to apply to contributions made during the period July 1, 1998 through June 30, 1999.

***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.

### **Modify International Trade Provisions**

***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, 1998, through September 30, 2001. The Administration is proposing new enhanced trade benefits for Sub-Saharan African countries undertaking strong economic reforms. The Administration also proposes to provide, through September 30, 2001, expanded trade benefits mainly on textiles and apparel to Caribbean Basin countries that meet new eligibility criteria to prepare for a future free trade agreement with the United States. The Administration also proposes to implement the OECD Shipbuilding Agreement.

***Extend and modify Puerto Rico economic-activity tax credit (section 30A).***—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 through 2005, subject to base-period caps. To provide a more efficient and effective tax incentive for the economic development of Puerto Rico and to continue the shift from an income-based credit to an economic-activity credit that was begun in the Omnibus Budget Reconciliation Act of 1993 (OBRA 93), the Administration proposes to modify the economic-activity credit for Puerto Rico by (1) extending it indefinitely, (2) making newly established business operations eligible for the credit, effective for taxable years beginning after December 31, 1998, and (3) removing the base-period cap.

***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.

### **Provide Other Tax Incentives**

***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 at any time that it later disposed 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. 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.

***Accelerate and expand incentives available to 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 will be 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 to accelerate the start-up date of the incentives for the two additional EZs to January 1, 1999. In addition, the proposal would provide that the wage credit would remain in effect for 10 years from that date and would be phased down using the same percentages that apply to the original empowerment zones designated under OBRA 93.

***Make first \$2,000 of severance pay exempt from income tax.***—Under current law, payments made to 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 \$125,000. The exclusion would be effective for severance pay received in taxable years beginning after December 31, 1998 and before January 1, 2004.

### Simplify The Tax Laws

**Provide for optional Self-employment Contributions Act (SECA) computations.**—Self-employed individuals currently may elect to increase their self-employment income for purposes 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, 1998.

**Provide statutory hedging and other rules to ensure business property is treated as ordinary property.**—Under current law, there is a significant 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 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, provide more equitable timing of losses under the straddle rules, and eliminate an exception to the straddle rules for positions in corporate stock. 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 (i.e., 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 significantly the application of the foreign tax credit limitation 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, 1997.

**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.

### Enhance Taxpayers' Rights Collection

**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). The Administration proposes to require the IRS to suspend collection by levy of liabilities that are the subject of a refund suit during the pendency of the litigation. This would only apply where refund suits can be brought without the full payment of the tax, i.e., divisible taxes. Collection by levy would

be suspended unless jeopardy exists or the taxpayer waives the suspension of collection in writing. This proposal would not affect the IRS's ability to collect other assessments that are not the subject of the refund suit, to offset refunds or to file a notice of federal tax lien. The statute of limitations on collection would be stayed for the period during which collection by levy is prohibited. The proposal would be effective for refund suits brought with respect to taxable years beginning after December 31, 1998.

***Suspend collection by levy while offer in compromise is pending.***—The Administration proposes to bar the IRS from collecting a tax liability by levy during any period that a taxpayer's offer in compromise of that liability is being processed, during the 30 days following rejection of an offer, and for any period during which an appeal of a rejected offer is being considered. Levy would not be precluded if the IRS determines that collection is in jeopardy or that the offer is submitted solely to delay collection. This proposal would not affect liabilities or assessments that are not the subject of the offer in compromise, the IRS's ability to offset refund, or its ability to file a notice of Federal tax lien. The proposal would not require the IRS to stop any levy action that was initiated, or withdraw any lien that was filed, prior to the taxpayer's making an offer in compromise. The statute of limitations on collection would be stayed for the period during which collection by levy is barred. The proposal would be effective with respect to taxes assessed 60 days after the date of enactment.

***Suspend collection to permit resolution of disputes as to liability.***—The Administration proposes to permit an individual taxpayer to request that collection be suspended temporarily with regard to an income tax liability that is assessed based upon a statutory notice of deficiency that the taxpayer failed to receive or to which the taxpayer failed to respond. The IRS would suspend collection for a 60-day period, during which the taxpayer may dispute the merits of the underlying assessment. The 60-day period would be extended in appropriate cases where progress is being made in resolving the liability. Collection by refund offset and jeopardy levies would be exempted. The proposal would not affect the IRS's ability to file a notice of Federal tax lien. The statutory collection period would be stayed while the taxpayer's claim is pending. The proposal would be effective for taxes assessed with respect to taxable years beginning after December 31, 1998.

***Require District Counsel approval of certain third party collection activities.***—The Administration proposes to require IRS District Counsel approval before a notice of Federal tax lien can be filed or levy is made in connection with property held by a nominee, transferee, or alter ego of the taxpayer. Counsel approval would also be required before the IRS seizes property encumbered by a Federal tax lien if the prop-

erty is presently neither owned nor titled in the name of the taxpayer. The only exception would be in jeopardy situations. If District Counsel's approval was not obtained, the property-owner would be entitled to obtain release of the lien or levy, and, if the IRS failed to make such release, to appeal first to the Collections Appeals process and then to the U.S. District Court. The proposal would be effective with respect to taxes assessed after the date of enactment.

***Require management approval of levies on certain assets.***—The Administration proposes to require the personal approval of an IRS District Director or Assistant District Director of any levy made against non-Federal pensions or the cash value of life insurance policies. The proposal would thus place these assets in the same class as principal residences pursuant to section 6334(e). The only exception would be in jeopardy situations. If the District Director's approval was not obtained, the taxpayer would be entitled to obtain release of the levy, and, if the IRS failed to make such release, to appeal first to the Collections Appeals process and then to the U.S. District Court. The proposal would be effective with respect to taxes assessed after the date of enactment.

***Require District Counsel review and approval of jeopardy and termination assessments and jeopardy levies.***—Current law provides special procedures allowing 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 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, and the government bears the burden of proof with respect to the reasonableness of a jeopardy or termination assessment or a jeopardy levy. The Administration proposes to require IRS District Counsel review and approval before the IRS could make a jeopardy assessment, a termination assessment, or a jeopardy levy. If District Counsel's approval was not obtained, the taxpayer would be entitled to obtain abatement of the assessment or release of the levy, and, if the IRS failed to offer such relief, to appeal first to the Collections Appeals process and then to the U.S. District Court. The proposal would be effective with respect to taxes assessed after the date of enactment.

***Require management approval of sales of perishable goods.***—Because of the nature of the property at issue, special accelerated procedures apply to the sale of perishable property that has been seized to satisfy a tax liability. The Administration proposes to require approval by an IRS District Director or Assistant District Director before perishable goods are sold. The proposal would also clarify what a "perishable" item is for these purposes. The proposal would be effective



with respect to taxes assessed after the date of enactment.

**Codify certain Fair Debt Collection procedures.**—Government agencies, including the IRS, are generally exempt from the Fair Debt Collection Practices Act (FDCPA). In the past, appropriations legislation funding the IRS has required IRS officers and employees to comply with certain provisions of the FDCPA. Placing these requirements in the Internal Revenue Code would ensure that both taxpayers and employees of the IRS are fully aware of these requirements. Therefore, the Administration proposes to add to the Internal Revenue Code two provisions of the FDCPA concerning communications in connection with debt collection and the prohibition on harassment or abuse. The proposal would be effective on the date of enactment.

**Modify payment of taxes.**—The Secretary of the Treasury is authorized to accept payments by stamps, check, or money orders, as provided in regulations. Checks or money orders currently are made payable to the “Internal Revenue Service.” The proposal would require amending the rules, regulations, and procedures to allow payment of taxes by check or money order to be made payable to the order of “United States Treasury.” This would make it clearer to taxpayers that their tax payments support the entire Federal Government, not just the IRS. The proposal would be effective on the date of enactment.

**Require disclosures relating to extension of statutes of limitation by agreement.**—Taxpayers and the IRS may agree in writing to extend the statutory period of limitations on assessment or collection, either for a specified period or for an indefinite period. The Administration proposes to require that, on each occasion that the taxpayer is requested by the IRS to extend the statute of limitations, 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. The proposal would apply to requests to extend the statute of limitations made after the date of enactment.

**Publish living allowance schedules relating to 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, or doubt as to the taxpayer’s ability to pay in full the amount owed. The proposal would require 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. The IRS would use this information in evaluating the sufficiency of offers in compromise. The schedules would be required to be published no later than 180 days after the date of enactment.

**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. The Administration proposes to codify the IRS’s current practice of requiring an installment agreement (at the taxpayer’s option) for liabilities of \$10,000 or less, provided certain conditions are met. The proposal would be effective on the date of enactment.

**Increase “superpriority” dollar limits.**—Current law provides protection to certain property interests even though a Notice of Federal Tax Lien has been properly filed before the interests arise. Such “superpriorities” are subject to certain dollar limitations, however. The proposal would increase the current dollar limit for purchasers at a casual sale from \$250 to \$1,000, and it would increase the current dollar limit from \$1,000 to \$5,000 for mechanics lienors who provide home improvement work for residential real property. The proposal would also clarify current law to reflect current banking practices, where a “passbook”-type loan may be made even though an actual “passbook” is not used. The proposal would be effective on the date of enactment.

**Permit personal delivery of 100 percent penalty notices.**—The proposal would permit personal delivery, in addition to the Internal Revenue Code’s current requirement of mail delivery, of a preliminary notice that the IRS intends to assess a 100 percent penalty under section 6672 against the taxpayer. The proposal would be effective on the date of enactment.

### Examination

**Allow taxpayers to quash all third party summonses.**—Summonses issued to “third party recordkeepers” are subject to different procedures than other summonses: notice of the summons must be given to the taxpayer, and the taxpayer has an opportunity to bring a court proceeding to quash the summons, during which time collection action is stayed and the third party recordkeeper is prohibited from complying with the summonses. The Administration proposes generally to expand the “third party recordkeeper” procedures to apply to all summonses issued to third parties other than the taxpayer. This would have the beneficial effect of giving taxpayers notice and an opportunity to contest any summons issued to a third party in connection with the determination of their liability. The provision would be effective for summonses served after the date of enactment.

**Require disclosure of criteria for examination selection.**—The IRS examines Federal tax returns to determine the correct liability of taxpayers. Returns are selected for examination in a number of ways, such as through “matching” of returns and information returns or through the use of a computerized classifica-

tion system (the discriminant function (DIF) system). Taxpayers should better understand the reasons why they may be selected for examination. Therefore, the Administration proposes to require that within 180 days the IRS add to Publication 1 (*Your Rights as a Taxpayer*) a statement setting forth, in simple and non-technical terms, the criteria and procedures for selecting taxpayers for examination. The statement would not include any information that would be detrimental to law enforcement, and drafts of the statement would be required to be submitted to the congressional tax-writing committees prior to publication.

**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. The proposal would require the IRS 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. The provision would be effective on the date of enactment.

**Permit service of summonses by mail.**—This proposal would permit the IRS to serve summonses by mail, in addition to the present law requirement that all summonses be personally served. Most summonses are served on financial institutions, where personal service can disrupt the working environment. Further, notice to the taxpayer that a summons has been served on a third party recordkeeper can already be given by mail, and the proposal would thus bring the service of the actual summons into line with the notice requirements. The provision would be effective for summonses served after the date of enactment.

### New Remedies

**Allow suits for damages if IRS violates certain bankruptcy procedures.**—No remedy exists under the Internal Revenue Code if the IRS willfully violates the automatic stay or discharge provisions of the Bankruptcy Code. The Administration proposes to provide for payment of damages, plus attorneys fees' and costs, for willful violations by officers or employees of the IRS of either the automatic stay provision or the discharge injunction under the Bankruptcy Code. Jurisdiction over such cases would lie with the Bankruptcy Court, but the claimant would be required to exhaust administrative remedies to the same extent as for other damage claims. The provision would be effective with respect to violations occurring after the date of enactment.

**Increase Tax Court's "small case" limit.**—Taxpayers may choose to contest many tax disputes in the Tax Court. Under current law, special "small case procedures" apply to disputes involving \$10,000 or less, if the taxpayer chooses to utilize these procedures (and the Tax Court concurs). The Administration proposes to increase the cap for small case treatment in the Tax Court from \$10,000 to \$25,000. The proposal would apply to proceedings commenced after the date of enactment.

**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, the Administration proposes to permit "equitable tolling" of the limitation period on claims for refund for the period of time during which an individual taxpayer is under a sufficient medically determined physical or mental disability as to be unable to manage his or her financial affairs. Tolling would 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 proposal would apply with respect to taxable years ending after the date of enactment.

**Require notice of deficiency to specify Tax Court filing deadlines.**—Under current law, 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. The Administration proposes to require 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 would be timely. The provision would apply to notices mailed after December 31, 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. The Administration proposes to grant courts refund jurisdiction to deter-

mine the correct liability of such an estate, so long as the estate had properly elected to pay in installments and was current on all payments. The proposal also would make a number of technical and conforming amendments to implement this change. The proposal would be effective for claims for refunds filed after the date of enactment.

**Expand authority to award costs and 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 cannot exceed a statutorily limited rate (\$110 per hour, indexed for inflation). Taxpayers who are represented pro bono, and thus bear no actual attorney's fees and costs, cannot recover such amounts. The Administration proposes to allow the award 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 proposal would be effective with respect to costs incurred and services performed after the date of enactment.

**Expand authority to issue taxpayer assistance orders.**—Under current law, taxpayers can request that the Taxpayer Advocate issue a taxpayer assistance order (TAO) to require the IRS to release property of the taxpayer that has been levied upon, or to cease any action, take any action as permitted by law, or refrain from taking any action with respect to the taxpayer. A TAO may be issued if the taxpayer is suffering or about to suffer a significant hardship as a result of the manner in which the laws are being administered by IRS. The Administration proposes to provide that, in determining whether to issue a TAO, the Taxpayer Advocate will also be 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. The proposal would be effective on the date of enactment.

**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. The Administration proposes to create administrative and judicial remedies for a third party in that situation. Under this procedure, the owner of property (other than the tax-

payer) could obtain a certificate discharging property from the Federal tax lien as a matter of right, provided certain conditions were met. The certificate of discharge would enable the property owner to sell the property free and clear of the Federal tax lien in all circumstances. The proposal would also establish a judicial cause of action for persons challenging a Federal tax lien that is similar to the wrongful levy remedy already in the Internal Revenue Code. The proposal would be effective on the date of enactment.

**Allow damage suits by persons other than the taxpayer.**—Under current law, taxpayers have a 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. Actions under this provision may only be brought by an injured taxpayer, however, and not by an injured third party. The Administration proposes that persons other than the taxpayer from whom collection is sought be granted a right to sue for damages. The current law limitations on awards for damages would apply to third party plaintiffs, as well. The proposal would be effective with respect to collection actions taken after the date of enactment.

### Joint Returns

**Suspend collection in certain joint liability cases.**—When a married couple's joint return is the subject of a Tax Court proceeding, the Administration proposes to require the IRS to withhold collection by levy against a nonpetitioning spouse while a Tax Court proceeding involving the other spouse is pending. This would treat the nonpetitioning spouse the same as the petitioning spouse in most situations. Certain exceptions would be provided, including in jeopardy situations; when the taxpayer waives this protection (i.e., agrees to the collection action); other, limited but automatic kinds of collection activity, such as automatic refund offset; filing of protective notices of Federal tax lien, etc.; or certain other situations. The statute of limitations on assessment and collection would be stayed for the period during which collection by levy is barred. If there is a final decision that reduces the proposed assessment against the petitioning spouse, the assessment against the nonpetitioning spouse would likewise be reduced. The proposal would not affect the IRS's ability to collect other liabilities or assessments that are not the subject of the Tax Court proceeding. The proposal would be effective for taxes assessed with respect to taxable years beginning after December 31, 1998.

**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. Married taxpayers need to better understand the legal implications of signing a joint return. Therefore, the Administration proposes to require the IRS to establish procedures to alert married taxpayers clearly of their joint and several liability on appropriate tax publications and instructions. The proposal would require that such procedures be established no later than 180 days after the date of enactment.

**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. Relief from liability is available for “innocent spouses” in certain circumstances, but the conditions are frequently hard to meet and the Tax Court may not have jurisdiction to review all denials of innocent spouse relief. The Administration proposes to generally make innocent spouse status easier to obtain. It would first eliminate certain applicable dollar thresholds for understatements of tax. Second, the proposal would specifically provide the Tax Court with jurisdiction to review the IRS’s denial of innocent spouse relief and to order appropriate relief. Except in limited cases, the IRS could not collect the tax until the Tax Court case is final (although the statute of limitations would be extended while the Tax Court case is pending). Finally, the proposal would require the IRS to develop a separate form with instructions for taxpayers to use in applying for innocent spouse relief within 180 days from the date of enactment. The proposal would be effective for understatements in years beginning after the date of enactment and for overpayments assessed within the previous two years.

### Miscellaneous

**Allow “global” interest netting of under- and over-payments.**—The rate of interest charged taxpayers on their tax underpayments differs from the rate paid to taxpayers on overpayments. Although the IRS ameliorates the effect of this interest rate differential by “netting” offsetting underpayments and overpayments in some situations, there is no authority to net when either the overpayment or the underpayment has been satisfied already (“global” netting). Global interest netting for income taxes would be implemented under this proposal. The proposal would be effective for calendar quarters with periods of overlapping mutual indebtedness after the date of enactment.

**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. There is no exception authorizing the disclosure of return information to NARA. The Administration proposes to provide 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 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 would apply. The proposal would be effective for requests made by the Archivist after the date of enactment.

**Clarify authority to prescribe manner of making elections.**—Except as otherwise provided by statute, elections under the Internal Revenue Code must be made in such manner as the Secretary of the Treasury “shall by regulations or forms prescribe.” The question has arisen whether the Secretary can prescribe the manner of required elections other than by regulations or forms, for instance in revenue rulings or revenue procedures. The proposal would clarify that, except as otherwise provided, the Secretary may prescribe the manner of making any election by any reasonable means. The proposal would be effective on the date of enactment.

**Grant IRS broad authority to enter into cooperative agreements with State taxing agencies.**—Taxpayers currently must file returns with both their State taxing agency and the IRS, and frequently must resolve issues with the agencies at different times. If appropriate statutory authority were enacted, taxpayers could file only one return for both State and Federal taxes. Then, pursuant to a cooperative agreement between the IRS and the State, the information could be processed by one tax administrator and shared between the two, substantially simplifying filing requirements and reducing taxpayer burden. The Administration proposes to allow the IRS to enter such agreements with the States to provide for joint filing and processing of returns, joint collection of taxes (other than Federal income taxes), and such other provisions as may enhance joint tax administration. It would further amend the Internal Revenue Code’s confidentiality provisions to permit sharing of common tax data, would address the effect of joint agreements in a number of situations, and would include a thorough list of conforming amendments. The provision would be effective on the date of enactment.

**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 Administration proposes that the Legal Services Corporation be authorized to make up to \$3,000,000 in grants for the development, expansion, or continuation of certain low-income

taxpayer clinics. The provision would be effective on the date of enactment.

***Provide procedures for release of field service memoranda.***—The Administration proposes to clarify that Field Service Advice Memoranda (FSAs) are return information that is protected under the Internal Revenue Code and cannot be disclosed without authorization. It would also, however, make the non-confidential information in such documents public, subject to a redaction process in which the taxpayer whose liability is the subject of the FSA would be allowed to participate. The proposal would be effective on the date of enactment, but it would include a schedule of time over which the IRS would make past FSAs available under the redaction procedure.

#### **ELIMINATE UNWARRANTED BENEFITS AND ADOPT OTHER REVENUE MEASURES**

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

***Defer deduction for interest and original issue discount (OID) on 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.

***Eliminate 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 70- and 80-percent dividends-received deduction for dividends on certain limited-term preferred stock, effective for stock issued after the date of enactment.

***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.

***Repeal tax-free conversions of large C corporations to S corporations (section 1374).***—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, 1999 and to acquisitions of a C corporation by an S corporation made after December 31, 1998.

***Replace sales-source rules with activity-based rules.***—The foreign tax credit generally reduces U.S. tax on foreign source income, but does not reduce U.S. tax on U.S. source income. When products are manufactured in the United States and sold abroad, Treasury regulations provide that 50 percent of such income generally is treated as earned in production activities, and sourced on the basis of the location of assets held or used to produce income from the sale. The remaining 50 percent of the income is treated as earned in sales activities and sourced based on where title to the inventory transfers. Thus, if a U.S. manufacturer sells inventory abroad, half of the income generally is treated as derived from domestic sources, and half of the income generally is treated as derived from foreign sources. However, the taxpayer may use a more favorable method if it can establish to the satisfaction of the IRS that more than half of its economic activity occurred in a foreign country. This 50/50 rule provides a benefit to U.S. exporters that operate in high-tax foreign countries. Thus, U.S. multinational exporters have a competitive advantage over U.S. exporters that conduct all their business activities in the U.S. Because export benefits should be targeted equally to all export-

ers, the Administration proposes to reduce the amount of export sales income that such corporations may treat as derived from foreign sources by requiring that the allocation be based on actual economic activity. 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.

**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 and 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 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.

**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.

**Repeal exemption for withholding on gambling winnings from bingo and keno in excess of \$5,000.**—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.

**Reinstate oil spill excise 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, 2008. 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.

**Modify Federal Unemployment Act (FUTA) provisions.**—Beginning in 2004, 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.

**Extend pro rata disallowance of tax-exempt interest expense that applies to banks to all financial intermediaries.**—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.

**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 com-

panies 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 and banks, 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 to deduct 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 30 percent.

**Preclude certain taxpayers from prematurely claiming losses from receivables.**—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 ending after the date of enactment.

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"). Significant numbers of taxpayers whose principal activities are selling nonfinancial goods or providing nonfinancial services are making the customer paper elec-



tion as a means of restoring bad debt reserves. The customer paper election is also being used inappropriately to mark-to-market trade receivables that bear little or no interest in order to recognize loss. Under the proposal, certain customer receivables would not be allowed to be marked to market. The proposal would be effective for taxable years ending after the date of enactment.

**Restrict special net operating loss carryback rules for specified liability losses.**—Under current law, 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. Accordingly, the Administration proposes to modify the specified liability loss provisions to provide that only a limited class of liabilities qualifies as a specified liability loss. Under the proposal, specified liability losses would 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. The proposal would be effective for taxable years beginning after the date of enactment.

**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. The Administration proposes to limit the grandfather status of the existing stapled REITs. Under the proposal, for purposes of determining whether any grandfathered entity is a REIT, the stapled entities would be treated as one entity with respect to properties acquired on or after the date of the first committee action and with respect to activities or services relating to such properties (i.e., properties acquired after the effective date) that are undertaken or performed by one of the stapled entities on or after such date.

**Restrict impermissible business indirectly conducted by REITs.**—REITs generally are restricted to owning passive investments in real estate and certain securities. To prevent indirect ownership of impermissible businesses, current law restricts a REIT from owning more than 10 percent of the outstanding voting securities of any issuer. Nonetheless, a REIT can essentially conduct an impermissible business through a subsidiary by holding a significant amount of non-voting stock in a corporation. Through the retention of non-voting stock and debt, the REIT is able to retain most, if not all, of the income generated by the impermissible business and to circumvent the restrictions on operating active businesses. The Administration proposes to restrict this ability by prohibiting REITs from holding stock possessing more than 10 percent of the vote or value of all classes of stock of a corporation. In general, the proposal would be effective with respect to stock acquired on or after the date of first committee action.

**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 more than 50 percent of the total combined voting power of all classes of voting stock or more than 50 percent of the total value of 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.

**Modify depreciation method for tax-exempt use property.**—Current law requires tax-exempt use property (property owned by a U.S. person but leased to a foreign or tax-exempt person) to be depreciated using



the straight-line method over a period equal to the greater of (1) the property's class life; or (2) 125 percent of the lease term. This rule has led to manipulations designed to create a shortened recovery period. The Administration proposes to lengthen the recovery period for "tax-exempt use property" to 150 percent of its class life. This will prevent the U.S. tax system from providing tax benefits in the form of accelerated depreciation for the use of property that is not connected with U.S. business activities. The proposal generally would be effective for property placed in service after December 31, 1998.

**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 20-percent excise tax on the purchase price 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 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.

**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. The Administration proposes 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 taxpayer identification number" used on a tax return would be defined as the TIN assigned to such individual by the Social Security Administration (SSA), or in certain limited cases, the IRS. Second, the IRS would be 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 would include the individual's name, age or date of birth, and Social Security number. Third, the IRS

would be authorized to use math error procedures to deny eligibility for those tax benefits subject to the math error procedures 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 for either the taxpayer or qualifying child that the IRS determines, using data from SSA, does not meet the statutory age restrictions. The proposal would be effective for taxable years ending after the date of enactment.

**Clarify the meaning of "subject to" liabilities under section 357(c).**—A transferor generally is required to recognize gain on a transfer of property in an otherwise tax-free section 351 exchange to the extent the sum of the liabilities assumed, plus those to which the transferred property is subject, exceeds the basis in the property. If a recourse liability is secured by multiple assets, it is unclear under present 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 would be eliminated. Instead, the extent to which a liability (including a nonrecourse liability) is treated as assumed for Federal income tax purposes in connection with a transfer of property would be determined on the basis of all the facts and circumstances. In general, if nonrecourse indebtedness is secured by more than one asset, and any assets securing the indebtedness are transferred subject to the indebtedness without any indemnity agreements, then for all Federal income tax purposes the transferee would be treated as assuming an allocable portion of the liability based upon the relative fair market values (determined without regard to section 7701(g)) of the assets securing the liability. The proposal would be effective for transfers after the date of first committee action. No inference regarding the tax treatment under current law is intended.

**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, 1998.

**Clarify tie-breaker rule under EITC.**—The earned income tax credit tie-breaker rule prevents a lower-income individual from claiming the credit with respect to a particular child who could also be a qualifying child with respect to a higher-income individual. The Administration proposes to clarify that the requirement that a taxpayer identify on his or her tax return any

child with respect to whom the taxpayer is claiming the EITC is a requirement for claiming the credit, rather than an element of the definition of "qualifying child." Thus, under the EITC tie-breaker rule, the child would be a qualifying child with respect to the higher-income individual, regardless of whether the higher-income individual actually identifies the child on his or her return. A similar change would be made to the definition of "eligible individual." The proposal is effective with respect to taxable years ending after the date of enactment. No inference is intended as to the operation of the tie-breaker rule under current law.

**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 readily marketable assets. The proposal would be effective for gifts made after, and decedents dying after, the date of enactment.

**Eliminate "Crummey" rule.**—Currently, gifts of present interests of up to \$10,000 (in 1998) per donor per donee each year are excepted from the gift tax. The decision in *Crummey v. Commissioner* held that a transfer in trust is a transfer of a present interest if the beneficiary has a right to withdraw the property from the trust for a limited period of time. The Administration proposes to overrule this decision so that only outright gifts of present interests would be counted for purposes of the \$10,000 gift exception. The proposal would be effective for gifts completed after December 31, 1998.

**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 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.

**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.

**Apply 7.7 percent capitalization rate to credit life insurance premiums.**—Under current law, a company that issues group credit life insurance contracts is required to capitalize 2.05 percent of its net premiums for such contracts. However, commissions and other policy acquisition expenses on credit life insurance contracts generally are higher than policy acquisition expenses for individual life insurance contracts, to which a 7.7 percent capitalization rate applies. Thus, the statutory proxy rate for policy acquisition costs on credit life insurance contracts does not accurately reflect the level of commissions and other policy acquisition expenses for credit life insurance. Under the Administration's proposal, insurance companies would be required to capitalize 7.7 percent of their net premiums for a taxable year with respect to all credit life insurance contracts. The proposal would be effective for taxable years beginning after the date of enactment.

**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. 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 insurance contracts to the 20 percent owner exception in the COLI proration rules. The proposal would be effective for taxable years beginning after date of enactment.

**Modify reserve rules for annuity contracts.**—Under current law, a life insurance company that issues an annuity contract claims a reserve deduction equal to the greater of the net surrender value of the contract and an amount that is based on the Commissioner's

Annuities Reserve Valuation Method (CARVM) in effect on the date that the annuity contract is issued, subject to a cap equal to the annual statement reserve for the contract. In 1997, the National Association of Insurance Commissioners adopted new actuarial guidelines interpreting CARVM. The guidelines generally require life insurance companies to compute CARVM reserves by determining the greatest possible present value of all guaranteed benefits, using a number of worst case or "conservative" assumptions. The guidelines are effective on December 31, 1998, and apply to all contracts issued on or after January 1, 1981. Because these new guidelines would be inappropriate for calculating tax reserves, the Administration proposes that tax reserves for all annuity contracts with cash surrender values would be set at the contract's net cash surrender value plus a specified percentage of the contract's net cash surrender value that would be phased out over a portion of the contract period. The proposal would be effective for taxable years ending on or after the date of enactment.

**Tax certain exchanges of insurance contracts and reallocations of assets within variable insurance contracts.**—Generally, investors are taxed upon the sale or exchange of assets. However, certain exchanges of life insurance, endowment and annuity contracts are not taxed. Also, the holder of a variable contract who liquidates part or all of his investment in one fund, and reallocates the proceeds to a different fund within a variable contract, is not taxed. The Administration proposes that all exchanges of an insurance contract for a variable contract would be taxable. Exchanges of variable contracts for any type of life insurance, endowment or annuity contract would be taxable. Each variable contract investment in a separate account mutual fund or in the insurance company's general account would be treated as a separate contract. In addition, the investment in the contract would be net of mortality and expense charges. These rules would apply to contracts issued after the date of first committee action. A material change in an existing contract would be treated as the issuance of a new contract.

**Reduce "investment in the contract" for mortality and expense charges on certain insurance contracts.**—For purposes of computing the amount of taxable investment income under section 72 of the Internal Revenue Code from distributions under cash value life insurance, endowment, or annuity contracts, the holder's tax basis includes premiums used to pay mortality and expense charges. These charges are used to pay for annual term life insurance coverage, other types of insurance coverage, and options to buy life annuities at specified rates guaranteed in a deferred annuity contract. As a result, these rules overstate basis and thus understate the amount of tax-deferred income under these contracts when they are surrendered for cash or the holder receives other distributions under the contract. The Administration proposes to modify the com-

putation of basis under section 72 by subtracting mortality and expense charges. This proposal would apply to contracts issued after the date of first committee action.

**Amend 80/20 company rules.**—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 after the date of enactment.

**Prescribe regulatory directive to address tax avoidance involving foreign built-in losses.**—Certain taxpayers are engaging in tax avoidance transactions that inappropriately use losses generated outside the United States to offset income that otherwise would be subject to U.S. tax. The provision would direct the Secretary of Treasury to prescribe regulations, as may be necessary or appropriate to prevent the avoidance of tax, to determine (1) the basis of assets held directly or indirectly by a person other than a United States person, and (2) the amount of built-in deductions of a person other than a U.S. person, or an entity held directly or indirectly by such a person. The proposal would be effective on the date of enactment.

**Prescribe regulatory directive to address tax avoidance through use of hybrids.**—Certain persons are entering into tax avoidance transactions that utilize hybrid entities, securities and transactions to achieve tax results that are inconsistent with the purposes of the provisions of U.S. law (including treaties) that are relied on for such results. Other transactions involving hybrids do not achieve tax results that are inconsistent with the purposes of U.S. law. The consequences of these transactions should be described in the form of promptly issued administrative guidance both to prevent inappropriate results and to provide taxpayers with greater certainty. The proposal would direct the Secretary of Treasury to prescribe regulations to prevent the avoidance of tax through the use of hybrid entities, securities and transactions that achieve results inconsistent with the purposes of U.S. law (including treaties). The proposal would be effective on 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 non-

resident'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.**—Under section 887 of the Internal Revenue Code, a foreign corporation is subject to a four-percent tax on its United States source gross transportation income. The tax does not apply, however, 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 under U.S. tax law to current 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. However, residents of non-exemption countries 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 U.S. four-percent tax. The proposal would stop that abuse. It would be effective for taxable years beginning after the date of enactment.

## 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 tax-

able years beginning after December 31, 1997 and before January 1, 2009.

**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, 2008. These taxes expired on December 31, 1995.

**Extend excise taxes on gasoline, diesel fuel, and special motor fuels.**—Excise taxes are imposed on gasoline (other than aviation gasoline) at a rate of 18.4 cents per gallon, diesel fuel at a rate of 24.4 cents per gallon, and special motor fuels at varying rates. The tax rates are scheduled to fall to 4.4 cents per gallon (or comparable rates in the case of special motor fuels) on September 30, 1999. The Administration proposes to extend the current rates of tax on nonaviation gasoline, diesel fuel and special motor fuels (with a 0.1-cent-per-gallon reduction, reflecting the expiration of the LUST Trust Fund tax on April 1, 2005).

**Convert excise taxes deposited in the Airport and Airway Trust Fund to cost-based user fees assessed for Federal Aviation Administration (FAA) services.**—Beginning in 2000, the excise taxes that are levied on domestic air passenger tickets and flight segments, international departures and arrivals, domestic air cargo, and aviation fuels are proposed to be phased out over a five-year period, and replaced with more efficient, cost-based user fees charged for FAA services. As part of a continuing effort to create a more business-like FAA, the Administration will propose legislation by which the FAA would be entirely funded by cost-based user fees by 2003.

**Receipts from tobacco legislation.**—The Administration includes receipts from tobacco legislation in the 1999 budget. These receipts, which total approximately \$65 billion for the five years 1999 through 2003, would support tobacco-related public health and other activities at the State and Federal level.

**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.

**Transfer retirees and certain active employees of the FDIC and the Board of Governors of the Federal Reserve to the Federal Employee Health**

**Benefits Program (FEHBP) (receipt effect).**—The Administration supports the transfer of health coverage for retirees and certain active employees of the FDIC and the Board of Governors of the Federal Reserve, who are now covered by in-house health care plans, to the FEHBP administered by the Office of Personnel Management (OPM). The current plans are becoming more expensive because of the small size and age of the insured group. FEHBP coverage would be more cost effective. This proposal will reduce the administrative costs of the Federal Reserve, thereby increasing deposits of earnings by the Federal Reserve, which are classified as governmental receipts.

**Repeal Federal Employees Retirement System (FERS) open season (receipt effect).**—The Administration proposes, in a supplemental, to repeal section 642 of the Treasury and General Government App-

ropriation Act, 1998. That section provides an “open season” from July 1, 1998 through December 31, 1998 during which time Federal and Postal Service employees covered by the Civil Service Retirement System (CSRS) could switch to FERS. Repealing section 642 would increase employee payments to the Civil Service Retirement and Disability Fund.

**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 billions of dollars)

	Estimate						
	1998	1999	2000	2001	2002	2003	1999–2003
<b>Provide tax relief and extend expiring provisions:</b>							
Make child care more affordable:							
Increase and simplify child and dependent care tax credit .....		-0.3	-1.3	-1.1	-1.2	-1.2	-5.1
Establish tax credit for employer-provided child care .....		-*	-0.1	-0.1	-0.1	-0.1	-0.5
Subtotal, make child care more affordable .....		-0.3	-1.3	-1.3	-1.3	-1.4	-5.6
Promote energy efficiency and improve the environment:							
Provide tax credit for energy-efficient building equipment .....		-0.1	-0.2	-0.3	-0.3	-0.4	-1.4
Provide tax credit for purchase of new energy-efficient homes .....		-*	-*	-*	-0.1	-0.1	-0.2
Provide tax credit for high-fuel-economy vehicles .....				-0.1	-0.2	-0.4	-0.7
Equalize treatment of parking and transit benefits .....		-*	-*	-*	-*	-*	-0.1
Provide investment tax credit for CHP systems .....	*	-0.3	-0.3	-0.1	-0.1	-0.2	-0.9
Provide tax credit for replacement of certain circuitbreaker equipment .....		-*	-*	-*	-*	-*	-*
Provide tax credit for certain PFC and HFC recycling equipment .....		-*	-*	-*	-*	-*	-*
Provide tax credit for rooftop solar equipment .....		-*	-*	-*	-*	-*	-0.1
Extend wind and biomass tax credit .....		-*	-*	-*	-0.1	-0.1	-0.2
Subtotal, promote energy efficiency and improve the environment .....	*	-0.4	-0.6	-0.6	-0.8	-1.2	-3.6
Promote expanded retirement savings .....	-*	-0.1	-0.2	-0.2	-0.2	-0.2	-0.9
Expand education incentives:							
Provide incentives for public school construction .....		-0.2	-0.9	-1.3	-1.3	-1.3	-5.0
Extend and expand exclusion for employer-provided educational assistance .....	-*	-0.2	-0.3	-0.4	-0.1		-1.0
Eliminate tax when forgiving student loans subject to income contingent repayment .....							
Subtotal, expand education incentives .....	-*	-0.4	-1.2	-1.7	-1.4	-1.3	-6.0
Increase low-income housing tax credit per capita cap .....		-*	-0.2	-0.3	-0.4	-0.6	-1.6
Extend expiring provisions:							
Extend work opportunity tax credit .....	-*	-0.2	-0.3	-0.2	-0.1	-*	-0.8
Extend welfare-to-work tax credit .....		-*	-0.1	-0.1	-*	-*	-0.2
Extend R&E tax credit .....	-0.4	-0.8	-0.6	-0.3	-0.1	-*	-1.8
Extend deduction provided for contributions of appreciated stock to private foundations .....		-*	-*				-0.1
Make permanent the expensing of brownfields remediation costs .....				-0.1	-0.2	-0.2	-0.5
Subtotal, extend expiring provisions .....	-0.4	-1.1	-1.0	-0.6	-0.4	-0.3	-3.4
Modify international trade provisions:							
Extend GSP and modify other trade provisions <sup>1</sup> .....		-0.5	-0.5	-0.5	-*	-*	-1.5
Extend and modify Puerto Rico economic-activity tax credit .....		-*	-0.1	-0.1	-0.2	-0.2	-0.6
Levy tariff on certain textiles and apparel products produced in the CNMI <sup>1</sup> .....			0.2	0.2	0.2	0.2	0.7
Expand Virgin Island tariff credits <sup>1</sup> .....			-*	-*	-*	-*	-*
Subtotal, modify international trade provisions <sup>1</sup> .....		-0.6	-0.4	-0.4	*	-*	-1.4

**Table 3-3. EFFECT OF PROPOSALS ON RECEIPTS—Continued**  
(In billions of dollars)

	Estimate						
	1998	1999	2000	2001	2002	2003	1999-2003
<b>Provide other tax incentives:</b>							
Expand tax incentives for SSBICs .....	—*	—*	—*	—*	—*	—*	—*
Accelerate and expand incentives available to two new empowerment zones .....	—*	—*	—*	—*	—*	—*	—0.1
Make first \$2,000 of severance pay exempt from income tax .....		—*	—0.2	—0.2	—0.2	—0.2	—0.8
<b>Subtotal, provide other tax incentives .....</b>	<b>—*</b>	<b>—0.1</b>	<b>—0.2</b>	<b>—0.2</b>	<b>—0.2</b>	<b>—0.2</b>	<b>—0.8</b>
<b>Simplify the tax laws .....</b>	<b>—*</b>	<b>—0.1</b>	<b>—0.1</b>	<b>—0.1</b>	<b>—0.1</b>	<b>—0.1</b>	<b>—0.6</b>
<b>Enhance taxpayers' rights .....</b>	<b>—*</b>	<b>—*</b>	<b>—*</b>	<b>—*</b>	<b>—0.1</b>	<b>—0.1</b>	<b>—0.2</b>
<b>Subtotal, provide tax relief and extend expiring provisions<sup>1</sup> .....</b>	<b>—0.5</b>	<b>—3.2</b>	<b>—5.1</b>	<b>—5.5</b>	<b>—5.0</b>	<b>—5.4</b>	<b>—24.2</b>
<b>Eliminate unwarranted benefits and adopt other revenue measures:</b>							
Defer deduction for interest and OID on convertible debt .....	*	*	*	*	*	0.1	0.2
Eliminate dividends-received deduction for certain preferred stock .....	*	*	*	*	*	0.1	0.2
Repeal percentage depletion for non-fuel minerals mined on Federal and formerly Federal lands .....		0.1	0.1	0.1	0.1	0.1	0.5
Repeal tax-free conversions of large C corporations to S corporations .....		*	*	*	*	0.1	0.1
Replace sales-source rules with activity-based rules .....		0.6	1.4	1.5	1.5	1.6	6.6
Modify rules relating to foreign oil and gas extraction income .....		*	0.1	0.1	0.1	0.1	0.4
Repeal lower-of-cost-or-market inventory accounting method .....		*	0.4	0.5	0.4	0.1	1.6
Increase penalties for failure to file correct information returns .....		*	*	*	*	*	0.1
Tighten the substantial understatement penalty for large corporations .....			*	*	*	*	0.1
Repeal exemption for withholding on gambling winnings from bingo and keno in excess of \$5,000 .....		*	*	*	*	*	*
Reinstate oil spill excise tax <sup>1</sup> .....	*	0.2	0.2	0.2	0.2	0.3	1.2
Modify Federal Unemployment Act provisions .....							
Extend pro-rata disallowance of tax-exempt interest expense that applies to banks to all financial intermediaries .....	*	*	*	*	*	*	0.1
Increase proration percentage for P&C insurance companies .....	—*	*	0.1	0.1	0.1	0.1	0.4
Preclude certain taxpayers from prematurely claiming losses from receivables .....		0.4	0.1	0.1	0.1	0.1	0.7
Restrict special net operating loss carryback rules for specified liability losses .....		*	*	*	*	*	0.1
Freeze grandfather status of stapled (or "paired-share") REITs .....	*	*	*	*	*	*	0.1
Restrict impermissible business indirectly conducted by REITs .....		*	*	*	*	*	*
Modify treatment of closely held REITs .....		*	*	*	*	*	0.1
Modify depreciation method for tax-exempt use property .....		*	*	*	*	*	0.1
Impose excise tax on purchase of structured settlements <sup>1</sup> .....		*	*	*	*	*	0.1
Clarify and expand math-error procedures .....		*	0.1	0.1	0.1	0.1	0.3
Clarify the meaning of "subject to" liabilities under section 357(c) .....	*	*	*	*	*	*	0.1
Simplify foster child definition under EITC .....			*	*	*	*	*
Clarify tie-breaker rule under EITC .....		*	*	*	*	*	*
Eliminate non-business valuation discounts .....			0.2	0.2	0.3	0.3	1.0
Eliminate "Crummey" rule .....			*	*	*	*	0.1
Eliminate gift tax exemption for personal residence trusts .....		—*	—*	*	*	*	*
Include QTIP trust assets in surviving spouse's estate .....			*	*	*	*	*
Apply 7.7% capitalization rate to credit life insurance premiums .....		*	*	*	*	*	0.1
Modify corporate-owned life insurance (COLI) rules .....	0.3	0.4	0.4	0.4	0.5	0.5	2.2
Modify reserve rules for annuity contracts .....		1.8	0.7	0.8	0.6	0.7	4.6
Tax certain exchanges of insurance contracts and reallocations of assets within variable insurance contracts .....	*	*	0.1	0.2	0.3	0.4	0.9
Reduce "investment in the contract" for mortality and expense charges on certain insurance contracts .....		*	*	*	*	0.1	0.1
Amend 80/20 company rules .....	*	*	*	*	0.1	0.1	0.2
Prescribe regulatory directive to address tax avoidance involving foreign built-in losses .....		*	0.1	0.1	0.1	0.1	0.2
Prescribe regulatory directive to address tax avoidance through use of hybrids .....		*	0.1	0.1	*	*	0.2
Modify foreign office material participation exception applicable to inventory sales attributable to nonresident's U.S. office .....	*	*	*	*	*	*	*
Stop abuse of CFC exception to ownership requirements .....		*	*	*	*	*	*
<b>Subtotal, eliminate unwarranted benefits and adopt other revenue measures<sup>1</sup> .....</b>	<b>0.3</b>	<b>4.3</b>	<b>4.3</b>	<b>4.7</b>	<b>4.7</b>	<b>5.0</b>	<b>23.0</b>
<b>Other provisions that affect receipts:</b>							
Reinstate environmental tax imposed on corporate taxable income <sup>2</sup> .....		1.1	0.7	0.7	0.7	0.7	3.8
Reinstate Superfund excise taxes <sup>1</sup> .....	0.1	0.7	0.7	0.7	0.7	0.7	3.6
Extend excise taxes on gasoline, diesel fuel and special motor fuels <sup>1</sup> .....			0.4	0.4	0.4	0.4	1.5
Convert airport and airway trust fund taxes to a cost-based user fee system <sup>1</sup> .....			1.7	1.7	1.7	0.8	6.0
Receipts from tobacco legislation .....		9.8	11.8	13.3	14.5	16.1	65.5
Assess fees for examination of bank holding companies and State-chartered member banks (receipt effect) <sup>1</sup> .....		0.1	0.1	0.1	0.1	0.1	0.4
Transfer retirees and certain active employees of the FDIC and Board of Governors of the Federal Reserve to FEHBP (receipt effect) .....		*	*	*	*	*	*

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

(In billions of dollars)

	Estimate						
	1998	1999	2000	2001	2002	2003	1999-2003
Repeal FERS open season (receipt effect) .....	*	0.2	0.2	0.2	0.2	0.2	1.0
Create solvency incentive for State unemployment trust fund accounts <sup>1</sup> .....				0.4	0.4		0.8
<b>Subtotal, other provisions that affect receipts<sup>1</sup> .....</b>	<b>0.1</b>	<b>11.8</b>	<b>15.5</b>	<b>17.4</b>	<b>18.8</b>	<b>19.1</b>	<b>82.6</b>
<b>Total effect of proposals<sup>1</sup> .....</b>	<b>-0.1</b>	<b>12.9</b>	<b>14.7</b>	<b>16.7</b>	<b>18.5</b>	<b>18.7</b>	<b>81.5</b>

\* \$50 million or less.

<sup>1</sup> Net of income offsets.<sup>2</sup> Net of deductibility for income tax purposes.

Table 3-4. RECEIPTS BY SOURCE

(In millions of dollars)

Source	1997 actual	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate
<b>Individual income taxes (Federal funds):</b>							
Existing law .....	737,466	767,874	792,739	808,471	837,867	881,538	919,874
Proposed Legislation (PAYGO) .....		-106	-1,285	-3,907	-4,503	-4,485	-4,341
<b>Total individual income taxes .....</b>	<b>737,466</b>	<b>767,768</b>	<b>791,454</b>	<b>804,564</b>	<b>833,364</b>	<b>877,053</b>	<b>915,533</b>
<b>Corporation income taxes:</b>							
Federal funds:							
Existing law .....	182,289	190,944	194,412	200,388	206,033	211,741	217,427
Proposed Legislation (PAYGO) .....		-102	2,210	1,671	2,255	2,080	2,145
Total Federal funds corporation income taxes .....	182,289	190,842	196,622	202,059	208,288	213,821	219,572
Trust funds:							
Hazardous substance superfund .....	4						
Proposed Legislation (PAYGO) .....			1,343	870	863	863	864
<b>Total corporation income taxes .....</b>	<b>182,293</b>	<b>190,842</b>	<b>197,965</b>	<b>202,929</b>	<b>209,151</b>	<b>214,684</b>	<b>220,436</b>
<b>Social insurance and retirement receipts (trust funds):</b>							
Employment and general retirement:							
Old-age and survivors insurance (Off-budget) .....	336,729	358,949	374,612	388,988	404,101	422,586	441,648
Disability insurance (Off-budget) .....	55,261	57,042	59,516	64,915	68,630	71,756	74,995
Hospital insurance .....	110,710	118,029	122,626	128,479	134,081	140,430	146,899
Railroad retirement:							
Social Security equivalent account .....	1,611	1,611	1,619	1,624	1,636	1,648	1,651
Rail pension and supplemental annuity .....	2,440	2,493	2,495	2,507	2,521	2,536	2,548
Total employment and general retirement .....	506,751	538,124	560,868	586,513	610,969	638,956	667,741
On-budget .....	114,761	122,133	126,740	132,610	138,238	144,614	151,098
Off-budget .....	391,990	415,991	434,128	453,903	472,731	494,342	516,643
Unemployment insurance:							
Deposits by States <sup>1</sup> .....	22,071	22,658	24,175	25,456	26,319	27,175	28,075
Proposed Legislation (PAYGO) .....					450	490	
Federal unemployment receipts <sup>1</sup> .....	6,103	6,196	6,254	6,345	6,359	6,449	6,495
Railroad unemployment receipts <sup>1</sup> .....	28	68	104	97	78	78	95
Total unemployment insurance .....	28,202	28,922	30,533	31,898	33,206	34,192	34,665
Other retirement:							
Federal employees' retirement—employee share .....	4,344	4,245	4,247	4,361	4,601	4,382	3,838
Proposed Legislation (non-PAYGO) .....		6	167	201	212	224	232
Non-Federal employees retirement <sup>2</sup> .....	74	77	71	65	60	54	44
Total other retirement .....	4,418	4,328	4,485	4,627	4,873	4,660	4,114
<b>Total social insurance and retirement receipts .....</b>	<b>539,371</b>	<b>571,374</b>	<b>595,886</b>	<b>623,038</b>	<b>649,048</b>	<b>677,808</b>	<b>706,520</b>
On-budget .....	147,381	155,383	161,758	169,135	176,317	183,466	189,877
Off-budget .....	391,990	415,991	434,128	453,903	472,731	494,342	516,643
<b>Excise taxes:</b>							
Federal funds:							
Alcohol taxes .....	7,257	7,251	7,254	7,250	7,236	7,223	7,211
Tobacco taxes .....	5,873	5,926	5,900	7,495	8,083	8,686	8,895
Transportation fuels tax .....	7,107	442	682	88	89	90	92
Telephone and teletype services .....	4,543	4,864	5,129	5,394	5,691	6,015	6,356
Ozone depleting chemicals and products .....	130	55	30	10			
Other Federal fund excise taxes .....	2,921	1,529	1,613	1,430	1,373	1,338	1,263
Proposed Legislation (PAYGO) .....			12	515	531	550	568
Total Federal fund excise taxes .....	27,831	20,067	20,620	22,182	23,003	23,902	24,385
Trust funds:							
Highway .....	23,867	26,063	38,614	33,201	33,812	34,448	35,107
Airport and airway .....	4,007	7,975	10,038	9,273	9,793	10,525	11,095



Table 3-4. RECEIPTS BY SOURCE—Continued

(In millions of dollars)

Source	1997 actual	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate
Proposed Legislation (PAYGO) .....				2,267	2,267	2,267	1,133
Aquatic resources .....	316	281	379	339	345	353	359
Black lung disability insurance .....	614	640	662	684	703	718	733
Inland waterway .....	96	116	120	123	126	131	135
Hazardous substance superfund .....	71						
Proposed Legislation (PAYGO) .....		101	934	949	960	976	990
Oil spill liability .....	1						
Proposed Legislation (PAYGO) .....		46	317	321	325	330	336
Vaccine injury compensation .....	123	111	111	111	111	111	111
Leaking underground storage tank .....	-2	140	214	182	186	189	193
Total trust funds excise taxes .....	29,093	35,473	51,389	47,450	48,628	50,048	50,192
<b>Total excise taxes .....</b>	<b>56,924</b>	<b>55,540</b>	<b>72,009</b>	<b>69,632</b>	<b>71,631</b>	<b>73,950</b>	<b>74,577</b>
<b>Estate and gift taxes:</b>							
Existing law .....	19,845	20,436	20,542	21,389	22,353	24,156	25,300
Proposed Legislation (PAYGO) .....			-1	253	266	291	319
<b>Total estate and gift taxes .....</b>	<b>19,845</b>	<b>20,436</b>	<b>20,541</b>	<b>21,642</b>	<b>22,619</b>	<b>24,447</b>	<b>25,619</b>
<b>Customs duties:</b>							
Federal funds .....	17,131	17,515	17,928	18,890	19,691	21,053	22,655
Proposed Legislation (PAYGO) .....			-658	-323	-333	225	224
Trust funds .....	797	848	905	964	1,029	1,097	1,171
<b>Total customs duties .....</b>	<b>17,928</b>	<b>18,363</b>	<b>18,175</b>	<b>19,531</b>	<b>20,387</b>	<b>22,375</b>	<b>24,050</b>
<b>MISCELLANEOUS RECEIPTS:<sup>3</sup></b>							
Miscellaneous taxes .....	107	113	115	118	120	123	126
Receipts from tobacco legislation (PAYGO) .....			9,795	11,787	13,283	14,544	16,085
United Mine Workers of America combined benefit fund .....	339	323	282	273	266	258	251
Deposit of earnings, Federal Reserve System .....	19,636	24,991	24,544	24,950	25,501	26,121	26,786
Proposed Legislation (PAYGO) .....			98	102	106	111	116
Defense cooperation .....		12	6				
Fees for permits and regulatory and judicial services .....	3,222	5,778	9,605	12,888	15,097	15,843	16,074
Fines, penalties, and forfeitures .....	1,994	2,140	2,100	1,991	1,899	1,877	1,877
Gifts and contributions .....	184	194	177	147	126	121	123
Refunds and recoveries .....	-17	-16	-16	-16	-16	-16	-16
<b>Total miscellaneous receipts .....</b>	<b>25,465</b>	<b>33,535</b>	<b>46,706</b>	<b>52,240</b>	<b>56,382</b>	<b>58,982</b>	<b>61,422</b>
<b>Total budget receipts .....</b>	<b>1,579,292</b>	<b>1,657,858</b>	<b>1,742,736</b>	<b>1,793,576</b>	<b>1,862,582</b>	<b>1,949,299</b>	<b>2,028,157</b>
On-budget .....	1,187,302	1,241,867	1,308,608	1,339,673	1,389,851	1,454,957	1,511,514
Off-budget .....	391,990	415,991	434,128	453,903	472,731	494,342	516,643
<b>MEMORANDUM</b>							
Federal funds .....	1,010,315	1,050,472	1,093,576	1,121,674	1,163,467	1,219,949	1,269,885
Trust funds .....	365,248	383,120	412,247	423,654	441,874	461,621	480,193
Interfund transactions .....	-188,261	-191,725	-197,215	-205,655	-215,490	-226,613	-238,564
<b>Total on-budget .....</b>	<b>1,187,302</b>	<b>1,241,867</b>	<b>1,308,608</b>	<b>1,339,673</b>	<b>1,389,851</b>	<b>1,454,957</b>	<b>1,511,514</b>
<b>Off-budget (trust funds) .....</b>	<b>391,990</b>	<b>415,991</b>	<b>434,128</b>	<b>453,903</b>	<b>472,731</b>	<b>494,342</b>	<b>516,643</b>
<b>Total .....</b>	<b>1,579,292</b>	<b>1,657,858</b>	<b>1,742,736</b>	<b>1,793,576</b>	<b>1,862,582</b>	<b>1,949,299</b>	<b>2,028,157</b>

<sup>1</sup> 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 administrative costs of the program for the railroads.

<sup>2</sup> 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.

<sup>3</sup> Includes both Federal and trust funds. Trust fund amounts in miscellaneous receipts are 1997: \$746 million; 1998: \$740 million; 1999: \$683 million; 2000: \$649 million; 2001: \$639 million; 2002: \$647 million; and 2003: \$662 million.



## 4. USER FEES AND OTHER COLLECTIONS

In addition to collecting taxes and other governmental receipts by the exercise of its sovereign powers, the Federal Government earns income from its various business-type activities. The term “user fee” is defined as fees, charges, and assessments levied on a class directly benefiting 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 in the authorizing legislation to those benefiting 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 Harbor Maintenance and Inland Waterways taxes).

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. 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 24, “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;

### 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 generally 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.

**Table 4-1. USER FEE COLLECTIONS**  
(In millions of dollars)

	1997 actual	Estimates					
		1998	1999	2000	2001	2002	2003
<b>Governmental receipts:</b>							
Harbor maintenance and inland waterway fees .....	832	900	959	1,021	1,087	1,159	1,235
Agricultural quarantine inspection fees .....	115	141	144	148	153	159	163
Existing FAA user fees <sup>1</sup> .....				5,815	7,066	7,649	11,056
Proposed FAA user fees .....				1,700	1,700	1,700	850
Other governmental receipt user fees .....	134	215	224	224	225	229	230
<b>Total, governmental receipts .....</b>	<b>1,081</b>	<b>1,256</b>	<b>1,327</b>	<b>8,908</b>	<b>10,231</b>	<b>10,896</b>	<b>13,534</b>
<b>Offsetting collections:</b>							
Offsetting collections deposited in receipt accounts:							
Medicare premiums .....	20,421	20,672	21,511	23,934	26,278	28,816	31,731
Services charges on foreign military sales .....	15,128	13,750	12,550	11,790	11,090	10,570	9,770
Immigration fees .....	992	994	1,400	1,400	1,412	1,430	1,404
U.S. customs user fees .....	1,288	1,184	1,272	1,316	1,363	1,412	1,464
Medical care and National Serviceman's Life Insurance Premiums and other Veterans fees .....	234	915	889	975	1,044	1,117	1,135
Nuclear Regulatory Commission fees .....	459	455	467	469	480	496	510
Interior park entrance, concessionaire and other fees .....	349	392	420	467	454	475	469
Inspection, grading and other Agriculture fees .....	148	170	176	176	176	176	176
Other collections deposited in receipt accounts .....	396	413	428	448	441	441	465
<b>Subtotal, offsetting collections deposited in receipt accounts .....</b>	<b>39,415</b>	<b>38,945</b>	<b>39,113</b>	<b>40,975</b>	<b>42,738</b>	<b>44,933</b>	<b>47,124</b>
Offsetting collections deposited in appropriations accounts:							
Postal Service .....	57,407	59,986	63,349	64,850	67,300	69,750	72,200
Tennessee Valley Authority and other power marketing .....	8,135	8,829	9,121	9,389	9,557	9,623	9,750
Housing and commissary fees paid by military personnel and other defense related fees .....	7,909	7,378	7,428	7,402	7,402	7,402	7,402
Federal Employee and Retiree health and life insurance benefits .....	4,104	5,895	6,188	6,558	6,952	7,398	7,880
Pension Benefit Guaranty Corporation premiums and other Department of Labor fees .....	1,576	1,708	1,740	1,615	1,610	1,652	1,681
Veterans insurance premiums and other fees .....	1,595	1,594	1,563	1,571	1,538	1,502	1,468
National flood insurance fund premiums .....	1,108	1,230	1,353	1,448	1,549	1,652	1,761
Bureau of Engraving and Printing and U.S. Mint fees .....	1,086	1,088	1,141	1,165	1,188	1,209	1,236
Patent and Trademark and fees .....	641	730	836	929	1,098	1,161	1,238
Other offsetting collections deposited in appropriations accounts .....	6,580	6,603	7,880	7,520	7,440	7,551	7,666
<b>Subtotal, offsetting collections deposited in appropriations accounts .....</b>	<b>90,141</b>	<b>95,041</b>	<b>100,599</b>	<b>102,447</b>	<b>105,634</b>	<b>108,900</b>	<b>112,282</b>
<b>Total, offsetting collections .....</b>	<b>129,556</b>	<b>133,986</b>	<b>139,712</b>	<b>143,422</b>	<b>148,372</b>	<b>153,833</b>	<b>159,406</b>
<b>Total, user fee collections .....</b>	<b>130,637</b>	<b>135,242</b>	<b>141,039</b>	<b>152,330</b>	<b>158,603</b>	<b>164,729</b>	<b>172,940</b>
<b>Memorandum:</b>							
Existing fees:							
Postal Service .....	57,407	59,986	63,349	64,850	67,300	69,750	72,200
Existing Medicare premiums .....	20,421	20,672	21,384	23,255	25,464	27,791	30,497
Service charges on foreign military sales .....	15,128	13,750	12,550	11,790	11,090	10,570	9,770
Other existing user fees .....	37,681	40,808	41,417	47,419	49,551	51,146	55,597
<b>Subtotal, existing user fee collections .....</b>	<b>130,637</b>	<b>135,216</b>	<b>138,700</b>	<b>147,314</b>	<b>153,405</b>	<b>159,257</b>	<b>168,064</b>
User fee proposals .....		26	2,339	5,016	5,198	5,472	4,876

<sup>1</sup> Represents proceeds from current law aviation excise taxes which the FAA will convert to cost-based user fees.

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 \$141.0 billion in 1999, rising to \$172.9 billion in 2003. User fee collections by the United States Postal Service, Medicare premiums, and service charges on

foreign military sales are estimated to be 69 percent of all user fee collections in 1999. Table 4-3 provides more detail for offsetting receipts collected from the public and includes offsetting receipts collected from other accounts within the Government.

The Budget contains a variety of user fee proposals that would yield \$2.3 billion in 1999 and \$22.9 billion from 1999 through 2003. User fee proposals establish, increase, or extend fees in order to recover more of the costs of providing government services. The proposals would make the affected program funding levels dependent on enactment of the user fee proposals and subsequently, the actual collections of the fees. Regular appropriations have only been requested to fund the

start-up costs associated with these fee proposals. 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.

### Discretionary Proposals

The following proposed fees are classified as discretionary because the Appropriations Committees are being requested to authorize collection of the fees and make them available for expenditure. In some cases, authorizing legislation will be proposed either to establish new fees or increase existing ones. The proposed authorizing legislation will make both the fee collection and spending contingent upon appropriations action.

*Collections from the following proposals are to be deposited directly in appropriations accounts as offsetting collections:*

#### DEPARTMENT OF AGRICULTURE

*Animal and Plant Health Inspection Service (APHIS):* The budget proposes to establish five APHIS fees to cover the cost of:

- Providing animal welfare inspections to recipients of APHIS services such as animal research centers, humane societies, and kennels.
- Issuing biotechnology certificates to firms that manufacture biotechnologically-derived products.
- Licensing, inspecting, and testing veterinary biologics by veterinary biologic companies.
- Inspecting to ensure the garbage fed to swine is properly cooked to avoid contamination to establishments regulated under the Swine Health Protection Act.
- Eradicating the pink bollworm.

*Grain Inspection, Packers and Stockyards Administration (GIPSA) licensing fees.*—The budget proposes to allow GIPSA to charge the grain shippers and handlers using the official inspection system its costs to develop, review and maintain standards and methods of testing (such as for 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.

*Food Safety and Inspection Service meat, poultry and egg products inspection fee.*—The 1999 Budget proposes a new user fee for USDA's Food Safety and Inspection Service (FSIS). Under the proposed fee, the meat, poultry and egg products 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.

*Natural Resources Conservation Service (NRCS) cost-share fee.*—The 1999 Budget proposes to impose fees for a number of NRCS activities, including the sale of soil survey data, maps, and snow survey data to private users, engineering designs, soil map interpretations for commercial purposes, and irrigation management activities where water supplies are not very limited. Fees would also be charged to meet requests for the NRCS to expedite soil surveys, watershed planning, and other services.

*Farm services fee.*—The Administration proposes to allow the Farm Services Administration (FSA) to charge fees to cover the full cost of collecting, processing, and disseminating information of interest to private individuals and companies (crop insurance companies, appraisers, and agricultural consultants, etc.), where the provision of information is not required to fulfill FSA's mission.

#### DEPARTMENT OF COMMERCE

*National Oceanic and Atmospheric Administration (NOAA), navigational assistance fees.*—The Administration proposes 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. The fee would be administered for NOAA by the United States Coast Guard as part of the Coast Guard's proposed navigational assistance fee program described below.

*NOAA, fisheries management fees.*—The Budget proposes a fee of not more than one percent of the ex-vessel value of fish harvested by commercial fisherman to provide for fisheries management and enforcement services.

*Patent and Trademark fees.*—The surcharge on patent fees, established in the Omnibus Budget Reconciliation Act of 1990 and extended in the Omnibus Budget Reconciliation Act of 1993, will expire at the end of 1998. The expiration of this authority will reduce Patent and Trademark Office (PTO) revenue by \$182 million in 1999. The Budget proposes legislation to extend and increase statutory fees charged for patent products and services to ensure that fee revenues continue to cover the cost of patent processing and related services.

*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 proposal seeks \$128 million in new fees to finance FDA activities such as medical device reviews, animal drug approvals, import inspections, food additive petition reviews, generic drug application reviews, and fees for postmarket surveillance of products.

Table 4-2. PROPOSED USER FEE COLLECTIONS

(In millions of dollars)

Discretionary fee proposals	1998	1999	2000	2001	2002	2003	1999-2003
<b>Offsetting collections deposited in appropriations accounts:</b>							
Department of Agriculture:							
Animal and Plant Health Inspection Service fees .....		10	10	10	10	10	50
Grain Inspection, Packers and Stockyards Administration licensing fees .....		17	21	21	21	21	101
Food Safety and Inspection Service, meat, poultry, and egg products inspection fee .....		473	573	573	573	573	2,765
Natural Resources Conservation Service (NRCS) cost-share fee .....		10	15	15	25	25	90
Farm Services Administration, farm service fee .....		10	15	15	25	25	90
Department of Commerce:							
National Oceanic and Atmospheric Administration proposals:							
Navigational assistance fee .....		3	11	11	11	11	47
Fisheries management fee .....		20	20	20	20	20	100
Patent and Trademark Office, patent fees .....		182	189	207	219	228	1,025
International Trade Administration, trade promotion fees .....		6	12	12	12	12	54
Department of Health and Human Services:							
Food and Drug Administration fees .....	26	128	128	128	128	128	640
Health Care Financing Administration Fee Proposals:							
Physician, provider, and supplier enrollment registration fees .....		20	21	21	22	23	107
Managed care organization application and renewal fees .....		37	38	39	41	42	196
Initial provider certification fees .....		10	10	11	11	12	54
Provider recertification fees .....		52	54	56	58	61	282
Paper claims submission fees .....		110	114	118	122	126	589
Duplicate and unprocessable claims fees .....		36	37	38	39	41	190
Department of the Interior: Bureau of Land Management, hardrock location and maintenance fees .....		39	40	41	42	43	205
Department of Labor: Alien labor certification fee .....			40	40	40	40	160
Department of Transportation:							
Coast Guard—navigational assistance fee .....		35	165	165	165	165	695
Surface Transportation Board fees .....		16	16	16	16	16	80
Air Corps of Engineers, wetlands permit Fee .....		7	14	14	14	14	63
Federal Emergency Management Administration, radiological emergency preparedness fees .....		13	13	13	13	13	65
National Transportation Safety Board, Aviation accident investigation fee .....		6	6	6	6	6	30
Social Security Administration, claimant representative fees .....		7	9	9	9	9	43
Subtotal, offsetting collections deposited in appropriations accounts .....	26	1,246	1,571	1,599	1,642	1,663	7,721
<b>Offsetting collections deposited in receipt accounts:</b>							
Department of Transportation: Federal Railroad Administration—railroad safety inspection fees .....		82	82	82	82	82	410
Department of the Treasury: Customs merchandise processing fee .....		48	48	48	48	48	240
Environmental Protection Agency:							
Pesticide registration fees .....		16	16	16	16	16	80
Chemical pre-manufacturing notification fees .....		8	8	8	8	8	40
Nuclear Regulatory Commission, extend NRC fees .....		313	314	322	332	342	1,623
Social Security Administration, claimant representative fees .....		12	17	17	17	17	80
Subtotal, offsetting collections deposited in receipt accounts .....		479	485	493	503	513	2,473
<b>Total, discretionary user fee proposals</b> .....	<b>26</b>	<b>1,725</b>	<b>2,056</b>	<b>2,092</b>	<b>2,145</b>	<b>2,176</b>	<b>10,194</b>
<b>Mandatory Fee Proposals</b>							
<b>Offsetting collections deposited in appropriations accounts:</b>							
Department of Health and Human Services:							
Medicare cost-based provider audit fees .....		395	395	395	395	395	1,975
Federal Deposit Insurance Corporation state bank examination fees .....		89	94	97	101	106	487
Subtotal, offsetting collections deposited in appropriations accounts .....		484	489	492	496	501	2,462
<b>Offsetting collections deposited in receipt accounts:</b>							
Department of Health and Human Services:							
Medicare premiums .....		127	679	814	1,025	1,234	3,879
Department of the Interior:							
Interior/USDA, entrance and recreation fees .....			86	88	88	90	352
National Park Service, park concession fees .....		3	6	12	18	25	64
Subtotal, offsetting collections deposited in receipt accounts .....		130	771	914	1,131	1,349	4,295
<b>Collections deposited in governmental receipt accounts:</b>							
Federal Aviation Administration, proposed user fees .....			1,700	1,700	1,700	850	5,950
<b>Total, mandatory user fee proposals</b> .....		<b>614</b>	<b>2,960</b>	<b>3,106</b>	<b>3,327</b>	<b>2,700</b>	<b>12,707</b>
<b>Total, User Fee Proposals</b> .....	<b>26</b>	<b>2,339</b>	<b>5,016</b>	<b>5,198</b>	<b>5,472</b>	<b>4,876</b>	<b>22,901</b>

*Health Care Financing Administration (HCFA).*—This proposal 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 phy-

sicians, 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 for enrollment costs and other contracting activities.

**Managed care organization application and renewal fees.**—The Budget proposes to charge managed care organizations a fee to cover 100% of the cost of reviewing initial applications and renewing annual contracts with Medicare. Proceeds from this fee would be used to offset administrative costs related to managed care organization application and renewals as well as other administrative activities.

**Initial provider certification fee.**—The Administration proposes to levy a fee on providers (e.g., home health agencies (HHA) and skilled nursing facilities (SNF)) 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 costs.

**Provider recertification fee.**—This fee would be levied on providers who are recertified for the Medicare program. By statute, SNFs must be surveyed every year, HHAs 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 costs.

**Paper claims submission fee.**—Providers would be charged \$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 for claims processing and other contracting activities.

**Duplicate and unprocessable claims fees.**—The budget 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 for claims processing and other contracting activities.

#### DEPARTMENT OF THE INTERIOR

**Bureau of Land Management, hardrock mining location and maintenance fees.**—This proposal would raise and extend the hardrock mining location and maintenance fees established in the 1993 Omnibus Budget Reconciliation Act beyond 1998.

#### DEPARTMENT OF LABOR

**Alien labor certification fee.**—The proposal would establish a new fee, charged to businesses, for processing of alien labor certification and attestation applications by the Labor Department. Collection of the fee would begin in 2000 with the proceeds offsetting the costs of administering the alien labor program. In 2000, regular appropriations are required in addition to regular user fees to process the backlog of applications that already have been filed.

#### DEPARTMENT OF TRANSPORTATION

**Coast Guard, navigational assistance fees.**—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.

**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, e.g., railroads and shippers.

#### DEPARTMENT OF THE TREASURY

**Customs merchandise processing fee.**—The Budget proposes to allow the U.S. Customs Service to collect and spend an increase in the Customs Merchandise Processing Fee that will be proposed in authorizing legislation subsequent to release of the Budget. The Administration will propose to increase the ad valorem rate of the Merchandise Processing Fee paid by importers from 0.21 percent to up to 0.25 percent of the value of formal cargo entries into the United States. Collection and use of the proceeds from the fee increase would be provided for in appropriations action, and would be statutorily restricted to the modernization of Customs' automated commercial operations.

#### ARMY CORPS OF ENGINEERS

**Wetlands permit fees.**—The Budget proposes to increase fees charged to permit commercial use of wetlands. The proceeds of the fee would be used to fund wetland regulatory activities.

#### FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)

**Radiological emergency preparedness fee.**—The budget includes a proposal to reauthorize FEMA's assessments on Nuclear Regulatory Commission (NRC) licensees to cover 100 percent of the cost of providing site-specific services that directly contribute to the fulfillment of emergency preparedness requirements needed for NRC licensing.

#### NATIONAL TRANSPORTATION SAFETY BOARD (NTSB)

**Aviation accident investigation fees.**—To offset a portion of the NTSB's growing cost of commercial aviation accident investigations, a new aviation accident recovery and investigation fee is proposed. This fee, which would be paid by commercial air carriers based on revenue flight hours of operation, would collect an estimated \$6 million in 1999.

#### SOCIAL SECURITY ADMINISTRATION

**Administration of claimant representative approval and direct payment process fees.**—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.

*Collections from the following proposals would be deposited in receipt accounts as offsetting receipts:*

#### DEPARTMENT OF TRANSPORTATION

*Federal Railroad Administration, railroad safety inspection fee.*—The rail safety fee would offset costs incurred by the Federal Railroad Administration for inspection, research and development and related activities to ensure the safe operation of passenger and freight railroads. A similar fee was enacted in the Omnibus Budget Reconciliation Act of 1990, but expired at the end of 1995.

#### 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.

#### NUCLEAR REGULATORY COMMISSION (NRC)

*Extend Nuclear Regulatory Commission fees.*—Under current law, the NRC must recover approximately 100 percent of its costs from licensing, inspection, and annual fees charged to its applicants and licensees through 1998. Unless the law is extended, the fee coverage requirement will revert to 33 percent of NRC's cost of operations. The Administration proposes to extend fees at approximately 100 percent of NRC's cost of operations through 2003.

#### SOCIAL SECURITY ADMINISTRATION

*Administration of claimant representative approval and direct payment process fees.*—The Budget proposes to impose a fee on persons who represent Social Security claimants in administrative or judicial proceedings.

This fee is designed to recover the cost of processing attorney fee agreements, determining the allowable charge under the fee petition process, and processing the direct payment of attorney fees. 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 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 proposals are to be deposited directly in appropriations accounts as offsetting collections:*

#### DEPARTMENT OF HEALTH AND HUMAN SERVICES

*Medicare cost-based provider audit fees.*—The Budget proposes \$395 million in 1999 in fees to charge cost-based health care providers the full cost associated with performing annual audits of these providers cost reports. The fee would allow more annual audits to be conducted and act as a deterrent to inflating reported costs.

*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 collections is partially offset by the reduction in premium collections due to the Medicare program integrity proposal.

#### 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 user fees, but are considered governmental receipts and are discussed in the preceding chapter on governmental receipts.



*Collections from the following proposals are to be deposited in receipt accounts as offsetting receipts:*

#### DEPARTMENT OF THE INTERIOR

*Interior and USDA, entrance and recreation fees.*—The Administration proposes to increase entrance, recreation, and other fees charged by the National Park Service and other land management agencies, and to grant those agencies permanent authority to use all receipts for facility improvements and new repairs.

*National Park Service, park concession fees.*—The Administration proposes to allow parks to retain all existing and new franchise fees to use for park improvements and concessions related activities. This proposal would encourage parks to increase returns from concessions contracts, and is part of a set of legislative pro-

posals and administrative reforms to improve management of the park concessions program and increase competition for concessions contracts.

*Collections from the following proposal are to be deposited in receipt accounts, as governmental receipts.*

#### DEPARTMENT OF TRANSPORTATION

*Federal Aviation Administration (FAA), cost based user fees.*—Beginning in 2000, the Budget assumes that the existing aviation excise taxes will be gradually reduced over a five year period and replaced with a more efficient system of cost-based user fees charged for FAA services. As part of a continuing effort to create a more business-like FAA, the Administration will propose legislation to fund the FAA entirely with cost-based user fees by 2003.

### 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 \$352.9 billion in 1999.

Table 4-3. OFFSETTING RECEIPTS BY TYPE

(In millions of dollars)

Source	1997 actual	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate
<b>INTRAGOVERNMENTAL TRANSACTIONS</b>							
<b>On-budget receipts:</b>							
Federal intrafund transactions:							
Distributed by agency:							
Interest from the Federal Financing Bank .....	4,171	3,142	2,758	2,518	2,344	2,113	1,853
Interest on Government capital in enterprises .....	1,570	1,543	1,321	1,257	1,153	1,033	926
Other .....	1,969	1,610	1,632	1,741	1,842	1,960	2,078
Total Federal intrafunds .....	7,710	6,295	5,711	5,516	5,339	5,106	4,857
Trust intrafund transactions:							
Distributed by agency:							
Payments to railroad retirement .....	3,747	3,784	3,785	3,806	3,692	3,797	3,796
Other .....	1	1	1	1	1	1	1
Total trust intrafunds .....	3,748	3,785	3,786	3,807	3,693	3,798	3,797
Total intrafund transactions .....	11,458	10,080	9,497	9,323	9,032	8,904	8,654
Interfund transactions:							
Distributed by agency:							
Federal fund payments to trust funds:							
Contributions to insurance programs:							
Military retirement fund .....	15,151	15,119	15,724	16,353	17,007	17,688	18,395
Supplementary medical insurance .....	59,471	59,773	62,171	67,824	74,738	82,489	91,201
Proposed Legislation (PAYGO) .....			-135	-250	-295	-325	-365
Hospital insurance .....	4,202	5,414	6,021	5,894	6,192	6,556	6,975
Railroad social security equivalent fund .....	56	62	57	58	59	60	62
Rail industry pension fund .....	182	192	197	199	202	205	209
Civilian supplementary retirement contributions .....	21,558	21,502	21,813	22,041	21,918	21,770	21,718
Unemployment insurance .....	565	517	526	551	619	608	598
Other contributions .....	425	372	435	401	415	406	404
Proposed Legislation (PAYGO) .....			5				
Miscellaneous payments .....	585	515	476	476	478	480	482
Subtotal .....	102,195	103,466	107,290	113,547	121,333	129,937	139,679
Trust fund payments to Federal funds:							
Quinquennial adjustment for military service credits .....					1,182		
Other .....	1,049	1,065	1,062	1,085	1,108	1,129	1,153
Subtotal .....	1,049	1,065	1,062	1,085	2,290	1,129	1,153
Total interfunds distributed by agency .....	103,244	104,531	108,352	114,632	123,623	131,066	140,832
Undistributed by agency:							
Employer share, employee retirement (on-budget):							
Civil service retirement and disability insurance .....	8,168	8,676	8,776	9,032	9,400	9,819	9,774
CSRD from Postal Service .....	5,927	6,068	6,014	6,237	6,452	6,715	6,863
Hospital insurance (contribution as employer) <sup>1</sup> .....	1,860	1,902	1,976	2,063	2,117	2,220	2,317
Postal employer contributions to FHI .....	605	597	620	645	671	698	727
Military retirement fund .....	11,102	10,543	10,563	10,535	10,584	10,750	11,000
Other Federal employees retirement .....	111	122	128	132	137	143	145
Total employer share, employee retirement (on-budget) .....	27,773	27,908	28,077	28,644	29,361	30,345	30,826
Interest received by on-budget trust funds:							
Proposed Legislation (non-PAYGO) .....	63,776	65,852	67,206	68,804	70,083	71,648	73,309
		99	214	457	728	967	1,187
Total interfund transactions undistributed by agency .....	91,549	93,859	95,497	97,905	100,172	102,960	105,322
Total interfund transactions .....	194,793	198,390	203,849	212,537	223,795	234,026	246,154
Total on-budget receipts .....	206,251	208,470	213,346	221,860	232,827	242,930	254,808

Table 4-3. OFFSETTING RECEIPTS BY TYPE—Continued

(In millions of dollars)

Source	1997 actual	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate
<b>Off-budget receipts:</b>							
Interfund transactions:							
Distributed by agency:							
Federal fund payments to trust funds:							
Old-age, survivors, and disability insurance .....	6,880	9,650	8,899	9,363	9,913	10,562	11,267
Undistributed by agency:							
Employer share, employee retirement (off-budget) .....	6,483	7,155	7,667	8,317	8,831	9,571	10,304
Interest received by off-budget trust funds .....	41,214	46,730	51,623	56,966	62,889	69,318	76,337
Total off-budget receipts: .....	54,577	63,535	68,189	74,646	81,633	89,451	97,908
<b>Total intragovernmental transactions .....</b>	<b>260,828</b>	<b>272,005</b>	<b>281,535</b>	<b>296,506</b>	<b>314,460</b>	<b>332,381</b>	<b>352,716</b>
<b>PROPRIETARY RECEIPTS FROM THE PUBLIC</b>							
<b>Distributed by agency:</b>							
Interest:							
Interest on foreign loans and deferred foreign collections .....	672	633	596	561	545	602	583
Interest on deposits in tax and loan accounts .....	948	920	920	908	908	908	908
Other interest (domestic—civil) <sup>2</sup> .....	5,365	6,098	6,928	7,679	8,428	9,210	9,957
Total interest .....	6,985	7,651	8,444	9,148	9,881	10,720	11,448
Royalties and rents .....	1,298	1,321	1,367	1,375	1,396	1,417	1,446
Proposed Legislation (PAYGO) .....				-1	-1	-1	-1
Sale of products:							
Sale of timber and other natural land products .....	485	499	519	500	487	473	471
Sale of minerals and mineral products .....	792	440	57	56	87	146	181
Sale of power and other utilities .....	812	739	761	761	786	791	781
Other .....	38	34	51	54	54	53	53
Total sale of products .....	2,127	1,712	1,388	1,371	1,414	1,463	1,486
Fees and other charges for services and special benefits:							
Medicare premiums and other charges (trust funds) .....	20,421	20,672	21,384	23,255	25,464	27,791	30,497
Proposed Legislation (PAYGO) .....			127	679	814	1,025	1,234
Nuclear waste disposal revenues .....	596	602	625	632	637	641	652
Veterans life insurance (trust funds) .....	231	224	210	192	174	158	142
Other <sup>2</sup> .....	2,095	1,806	1,621	1,598	1,581	1,596	1,602
Proposed Legislation (non-PAYGO) .....			12	17	17	17	17
Proposed Legislation (PAYGO) .....			24	119	128	135	144
Total fees and other charges .....	23,343	23,304	24,003	26,492	28,815	31,363	34,288
Sale of Government property:							
Sale of land and other real property .....	96	102	63	67	70	613	74
Military assistance program sales (trust funds) .....	15,128	13,750	12,550	11,790	11,090	10,570	9,770
Other .....	111	95	82	82	82	82	63
Total sale of Government property .....	15,335	13,947	12,695	11,939	11,242	11,265	9,907
Realization upon loans and investments:							
Foreign military credit sales .....	653	553	391	261	186	134	85
Negative subsidies and downward estimates .....	2,395	2,565	6,576	2,530	2,319	2,270	2,436
Proposed Legislation (non-PAYGO) .....			50				
Proposed Legislation (PAYGO) .....				241	234	233	237
Repayment of loans to United Kingdom .....	108	110	112	115	117	50	57
Other .....	131	73	38	40	44	29	30
Total realization upon loans and investments .....	3,287	3,301	7,167	3,187	2,900	2,716	2,845
Recoveries and refunds <sup>2</sup> .....	2,831	3,361	3,863	3,996	4,204	5,325	4,078
Proposed Legislation (non-PAYGO) .....							285
Proposed Legislation (PAYGO) .....			40	323	332	333	331
Miscellaneous receipt accounts <sup>2</sup> .....	1,621	2,518	2,070	2,117	2,148	2,186	2,231
Proposed Legislation (PAYGO) .....			-21	-22	-23	-24	-24
<b>Total proprietary receipts from the public distributed by agency .....</b>	<b>56,827</b>	<b>57,115</b>	<b>61,016</b>	<b>59,925</b>	<b>62,308</b>	<b>66,763</b>	<b>68,320</b>

Table 4-3. OFFSETTING RECEIPTS BY TYPE—Continued

(In millions of dollars)

Source	1997 actual	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate
<b>Undistributed by agency:</b>							
Other interest: Interest received from Outer Continental Shelf escrow account .....	6	1,120	30				
Rents and royalties on the Outer Continental Shelf:							
Rents and bonuses .....	1,259	1,652	983	908	877	789	725
Royalties .....	3,452	3,011	3,204	3,044	3,257	3,488	3,161
Sale of major assets .....		4,424	728				
Total proprietary receipts from the public undistributed by agency .....	4,717	10,207	4,945	3,952	4,134	4,277	3,886
<b>Total proprietary receipts from the public<sup>3</sup> .....</b>	<b>61,544</b>	<b>67,322</b>	<b>65,961</b>	<b>63,877</b>	<b>66,442</b>	<b>71,040</b>	<b>72,206</b>
<b>OFFSETTING GOVERNMENTAL RECEIPTS</b>							
<b>Distributed by agency:</b>							
Regulatory fees .....	3,057	2,927	3,127	3,184	3,237	3,311	3,365
Proposed Legislation (non-PAYGO) .....			385	386	394	404	414
Other .....	76	70	70	70	70	70	8
<b>Undistributed by agency:</b>							
Spectrum auction proceeds .....	11,006	2,216	1,833	4,889	4,841	11,354	3,300
Total offsetting governmental receipts .....	14,139	5,213	5,415	8,529	8,542	15,139	7,087
<b>Total offsetting receipts .....</b>	<b>336,511</b>	<b>344,540</b>	<b>352,911</b>	<b>368,912</b>	<b>389,444</b>	<b>418,560</b>	<b>432,009</b>

<sup>1</sup> Includes provision for covered Federal civilian employees and military personnel.<sup>2</sup> Includes both Federal funds and trust funds.<sup>3</sup> Consists of:

	1997 actual	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate	2003 estimate
On budget:							
Federal funds .....	24,524	31,163	30,238	26,430	27,370	29,932	28,978
Trust funds .....	37,002	36,139	35,691	37,410	39,035	41,071	43,191
Off-budget .....	18	20	32	37	37	37	37

## 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 employer contributions for medical insurance, pension contributions and earnings, mortgage interest payments on owner-occupied homes, capital gains, and payments of State and local individual income 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 1997-2003 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 a part of 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, 1997. The analysis includes new tax expenditures which were enacted this year in the Taxpayer Relief Act of 1997. Expired or repealed provisions are not listed if their revenue effects result only from taxpayer activity occurring before fiscal year 1997. 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 1997-2003 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 break-

downs show the specific tax accounts through which the various provisions are cleared. The ultimate beneficiaries of corporate tax expenditures, for example, could be stockholders, employees, customers, or others, depending on the circumstances.

Table 5-3 ranks the major tax expenditures by fiscal year 1999 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 1998 which cause the deferrals or other long-term revenue effects. For instance, a pension contribution in 1998 would cause a deferral of tax payments on wages in 1998 and on pension earnings on this contribution (e.g., interest) in later years. In some future year, however, the 1998 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							
		1997	1998	1999	2000	2001	2002	2003	1999-2003
	<b>National defense:</b>								
1	Exclusion of benefits and allowances to armed forces personnel .....	2,080	2,095	2,120	2,140	2,160	2,180	2,200	10,800
	<b>International affairs:</b>								
2	Exclusion of income earned abroad by U.S. citizens .....	1,790	1,985	2,205	2,450	2,725	3,035	3,345	13,760
3	Exclusion of income of foreign sales corporations .....	1,600	1,700	1,800	1,900	2,000	2,100	2,200	10,000
4	Inventory property sales source rules exception .....	1,500	1,600	1,700	1,800	1,900	2,000	2,100	9,500
5	Deferral of income from controlled foreign corporations (normal tax method) .....	2,200	2,400	2,600	2,800	3,000	3,200	3,400	15,000
	<b>General science, space, and technology:</b>								
6	Expensing of research and experimentation expenditures (normal tax method) .....	195	430	580	685	740	765	785	3,555
7	Credit for increasing research activities .....	880	2,125	860	370	165	55	10	1,460
	<b>Energy:</b>								
8	Expensing of exploration and development costs, fuels .....	-160	-95	-50	10	-10		20	-30
9	Excess of percentage over cost depletion, fuels .....	830	835	840	855	865	880	890	4,330
10	Alternative fuel production credit .....	710	670	630	600	560	530	350	2,670
11	Exception from passive loss limitation for working interests in oil and gas properties .....	45	50	50	50	55	55	60	270
12	Capital gains treatment of royalties on coal .....	50	50	50	55	60	60	60	285
13	Exclusion of interest on energy facility bonds .....	175	175	170	165	155	150	140	780
14	Enhanced oil recovery credit .....	95	100	100	110	115	120	130	575
15	New technology credit .....	60	65	70	80	80	80	80	390
16	Alcohol fuel credit <sup>1</sup> .....	20	20	20	20	20	20	20	100
17	Tax credit and deduction for clean-fuel burning vehicles and properties .....	65	75	80	85	100	95	70	430
18	Exclusion from income of conservation subsidies provided by public utilities .....	70	20	30	40	45	50	60	225
	<b>Natural resources and environment:</b>								
19	Expensing of exploration and development costs, nonfuel minerals .....	45	55	55	55	55	55	55	275
20	Excess of percentage over cost depletion, nonfuel minerals .....	335	340	355	360	365	380	385	1,845
21	Capital gains treatment of iron ore .....								
22	Special rules for mining reclamation reserves .....	20	20	20	20	20	20	20	100
23	Exclusion of interest on bonds for water, sewage, and hazardous waste facilities .....	625	605	590	565	540	500	455	2,650
24	Capital gains treatment of certain timber income .....	50	50	50	55	60	60	60	285
25	Expensing of multiperiod timber growing costs .....	460	480	505	525	540	555	575	2,700
26	Investment credit and seven-year amortization for reforestation expenditures .....	45	45	50	50	50	50	55	255
27	Tax incentives for preservation of historic structures .....	120	115	115	110	105	105	105	540
	<b>Agriculture:</b>								
28	Expensing of certain capital outlays .....	65	65	70	70	70	70	70	350
29	Expensing of certain multiperiod production costs .....	80	80	85	85	85	85	85	425
30	Treatment of loans for solvent farmers .....	10	10	10	10	10	10	10	50
31	Capital gains treatment of certain income .....	505	520	535	550	570	585	600	2,840
32	Income averaging for farmers .....		5	30	35	25			90
	<b>Commerce and housing:</b>								
	<b>Financial institutions and insurance:</b>								
33	Exemption of credit union income .....	800	880	960	1,050	1,150	1,260	1,380	5,800
34	Excess bad debt reserves of financial institutions .....	70	45	20	10	5	5		40
35	Exclusion of interest on life insurance savings .....	12,765	13,465	14,200	14,990	15,810	16,680	17,585	79,265
36	Special alternative tax on small property and casualty insurance companies .....	5	5	5	5	5	5	5	25
37	Tax exemption of insurance companies owned by tax-exempt organizations .....	200	215	230	245	260	280	300	1,315
38	Small life insurance company deduction .....	110	115	120	125	130	135	140	650
	<b>Housing:</b>								
39	Exclusion of interest on owner-occupied mortgage subsidy bonds .....	1,750	1,670	1,595	1,520	1,440	1,365	1,290	7,210
40	Exclusion of interest on rental housing bonds .....	810	750	695	615	530	450	320	2,610
41	Deductibility of mortgage interest on owner-occupied homes .....	49,060	51,245	53,695	56,515	59,505	62,730	66,245	298,690
42	Deductibility of State and local property tax on owner-occupied homes .....	16,915	17,700	18,440	19,220	20,045	20,920	21,855	100,480
43	Deferral of income from post 1987 installment sales .....	960	975	995	1,015	1,035	1,055	1,075	5,175
44	Deferral of capital gains on home sales .....	12,245	5,770						
45	Exclusion of capital gains on home sales for persons age 55 and over .....	3,740	1,110						
46	Capital gains exclusion on home sales .....	8,750	9,100	9,465	9,845	10,235	10,645	11,070	51,260
47	Exception from passive loss rules for \$25,000 of rental loss .....	4,175	3,910	3,680	3,465	3,270	3,080	2,900	16,395
48	Credit for low-income housing investment .....	2,300	2,420	2,365	2,340	2,385	2,415	2,490	11,995
49	Accelerated depreciation on rental housing (normal tax method) .....	1,365	1,585	1,845	2,100	2,235	2,560	2,880	11,620
	<b>Commerce:</b>								
50	Cancellation of indebtedness .....	40	15		-10	-5	-5		-20
51	Exceptions from imputed interest rules .....	155	155	160	160	160	165	165	810
52	Capital gains (other than agriculture, timber, iron ore, and coal) (normal tax method) .....	24,620	25,360	26,120	26,900	27,710	28,540	29,395	138,665
53	Capital gains exclusion of small corporation stock .....	35	35	35	35	40	40	40	190
54	Step-up basis of capital gains at death .....	8,750	9,100	9,465	9,845	10,235	10,645	11,070	51,260

**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							
		1997	1998	1999	2000	2001	2002	2003	1999-2003
55	Carryover basis of capital gains on gifts .....	155	165	180	190	200	210	220	1,000
56	Ordinary income treatment of loss from small business corporation stock sale .....			5	20	40	70	95	230
57	Accelerated depreciation of buildings other than rental housing (normal tax method) .....	5,830	4,690	3,470	2,530	1,705	1,070	350	9,125
58	Accelerated depreciation of machinery and equipment (normal tax method) .....	24,970	26,655	28,535	29,410	30,620	31,620	31,935	152,120
59	Expensing of certain small investments (normal tax method) .....	1,050	970	880	815	1,360	1,285	930	5,270
60	Amortization of start-up costs (normal tax method) .....	200	205	210	215	220	225	230	1,100
61	Graduated corporation income tax rate (normal tax method) .....	4,695	4,950	5,085	5,280	5,525	5,820	6,130	27,840
62	Exclusion of interest on small-issue bonds .....	350	295	275	255	245	230	225	1,230
<b>Transportation:</b>									
63	Deferral of tax on shipping companies .....	20	20	20	20	20	20	20	100
64	Exclusion of reimbursed employee parking expenses .....	1,280	1,315	1,340	1,370	1,405	1,440	1,475	7,030
65	Exclusion for employer-provided transit passes .....	60	70	80	95	110	125	145	555
<b>Community and regional development:</b>									
66	Investment credit for rehabilitation of structures (other than historic) .....	80	70	70	70	65	65	65	335
67	Exclusion of interest for airport, dock, and similar bonds .....	970	1,020	1,060	1,095	1,125	1,140	1,160	5,580
68	Exemption of certain mutuals' and cooperatives' income .....	60	65	65	65	65	70	70	335
69	Empowerment zones and enterprise communities .....	255	460	555	640	670	620	465	2,950
70	Expensing of environmental remediation costs .....		100	120	160	65	-10	-30	305
<b>Education, training, employment, and social services:</b>									
Education:									
71	Exclusion of scholarship and fellowship income (normal tax method) .....	875	910	955	995	1,040	1,085	1,135	5,210
72	HOPE tax credit .....		205	4,160	4,870	5,225	5,525	5,625	25,405
73	Lifetime Learning tax credit .....		115	2,550	2,590	2,805	2,840	3,160	13,945
74	Education Individual Retirement Accounts .....		15	85	190	295	405	520	1,495
75	Deductibility of student-loan interest .....		65	235	285	345	410	430	1,705
76	Deferral of state prepaid tuition plans .....		65	110	120	130	145	155	660
77	Exclusion of interest on student loan bonds .....	290	275	255	240	230	215	210	1,150
78	Exclusion of interest on bonds for private nonprofit educational facilities .....	835	860	885	910	920	935	940	4,590
79	Credit for holders of zone academy bonds .....		5	35	45	45	45	45	215
80	Exclusion of interest on savings bonds transferred to educational institutions .....	10	10	10	15	15	15	15	70
81	Parental personal exemption for students age 19 or over .....	845	875	925	970	1,025	1,070	1,125	5,115
82	Child credit <sup>2</sup> .....		3,590	19,175	19,240	19,015	18,845	18,580	94,855
83	Deductibility of charitable contributions (education) .....	2,670	2,890	3,010	3,145	3,295	3,460	3,640	16,550
84	Exclusion of employer provided educational assistance .....	320	215	215	210	15			440
Training, employment, and social services:									
85	Work opportunity tax credit .....	110	275	200	100	30	10		340
86	Welfare-to-work tax credit .....		10	30	30	15	10	5	90
87	Exclusion of employer provided child care .....	860	910	950	995	1,040	1,085	1,135	5,205
88	Adoption assistance .....	10	200	320	355	370	365	225	1,635
89	Exclusion of employee meals and lodging (other than military) .....	595	620	650	680	710	740	775	3,555
90	Credit for child and dependent care expenses .....	2,515	2,510	2,510	2,505	2,500	2,500	2,495	12,510
91	Credit for disabled access expenditures .....	65	65	65	70	70	70	70	345
92	Expensing of costs of removing certain architectural barriers to the handicapped .....	20	20	20	20	20	20	20	100
93	Deductibility of charitable contributions, other than education and health .....	17,080	18,700	19,565	20,530	21,555	22,655	23,830	108,135
94	Exclusion of certain foster care payments .....	35	35	40	40	45	45	50	220
95	Exclusion of parsonage allowances .....	295	315	340	360	385	410	440	1,935
<b>Health:</b>									
96	Exclusion of employer contributions for medical insurance premiums and medical care .....	67,050	71,465	76,230	81,295	86,875	93,045	100,245	437,690
97	Medical savings accounts .....		30	110	115	115	120	125	585
98	Deductibility of medical expenses .....	4,175	4,550	4,815	5,110	5,425	5,775	6,150	27,275
99	Exclusion of interest on hospital construction bonds .....	1,675	1,740	1,795	1,845	1,880	1,910	1,930	9,360
100	Deductibility of charitable contributions (health) .....	2,365	2,570	2,685	2,805	2,940	3,095	3,250	14,775
101	Tax credit for orphan drug research .....	15	40	50	55	60	70	80	315
102	Special Blue Cross/Blue Shield deduction .....	225	185	240	255	290	340	330	1,455
<b>Income security:</b>									
103	Exclusion of railroad retirement system benefits .....	445	455	460	465	465	470	480	2,340
104	Exclusion of workmen's compensation benefits .....	4,410	4,950	5,210	5,480	5,775	6,090	6,420	28,975
105	Exclusion of public assistance benefits (normal tax method) .....	545	580	605	630	655	685	710	3,285
106	Exclusion of special benefits for disabled coal miners .....	85	85	80	75	70	70	65	360
107	Exclusion of military disability pensions .....	125	130	135	140	145	150	155	725
Net exclusion of pension contributions and earnings:									
108	Employer plans .....	71,145	72,135	72,375	73,500	73,285	73,225	73,480	365,865
109	Individual Retirement Accounts .....	9,770	10,275	10,780	11,085	11,485	11,865	12,160	57,375
110	Keogh plans .....	3,520	3,655	3,755	3,895	4,070	4,260	4,450	20,430



**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							
	1997	1998	1999	2000	2001	2002	2003	1999-2003
111 Exclusion of employer provided death benefits .....	185	190	200	210	220	230	240	1,099
Exclusion of other employee benefits:								
112 Premiums on group term life insurance .....	2,065	2,110	2,150	2,200	2,240	2,290	2,340	11,220
113 Premiums on accident and disability insurance .....	165	175	185	195	205	215	225	1,025
114 Income of trusts to finance supplementary unemployment benefits .....	5	5	5	5	5	5	5	25
115 Special ESOP rules .....	735	720	740	760	790	820	850	3,960
116 Additional deduction for the blind .....	25	30	30	30	30	35	35	160
117 Additional deduction for the elderly .....	1,545	1,710	1,785	1,800	1,800	1,805	1,845	9,035
118 Tax credit for the elderly and disabled .....	50	50	50	50	50	50	50	250
119 Deductibility of casualty losses .....	465	485	510	535	560	590	620	2,815
120 Earned income tax credit <sup>3</sup> .....	6,065	6,210	4,635	4,515	4,625	4,790	4,965	23,530
<b>Social Security:</b>								
Exclusion of social security benefits:								
121 Social Security benefits for retired workers .....	17,470	18,330	19,115	20,025	20,840	21,830	22,930	104,740
122 Social Security benefits for disabled .....	2,270	2,495	2,685	2,875	3,090	3,325	3,590	15,565
123 Social Security benefits for dependents and survivors .....	3,825	4,000	4,160	4,310	4,470	4,640	4,795	22,375
<b>Veterans benefits and services:</b>								
124 Exclusion of veterans death benefits and disability compensation .....	2,770	2,930	3,100	3,280	3,470	3,675	3,890	17,415
125 Exclusion of veterans pensions .....	70	70	65	70	75	80	85	376
126 Exclusion of GI bill benefits .....	50	60	70	80	90	95	100	435
127 Exclusion of interest on veterans housing bonds .....	75	75	75	75	75	80	85	390
<b>General purpose fiscal assistance:</b>								
128 Exclusion of interest on public purpose bonds .....	13,800	14,315	14,760	15,125	15,390	15,600	15,750	76,625
129 Deductibility of nonbusiness State and local taxes other than on owner-occupied homes .....	30,720	32,145	33,490	34,910	36,410	37,995	39,695	182,500
130 Tax credit for corporations receiving income from doing business in U.S. possessions .....	2,700	2,770	2,800	2,885	2,970	3,060	3,075	14,790
<b>Interest:</b>								
131 Deferral of interest on U.S. savings bonds .....	915	965	1,015	1,065	1,115	1,175	1,235	5,605
<b>Addendum—Aid to State and local governments:</b>								
Deductibility of:								
Property taxes on owner-occupied homes .....	16,915	17,700	18,440	19,220	20,045	20,920	21,855	100,480
Nonbusiness State and local taxes other than on owner-occupied homes .....	30,720	32,145	33,490	34,910	36,410	37,995	39,695	182,500
Exclusion of interest on:								
Public purpose bonds .....	13,800	14,315	14,760	15,125	15,390	15,600	15,750	76,625
Energy facility bonds .....	175	175	170	165	155	150	140	780
Bonds for water, sewage, and hazardous waste facilities .....	625	605	590	565	540	500	455	2,650
Small-issue bonds .....	350	295	275	255	245	230	225	1,230
Owner-occupied mortgage revenue bonds .....	1,750	1,670	1,595	1,520	1,440	1,365	1,290	7,210
Rental housing bonds .....	810	750	695	615	530	450	320	2,610
Bonds for airports, docks, and sports and convention facilities .....	970	1,020	1,060	1,095	1,125	1,140	1,160	5,580
Student loan bonds .....	290	275	255	240	230	215	210	1,150
Bonds for private nonprofit educational facilities .....	835	860	885	910	920	935	940	4,590
Hospital construction bonds .....	1,675	1,740	1,795	1,845	1,880	1,910	1,930	9,360
Veterans housing bonds .....	75	75	75	75	75	80	85	390

## Notes:

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.

Figures in tables 5-1 are the arithmetic sums of corporate and individual income tax revenue loss estimates from table 5-2, and do not reflect possible interactions across these two taxes.

<sup>1</sup>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: 1997 \$675; 1998 \$720; 1999 \$750; 2000 \$780; 2001 \$810; 2002 \$845; 2003 \$875.

<sup>2</sup>The figures in the table indicate the effect of the child credit on receipts. The effect on outlays (in millions of dollars) is as follows: 1997 \$0; 1998 \$0; 1999 \$538; 2000 \$685; 2001 \$662; 2002 \$624; and 2003 \$589.

<sup>3</sup>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: 1997 \$21,856; 1998 \$22,295; 1999 \$24,496; 2000 \$25,334; 2001 \$26,040; 2002 \$26,715; and 2003 \$27,414.

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

	Revenue Loss													
	Corporations							Individuals						
	1997	1998	1999	2000	2001	2002	2003	1997	1998	1999	2000	2001	2002	2003
<b>National defense:</b>														
1 Exclusion of benefits and allowances to armed forces personnel .....								2,080	2,095	2,120	2,140	2,160	2,180	2,200
<b>International affairs:</b>														
2 Exclusion of income earned abroad by U.S. citizens .....								1,790	1,985	2,205	2,450	2,725	3,035	3,345
3 Exclusion of income of foreign sales corporations .....	1,600	1,700	1,800	1,900	2,000	2,100	2,200							
4 Inventory property sales source rules exception .....	1,500	1,600	1,700	1,800	1,900	2,000	2,100							
5 Deferral of income from controlled foreign corporations (normal tax method) .....	2,200	2,400	2,600	2,800	3,000	3,200	3,400							
<b>General science, space, and technology:</b>														
6 Expensing of research and experimentation expenditures (normal tax method) .....	190	420	570	670	725	750	770	5	10	10	15	15	15	15
7 Credit for increasing research activities .....	860	2,095	845	370	165	55	10	20	30	15				
<b>Energy:</b>														
8 Expensing of exploration and development costs, fuels .....	-160	-95	-50	10	-10		20							
9 Excess of percentage over cost depletion, fuels .....	620	625	630	640	645	660	665	210	210	210	215	220	220	225
10 Alternative fuel production credit .....	680	640	600	570	540	510	340	30	30	30	30	20	20	10
11 Exception from passive loss limitation for working interests in oil and gas properties .....								45	50	50	50	55	55	60
12 Capital gains treatment of royalties on coal .....								50	50	50	55	60	60	60
13 Exclusion of interest on energy facility bonds .....	70	70	70	65	60	60	55	105	105	100	100	95	90	85
14 Enhanced oil recovery credit .....	90	95	95	100	105	110	120	5	5	5	10	10	10	10
15 New technology credit .....	60	65	70	80	80	80	80							
16 Alcohol fuel credit <sup>1</sup> .....	10	10	10	10	10	10	10	10	10	10	10	10	10	10
17 Tax credit and deduction for clean-fuel burning vehicles and properties .....	55	60	65	70	80	75	55	10	15	15	15	20	20	15
18 Exclusion from income of conservation subsidies provided by public utilities .....	10	-45	-35	-30	-25	-25	-20	60	65	65	70	70	75	80
<b>Natural resources and environment:</b>														
19 Expensing of exploration and development costs, nonfuel minerals	35	40	40	40	40	40	40	10	15	15	15	15	15	15
20 Excess of percentage over cost depletion, nonfuel minerals .....	250	255	265	270	275	285	290	85	85	90	90	90	95	95
21 Capital gains treatment of iron ore .....														
22 Special rules for mining reclamation reserves .....	20	20	20	20	20	20	20							
23 Exclusion of interest on bonds for water, sewage, and hazardous waste facilities .....	250	240	235	225	215	195	180	375	365	355	340	325	305	275
24 Capital gains treatment of certain timber income .....								50	50	50	55	60	60	60
25 Expensing of multiperiod timber growing costs .....	285	300	315	325	335	345	355	175	180	190	200	205	210	220
26 Investment credit and seven-year amortization for reforestation expenditures .....	20	20	25	25	25	25	25	25	25	25	25	25	25	30
27 Tax incentives for preservation of historic structures .....	25	25	25	20	20	20	20	95	90	90	90	85	85	85
<b>Agriculture:</b>														
28 Expensing of certain capital outlays .....	10	10	10	10	10	10	10	55	55	60	60	60	60	60
29 Expensing of certain multiperiod production costs .....	10	10	10	10	10	10	10	70	70	75	75	75	75	75
30 Treatment of loans for solvent farmers .....								10	10	10	10	10	10	10
31 Capital gains treatment of certain income .....								505	520	535	550	570	585	600
32 Income averaging for farmers .....									5	30	35	25		
<b>Commerce and housing:</b>														
<b>Financial institutions and insurance:</b>														
33 Exemption of credit union income .....	800	880	960	1,050	1,150	1,260	1,380							
34 Excess bad debt reserves of financial institutions .....	70	45	20	10	5	5								
35 Exclusion of interest on life insurance savings .....	190	200	210	225	235	250	260	12,575	13,265	13,990	14,765	15,575	16,430	17,325
36 Special alternative tax on small property and casualty insurance companies .....	5	5	5	5	5	5	5							
37 Tax exemption of insurance companies owned by tax-exempt organizations .....	200	215	230	245	260	280	300							
38 Small life insurance company deduction .....	110	115	120	125	130	135	140							
<b>Housing:</b>														
39 Exclusion of interest on owner-occupied mortgage subsidy bonds .....	695	660	635	600	570	540	510	1,055	1,010	960	920	870	825	780
40 Exclusion of interest on rental housing bonds .....	320	295	275	240	205	175	115	490	455	420	375	325	275	205
41 Deductibility of mortgage interest on owner-occupied homes .....								49,060	51,245	53,695	56,515	59,505	62,730	66,245
42 Deductibility of State and local property tax on owner-occupied homes .....								16,915	17,700	18,440	19,220	20,045	20,920	21,855
43 Deferral of income from post 1987 installment sales .....	250	255	260	265	270	275	280	710	720	735	750	765	780	795

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

	Revenue Loss													
	Corporations							Individuals						
	1997	1998	1999	2000	2001	2002	2003	1997	1998	1999	2000	2001	2002	2003
44								12,245	5,770					
45								3,740	1,110					
46								8,750	9,100	9,465	9,845	10,235	10,645	11,070
47								4,175	3,910	3,680	3,465	3,270	3,080	2,900
48	460	485	475	470	475	485	500	1,840	1,935	1,890	1,870	1,910	1,930	1,990
49	865	1,025	1,215	1,390	1,460	1,705	1,865	500	560	630	710	775	855	1,015
<b>Commerce:</b>														
50								40	15		-10	-5	-5	
51								155	155	160	160	160	165	165
52								24,620	25,360	26,120	26,900	27,710	28,540	29,395
53								35	35	35	35	40	40	40
54								8,750	9,100	9,465	9,845	10,235	10,645	11,070
55								155	165	180	190	200	210	220
56										5	20	40	70	95
57														
58	4,100	3,285	2,425	1,825	1,230	765	245	1,730	1,405	1,045	705	475	305	105
59	19,770	21,030	22,390	23,090	23,755	24,610	24,820	5,200	5,625	6,145	6,320	6,865	7,010	7,115
60	660	620	570	540	955	810	615	390	350	310	275	405	475	315
61	95	100	100	105	105	110	110	105	105	110	110	115	115	120
62	4,695	4,950	5,085	5,280	5,525	5,820	6,130							
62	135	115	110	100	95	90	90	215	180	165	155	150	140	135
<b>Transportation:</b>														
63	20	20	20	20	20	20	20							
64								1,280	1,315	1,340	1,370	1,405	1,440	1,475
65								60	70	80	95	110	125	145
<b>Community and regional development:</b>														
66	15	15	15	15	15	15	15	65	55	55	55	50	50	50
67	390	410	425	440	450	455	465	580	610	635	655	675	685	695
68	60	65	65	65	65	70	70							
69	75	165	215	240	225	200	155	180	295	340	400	445	420	310
70		85	100	135	55	-10	-25		15	20	25	10		-5
<b>Education, training, employment, and social services:</b>														
<b>Education:</b>														
71								875	910	955	995	1,040	1,085	1,135
72									205	4,160	4,870	5,225	5,525	5,625
73									115	2,550	2,590	2,805	2,840	3,160
74									15	85	190	295	405	520
75									65	235	285	345	410	430
76									65	110	120	130	145	155
77	115	110	100	95	90	85	85	175	165	155	145	140	130	125
78	335	345	355	365	370	375	375	500	515	530	545	550	560	565
79			10	10	10	10	10		5	25	35	35	35	35
80								10	10	10	15	15	15	15
81								845	875	925	970	1,025	1,070	1,125
82									3,590	19,175	19,240	19,015	18,845	18,580
83	920	970	1,000	1,025	1,065	1,120	1,180	1,750	1,920	2,010	2,120	2,230	2,340	2,460
84								320	215	215	210	15		
<b>Training, employment, and social services:</b>														
85	90	235	170	80	30	10		20	40	30	20			
86		10	25	25	10	10	5			5	5	5		
87								860	910	950	995	1,040	1,085	1,135
88								10	200	320	355	370	365	225
89								595	620	650	680	710	740	775
90								2,515	2,510	2,510	2,505	2,500	2,500	2,495
91	50	50	50	55	55	55	55	15	15	15	15	15	15	15
92	15	15	15	15	15	15	15	5	5	5	5	5	5	5

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

	Revenue Loss													
	Corporations							Individuals						
	1997	1998	1999	2000	2001	2002	2003	1997	1998	1999	2000	2001	2002	2003
93	Deductibility of charitable contributions, other than education and health .....													
	1,130	1,190	1,225	1,260	1,305	1,375	1,450	15,950	17,510	18,340	19,270	20,250	21,280	22,380
94	Exclusion of certain foster care payments .....													
								35	35	40	40	45	45	50
95	Exclusion of parsonage allowances .....													
								295	315	340	360	385	410	440
<b>Health:</b>														
96	Exclusion of employer contributions for medical insurance premiums and medical care .....													
								67,050	71,465	76,230	81,295	86,875	93,045	100,245
97	Medical savings accounts .....													
								30	110	115	115	120	125	
98	Deductibility of medical expenses .....													
								4,175	4,550	4,815	5,110	5,425	5,775	6,150
99	Exclusion of interest on hospital construction bonds .....													
	675	700	720	740	755	765	770	1,000	1,040	1,075	1,105	1,125	1,145	1,160
100	Deductibility of charitable contributions (health) .....													
	575	610	625	645	670	705	740	1,790	1,960	2,060	2,160	2,270	2,390	2,510
101	Tax credit for orphan drug research .....													
	15	40	50	55	60	70	80							
102	Special Blue Cross/Blue Shield deduction .....													
	225	185	240	255	290	340	330							
<b>Income security:</b>														
103	Exclusion of railroad retirement system benefits .....													
								445	455	460	465	465	470	480
104	Exclusion of workmen's compensation benefits .....													
								4,410	4,950	5,210	5,480	5,775	6,090	6,420
105	Exclusion of public assistance benefits (normal tax method) .....													
								545	580	605	630	655	685	710
106	Exclusion of special benefits for disabled coal miners .....													
								85	85	80	75	70	70	65
107	Exclusion of military disability pensions .....													
								125	130	135	140	145	150	155
Net exclusion of pension contributions and earnings:														
108	Employer plans .....													
								71,145	72,135	72,375	73,500	73,285	73,225	73,480
109	Individual Retirement Accounts .....													
								9,770	10,275	10,780	11,085	11,485	11,865	12,160
110	Keogh plans .....													
								3,520	3,655	3,755	3,895	4,070	4,260	4,450
111	Exclusion of employer provided death benefits .....													
								185	190	200	210	220	230	240
Exclusion of other employee benefits:														
112	Premiums on group term life insurance .....													
								2,065	2,110	2,150	2,200	2,240	2,290	2,340
113	Premiums on accident and disability insurance .....													
								165	175	185	195	205	215	225
114	Income of trusts to finance supplementary unemployment benefits .....													
								5	5	5	5	5	5	5
115	Special ESOP rules .....													
	675	660	680	700	730	760	790	60	60	60	60	60	60	60
116	Additional deduction for the blind .....													
								25	30	30	30	30	35	35
117	Additional deduction for the elderly .....													
								1,545	1,710	1,785	1,800	1,800	1,805	1,845
118	Tax credit for the elderly and disabled .....													
								50	50	50	50	50	50	50
119	Deductibility of casualty losses .....													
								465	485	510	535	560	590	620
120	Earned income tax credit <sup>3</sup> .....													
								6,065	6,210	6,335	6,455	6,625	6,790	6,965
<b>Social Security:</b>														
Exclusion of social security benefits:														
121	Social Security benefits for retired workers .....													
								17,470	18,330	19,115	20,025	20,840	21,830	22,930
122	Social Security benefits for disabled .....													
								2,270	2,495	2,685	2,875	3,090	3,325	3,590
123	Social Security benefits for dependents and survivors .....													
								3,825	4,000	4,160	4,310	4,470	4,640	4,795
<b>Veterans benefits and services:</b>														
124	Exclusion of veterans death benefits and disability compensation .....													
								2,770	2,930	3,100	3,280	3,470	3,675	3,890
125	Exclusion of veterans pensions .....													
								70	70	65	70	75	80	85
126	Exclusion of GI bill benefits .....													
								50	60	70	80	90	95	100
127	Exclusion of interest on veterans housing bonds .....													
	30	30	30	30	30	30	35	45	45	45	45	45	50	50
<b>General purpose fiscal assistance:</b>														
128	Exclusion of interest on public purpose bonds .....													
	5,550	5,750	5,925	6,060	6,165	6,245	6,300	8,250	8,565	8,835	9,065	9,225	9,355	9,450
129	Deductibility of nonbusiness State and local taxes other than on owner-occupied homes .....													
								30,720	32,145	33,490	34,910	36,410	37,995	39,695
130	Tax credit for corporations receiving income from doing business in U.S. possessions .....													
	2,700	2,770	2,800	2,885	2,970	3,060	3,075							
<b>Interest:</b>														
131	Deferral of interest on U.S. savings bonds .....													
								915	965	1,015	1,065	1,115	1,175	1,235
<b>Addendum—Aid to State and local governments:</b>														
Deductibility of:														
Property taxes on owner-occupied homes .....														
								16,915	17,700	18,440	19,220	20,045	20,920	21,855
Nonbusiness State and local taxes other than on owner-occupied homes .....														
								30,720	32,145	33,490	34,910	36,410	37,995	39,695
Exclusion of interest on:														
Public purpose bonds .....														
	5,550	5,750	5,925	6,060	6,165	6,245	6,300	8,250	8,565	8,835	9,065	9,225	9,355	9,450
Energy facility bonds .....														
	70	70	70	65	60	60	55	105	105	100	100	95	90	85
Bonds for water, sewage, and hazardous waste facilities .....														
	250	240	235	225	215	195	180	375	365	355	340	325	305	275
Small-issue bonds .....														
	135	115	110	100	95	90	90	215	180	165	155	150	140	135

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

	Revenue Loss													
	Corporations							Individuals						
	1997	1998	1999	2000	2001	2002	2003	1997	1998	1999	2000	2001	2002	2003
Owner-occupied mortgage revenue bonds .....	695	660	635	600	570	540	510	1,055	1,010	960	920	870	825	780
Rental housing bonds .....	320	295	275	240	205	175	115	490	455	420	375	325	275	205
Bonds for airports, docks, and sports and convention facilities	390	410	425	440	450	455	465	580	610	635	655	675	685	695
Student loan bonds .....	115	110	100	95	90	85	85	175	165	155	145	140	130	125
Bonds for private nonprofit educational facilities .....	335	345	355	365	370	375	375	500	515	530	545	550	560	565
Hospital construction bonds .....	675	700	720	740	755	765	770	1,000	1,040	1,075	1,105	1,125	1,145	1,160
Veterans housing bonds .....	30	30	30	30	30	30	35	45	45	45	45	45	50	50

## Notes:

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.

Figures in table 5-1 are the arithmetic sums of corporate and individual income tax revenue loss estimates from table 5-2, and do not reflect possible interactions across these two taxes.

<sup>1</sup>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: 1997 \$675; 1998 \$720; 1999 \$750; 2000 \$780; 2001 \$810; 2002 \$845; 2003 \$875.

<sup>2</sup>The figures in the table indicate the effect of the child credit on receipts. The effect on outlays in (in millions of dollars) is as follows: 1997 \$0; 1998 \$0; 1999 \$538; 2000 \$685; 2001 \$662; 2002 \$624; and 2003 \$589.

<sup>3</sup>The figures in the table indicate the effect of the earned income tax credit on receipts. The effect on outlays in (in millions of dollars) is as follows: 1997 \$21,856; 1998 \$22,295; 1999 \$24,496; 2000 \$25,334; 2001 \$26,040; 2002 \$26,715; and 2003 \$27,414.

**Table 5-3. MAJOR TAX EXPENDITURES IN THE INCOME TAX, RANKED BY TOTAL 1999 REVENUE LOSS**  
(In millions of dollars)

Provision	1999	1999-2003
Exclusion of employer contributions for medical insurance premiums and medical care .....	76,230	437,690
Net exclusion of employer pension-plan contributions and earnings .....	72,375	365,865
Deductibility of mortgage interest on owner-occupied homes .....	53,695	298,690
Deductibility of nonbusiness State and local taxes other than owner-occupied homes .....	33,490	182,500
Accelerated depreciation of machinery and equipment (normal tax method) .....	28,535	152,120
Capital gains (other than agriculture, timber, iron ore, and coal) (Normal tax method) .....	26,120	138,665
Deductibility of charitable contributions .....	25,260	139,460
Child credit <sup>1</sup> .....	19,175	94,855
Exclusion of Social Security benefits for retired workers .....	19,115	104,740
Deductibility of State and local property tax on owner-occupied homes .....	18,440	100,480
Exclusion of interest on public purpose bonds .....	14,760	76,625
Exclusion of interest on life insurance savings .....	14,200	79,265
Net Exclusion of Individual Retirement Account contributions and earnings .....	10,780	57,375
Capital gains exclusion on home sales .....	9,465	51,260
Step-up basis of capital gains at death .....	9,465	51,260
Exclusion of interest on State and local debt for various non-public purposes .....	7,395	35,550
Exclusion of workmen's compensation benefits .....	5,210	28,975
Graduated corporation income tax rate (normal tax method) .....	5,085	27,840
Deductibility of medical expenses .....	4,815	27,275
Earned income tax credit <sup>2</sup> .....	4,635	23,530
HOPE tax credit .....	4,160	25,405
Exclusion of Social Security benefits for dependents and survivors .....	4,160	22,375
Net exclusion of Keogh plan contributions and earnings .....	3,755	20,430
Exception from passive loss rules for \$25,000 of rental loss .....	3,680	16,395
Accelerated depreciation of buildings other than rental housing (normal tax method) .....	3,470	9,125
Exclusion of veterans death benefits and disability compensation .....	3,100	17,415
Tax credit for corporations receiving income from doing business in U.S. possessions .....	2,800	14,790
Exclusion of Social Security benefits for disabled .....	2,685	15,565
Deferral of income from controlled foreign corporations (normal tax method) .....	2,600	15,000
Lifetime Learning tax credit .....	2,550	13,945
Credit for child and dependent care expenses .....	2,510	12,510
Credit for low-income housing investment .....	2,365	11,995
Exclusion of income earned abroad by U.S. citizens .....	2,205	13,760
Premiums on group term life insurance .....	2,150	11,220
Exclusion of benefits and allowances to armed forces personnel .....	2,120	10,800
Accelerated depreciation on rental housing (normal tax method) .....	1,845	11,620
Exclusion of income of foreign sales corporations .....	1,800	10,000
Additional deduction for the elderly .....	1,785	9,035
Inventory property sales source rules exception .....	1,700	9,500
Exclusion of reimbursed employee parking expenses .....	1,340	7,030
Deferral of interest on U.S. savings bonds .....	1,015	5,605
Deferral of income from post 1987 installment sales .....	995	5,175
Exemption of credit union income .....	960	5,800
Exclusion of scholarship and fellowship income (normal tax method) .....	955	5,210
Exclusion of employer provided child care .....	950	5,205
Parental personal exemption for students age 19 or over .....	925	5,115
Expensing of certain small investments (normal tax method) .....	880	5,270
Credit for increasing research activities .....	860	1,460
Excess of percentage over cost depletion, fuels .....	840	4,330
Special ESOP rules .....	740	3,960
Exclusion of employee meals and lodging (other than military) .....	650	3,555
Alternative fuel production credit .....	630	2,670
Exclusion of public assistance benefits (normal tax method) .....	605	3,285
Expensing of research and experimentation expenditures (normal tax method) .....	580	3,555
Empowerment zones and enterprise communities .....	555	2,950
Capital gains treatment of certain income .....	535	2,840
Deductibility of casualty losses .....	510	2,815
Expensing of multiperiod timber growing costs .....	505	2,700
Exclusion of railroad retirement system benefits .....	460	2,340
Excess of percentage over cost depletion, nonfuel minerals .....	355	1,845
Exclusion of parsonage allowances .....	340	1,935
Adoption assistance .....	320	1,635
Special Blue Cross/Blue Shield deduction .....	240	1,455
Deductibility of student-loan interest .....	235	1,705
Tax exemption of insurance companies owned by tax-exempt organizations .....	230	1,315
Exclusion of employer provided educational assistance .....	215	440
Amortization of start-up costs (normal tax method) .....	210	1,100
Work opportunity tax credit .....	200	340
Exclusion of employer provided death benefits .....	200	1,099

**Table 5-3. MAJOR TAX EXPENDITURES IN THE INCOME TAX, RANKED BY TOTAL 1999 REVENUE LOSS—Continued**  
(In millions of dollars)

Provision	1999	1999-2003
Premiums on accident and disability insurance .....	185	1,025
Carryover basis of capital gains on gifts .....	180	1,000
Exceptions from imputed interest rules .....	160	810
Exclusion of military disability pensions .....	135	725
Expensing of environmental remediation costs .....	120	305
Small life insurance company deduction .....	120	650
Tax incentives for preservation of historic structures .....	115	540
Medical savings accounts .....	110	585
Deferral of state prepaid tuition plans .....	110	660
Enhanced oil recovery credit .....	100	575
Expensing of certain multiperiod production costs .....	85	425
Education Individual Retirement Accounts .....	85	1,495
Tax credit and deduction for clean-fuel burning vehicles and properties .....	80	430
Exclusion for employer-provided transit passes .....	80	555
Exclusion of special benefits for disabled coal miners .....	80	360
Investment credit for rehabilitation of structures (other than historic) .....	70	335
Expensing of certain capital outlays .....	70	350
New technology credit .....	70	390
Exclusion of GI bill benefits .....	70	435
Exclusion of veterans pensions .....	65	376
Exemption of certain mutuals' and cooperatives' income .....	65	335
Credit for disabled access expenditures .....	65	345
Expensing of exploration and development costs, nonfuel minerals .....	55	275
Investment credit and seven-year amortization for reforestation expenditures .....	50	255
Capital gains treatment of certain timber income .....	50	285
Tax credit for orphan drug research .....	50	315
Exception from passive loss limitation for working interests in oil and gas properties .....	50	270
Capital gains treatment of royalties on coal .....	50	285
Tax credit for the elderly and disabled .....	50	250
Exclusion of certain foster care payments .....	40	220
Capital gains exclusion of small corporation stock .....	35	190
Credit for holders of zone academy bonds .....	35	215
Welfare-to-work tax credit .....	30	90
Income averaging for farmers .....	30	90
Additional deduction for the blind .....	30	160
Exclusion from income of conservation subsidies provided by public utilities .....	30	225
Expensing of costs of removing certain architectural barriers to the handicapped .....	20	100
Special rules for mining reclamation reserves .....	20	100
Deferral of tax on shipping companies .....	20	100
Excess bad debt reserves of financial institutions .....	20	40
Alcohol fuel credit <sup>3</sup> .....	20	100
Treatment of loans for solvent farmers .....	10	50
Exclusion of interest on savings bonds transferred to educational institutions .....	10	70
Special alternative tax on small property and casualty insurance companies .....	5	25
Ordinary income treatment of loss from small business corporation stock sale .....	5	230
Income of trusts to finance supplementary unemployment benefits .....	5	25

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.

Figures in table 5-3 are the arithmetic sums of corporate and individual income tax revenue loss estimates from table 5-2, and do not reflect possible interactions across these two taxes.

<sup>1</sup> The figures in the table indicate the effect of the child credit on receipts. The effect on outlays in (in millions of dollars) is as follows: 1997 \$0; 1998 \$0; 1999 \$538; 2000 \$685; 2001 \$662; 2002 \$624; and 2003 \$589.

<sup>2</sup> The figures in the table indicate the effect of the earned income tax credit on receipts. The effect on outlays in (in millions of dollars) is as follows: 1997 \$21,856; 1998 \$22,295; 1999 \$24,496; 2000 \$25,334; 2001 \$26,040; 2002 \$26,715; and 2003 \$27,414.

<sup>3</sup> 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: 1997 \$675; 1998 \$720; 1999 \$750; 2000 \$780; 2001 \$810; 2002 \$845; and 2003 \$875.

**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
Deferral of income from controlled foreign corporation (normal tax method) .....	2,350
Expensing of research and experimentation expenditure (normal tax method) .....	1,655
Expensing of exploration and development costs—fuels .....	160
Expensing of exploration and development costs—nonfuels .....	75
Expensing of multiperiod timber growing costs .....	285
Expensing of certain multiperiod production costs—agriculture .....	70
Expensing of certain capital outlays—agriculture .....	85
Deferral of income on life insurance and annuity contracts .....	19,635
Accelerated depreciation of rental housing (normal tax method) .....	2,230
Accelerated depreciation of buildings other than rental housing (normal tax method) .....	535
Accelerated depreciation of machinery and equipment (normal tax method) .....	30,730
Expensing of certain small investments (normal tax method) .....	1,065
Amortization of start-up costs (normal tax method) .....	180
Deferral of tax on shipping companies .....	10
Credit for low-income housing investments .....	1,930
Exclusion of pension contributions and earnings—employer plans .....	77,260
Exclusion of IRA contributions and earnings .....	10,525
Exclusions of contribution and earnings for Keogh plans .....	3,185
Exclusion of interest on State and local public-purpose bonds .....	21,940
Exclusion of interest on State and local non-public purposes bonds .....	8,665
Deferral of interest on U.S. savings bonds .....	230

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

### 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.<sup>1</sup>

<sup>1</sup>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								
	1997	1998	1999	2000	2001	2002	2003	1999-2003	
<b>National defense:</b>									
1	Exclusion of benefits and allowances to armed forces personnel .....	2,425	2,445	2,470	2,495	2,520	2,545	2,570	12,600
<b>International affairs:</b>									
2	Exclusion of income earned abroad by U.S. citizens .....	2,355	2,610	2,900	3,225	3,585	3,990	4,440	18,140
3	Exclusion of income of foreign sales corporations .....	2,460	2,615	2,770	2,925	3,075	3,230	3,385	15,385
4	Inventory property sales source rules exception .....	2,310	2,460	2,615	2,770	2,925	3,075	3,230	14,615
5	Deferral of income from controlled foreign corporations (normal tax method) .....	2,200	2,400	2,600	2,800	3,000	3,200	3,400	15,000
<b>General science, space, and technology:</b>									
6	Expensing of research and experimentation expenditures (normal tax method) .....	190	430	585	680	740	765	785	3,555
7	Credit for increasing research activities .....	1,360	3,270	1,315	565	250	85	15	2,230
<b>Energy:</b>									
8	Expensing of exploration and development costs, fuels .....	-300	-180	-95	10	-20	.....	30	-75
9	Excess of percentage over cost depletion, fuels .....	1,160	1,175	1,185	1,200	1,215	1,240	1,255	6,095
10	Alternative fuel production credit .....	1,090	1,120	960	910	860	820	550	4,100
11	Exception from passive loss limitation for working interests in oil and gas properties .....	45	50	50	50	55	55	60	270
12	Capital gains treatment of royalties on coal .....	65	65	70	75	75	75	80	375
13	Exclusion of interest on energy facility bonds .....	255	245	245	240	225	210	200	1,120
14	Enhanced oil recovery credit .....	145	150	160	170	180	190	195	895
15	New technology credit .....	80	90	100	105	110	110	110	535
16	Alcohol fuel credit <sup>1</sup> .....	20	20	20	20	20	20	20	100
17	Tax credit and deduction for clean-fuel burning vehicles and properties .....	95	100	110	125	135	130	100	600
18	Exclusion from income of conservation subsidies provided by public utilities .....	95	25	40	55	60	65	80	300
<b>Natural resources and environment:</b>									
19	Expensing of exploration and development costs, nonfuel minerals .....	65	75	75	75	75	75	75	375
20	Excess of percentage over cost depletion, nonfuel minerals .....	465	480	495	505	515	535	540	2,590
21	Capital gains treatment of iron ore .....	.....	.....	.....	.....	.....	.....	.....	.....
22	Special rules for mining reclamation reserves .....	25	25	25	25	25	25	25	125
23	Exclusion of interest on bonds for water, sewage, and hazardous waste facilities .....	895	870	845	810	775	720	650	3,800
24	Capital gains treatment of certain timber income .....	65	65	70	75	75	75	80	375
25	Expensing of multiperiod timber growing costs .....	460	480	505	525	540	555	575	2,700
26	Investment credit and seven-year amortization for reforestation expenditures .....	45	50	50	50	50	55	55	260
27	Tax incentives for preservation of historic structures .....	120	115	115	110	105	105	105	540
<b>Agriculture:</b>									
28	Expensing of certain capital outlays .....	65	65	70	70	70	70	70	350
29	Expensing of certain multiperiod production costs .....	80	80	85	85	85	85	85	425
30	Treatment of loans for solvent farmers .....	10	10	10	10	10	10	10	50
31	Capital gains treatment of certain income .....	675	695	715	735	755	780	805	3,790
32	Income averaging for farmers .....	.....	5	30	35	25	.....	.....	90
<b>Commerce and housing:</b>									
<b>Financial institutions and insurance:</b>									
33	Exemption of credit union income .....	1,020	1,120	1,225	1,340	1,465	1,605	1,760	7,395
34	Excess bad debt reserves of financial institutions .....	70	45	20	10	5	5	.....	40
35	Exclusion of interest on life insurance savings .....	12,765	13,465	14,200	14,990	15,810	16,680	17,585	79,265
36	Special alternative tax on small property and casualty insurance companies .....	5	5	5	5	5	5	5	25
37	Tax exemption of insurance companies owned by tax-exempt organizations .....	280	300	320	340	360	390	415	1,825
38	Small life insurance company deduction .....	145	150	160	165	170	180	190	865
<b>Housing:</b>									
39	Exclusion of interest on owner-occupied mortgage subsidy bonds .....	2,510	2,395	2,290	2,185	2,060	1,955	1,845	10,335
40	Exclusion of interest on rental housing bonds .....	1,165	1,075	990	880	755	645	440	3,710
41	Deductibility of mortgage interest on owner-occupied homes .....	49,060	51,245	53,695	56,515	59,505	62,730	66,245	298,690
42	Deductibility of State and local property tax on owner-occupied homes .....	16,915	17,700	18,440	19,220	20,045	20,920	21,855	100,480
43	Deferral of income from post 1987 installment sales .....	960	975	995	1,015	1,035	1,055	1,075	5,175
44	Deferral of capital gains on home sales .....	12,245	5,770	.....	.....	.....	.....	.....	.....
45	Exclusion of capital gains on home sales for persons age 55 and over .....	3,740	1,110	.....	.....	.....	.....	.....	.....
46	Capital gains exclusion on home sales .....	11,670	12,135	12,620	13,125	13,650	14,195	14,765	68,355
47	Exception from passive loss rules for \$25,000 of rental loss .....	4,175	3,910	3,680	3,465	3,270	3,080	2,900	16,395
48	Credit for low-income housing investment .....	3,490	3,670	3,590	3,550	3,615	3,665	3,775	18,195
49	Accelerated depreciation on rental housing (normal tax method) .....	1,365	1,585	1,840	2,100	2,235	2,560	2,885	11,620
<b>Commerce:</b>									
50	Cancellation of indebtedness .....	40	15	.....	-10	-5	-5	.....	-20
51	Exceptions from imputed interest rules .....	155	155	160	160	160	165	165	810
52	Capital gains (other than agriculture, timber, iron ore, and coal) (normal tax method) .....	32,825	33,810	34,815	35,870	36,950	38,060	39,195	184,890
53	Capital gains exclusion of small corporation stock .....	.....	.....	5	25	55	95	125	305
54	Step-up basis of capital gains at death .....	11,670	12,135	12,620	13,125	13,650	14,195	14,765	68,355

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

	Outlay Equivalents							
	1997	1998	1999	2000	2001	2002	2003	1999-2003
55	155	165	180	190	200	210	220	1,000
56	45	45	50	50	55	55	55	265
57	5,830	4,690	3,470	2,530	1,700	1,070	350	9,120
58	24,970	26,655	28,535	29,410	30,620	31,620	31,935	152,120
59	1,055	965	880	820	1,360	1,285	930	5,275
60	200	205	210	215	220	225	230	1,100
61	6,345	6,690	6,870	7,135	7,465	7,865	8,280	37,615
62	495	425	395	370	350	335	320	1,770
<b>Transportation:</b>								
63	20	20	20	20	20	20	20	100
64	1,670	1,710	1,750	1,790	1,835	1,885	1,935	9,195
65	80	100	115	135	155	175	200	780
<b>Community and regional development:</b>								
66	80	70	70	70	65	65	65	335
67	1,400	1,470	1,530	1,580	1,620	1,645	1,665	8,040
68	60	65	65	65	65	70	70	335
69	255	460	555	635	670	620	465	2,945
70		130	155	210	85	-20	-35	395
<b>Education, training, employment, and social services:</b>								
<b>Education:</b>								
71	970	1,015	1,060	1,105	1,155	1,210	1,265	5,795
72		265	5,335	6,245	6,700	7,085	7,210	32,575
73		145	3,270	3,320	3,595	3,640	4,050	17,875
74		20	110	250	395	535	690	1,980
75		85	300	355	435	510	535	2,135
76		80	140	155	170	185	200	850
77	415	390	365	345	325	310	300	1,645
78	1,200	1,245	1,280	1,305	1,325	1,340	1,350	6,600
79		10	45	65	65	65	65	305
80	10	15	20	20	20	20	20	100
81	935	970	1,025	1,075	1,135	1,185	1,245	5,665
82		4,785	25,565	25,655	25,355	25,125	24,775	126,475
83	3,680	3,975	4,140	4,315	4,520	4,750	5,000	22,725
84	395	270	270	260	20			550
<b>Training, employment, and social services:</b>								
85	110	275	200	100	30	10		340
86		10	30	30	15	10	5	90
87	1,145	1,215	1,265	1,325	1,385	1,445	1,515	6,935
88	10	240	385	430	450	435	270	1,970
89	725	760	795	830	862	905	945	4,337
90	3,350	3,350	3,345	3,340	3,335	3,330	3,330	16,680
91	115	115	115	120	120	120	120	595
92	20	20	20	20	20	20	20	100
93	22,675	24,820	25,960	27,235	28,590	30,050	31,600	143,435
94	40	45	45	50	50	55	55	255
95	365	390	415	445	475	505	540	2,380
<b>Health:</b>								
96	85,585	91,445	97,690	104,225	111,355	119,245	128,370	560,885
97		40	150	155	155	160	170	790
98	4,175	4,550	4,815	5,110	5,425	5,775	6,150	27,275
99	2,420	2,510	2,590	2,655	2,705	2,750	2,780	13,480
100	3,220	3,500	3,645	3,815	3,990	4,190	4,415	20,055
101	25	65	75	80	95	105	115	470
102	280	230	300	320	360	425	415	1,820
<b>Income security:</b>								
103	445	455	460	465	465	470	480	2,340
104	4,410	4,950	5,210	5,480	5,775	6,090	6,420	28,975
105	545	580	605	630	655	685	710	3,285
106	85	85	80	75	70	70	65	360
107	125	130	135	130	145	150	155	715
<b>Net exclusion of pension contributions and earnings:</b>								
108	96,455	97,615	98,130	99,880	99,780	99,990	100,540	498,320
109	13,555	14,250	15,025	15,570	16,215	16,890	17,395	81,095
110	4,635	4,815	4,950	5,130	5,360	5,615	5,865	26,920
111	235	245	260	270	280	295	310	1,415

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

	Outlay Equivalents							
	1997	1998	1999	2000	2001	2002	2003	1999–2003
<b>Exclusion of other employee benefits:</b>								
112	2,730	2,790	2,845	2,905	2,965	3,030	3,090	14,835
113	210	225	235	250	260	275	290	1,310
114	5	5	5	5	5	5	5	25
115	1,020	1,000	1,030	1,055	1,095	1,140	1,190	5,510
116	30	35	35	35	40	40	40	190
117	1,870	2,070	2,160	2,175	2,180	2,180	2,230	10,925
118	60	60	60	60	60	60	65	305
119	600	630	665	695	730	765	805	3,660
120	5,340	5,460	3,790	3,635	3,860	4,005	4,245	19,535
<b>Social Security:</b>								
Exclusion of social security benefits:								
121	17,470	18,330	19,115	20,025	20,840	21,830	22,930	104,740
122	2,270	2,495	2,685	2,875	3,090	3,325	3,590	15,565
123	3,825	4,000	4,160	4,310	4,470	4,640	4,795	22,375
<b>Veterans benefits and services:</b>								
124	2,770	2,930	3,100	3,280	3,470	3,675	3,890	17,415
125	70	65	70	75	80	85	90	400
126	60	70	80	90	95	100	105	470
127	110	110	105	110	110	115	120	560
<b>General purpose fiscal assistance:</b>								
128	19,915	20,650	21,285	21,795	22,170	22,475	22,680	110,405
129	30,720	32,145	33,490	34,910	36,410	37,995	39,695	182,500
130	3,860	3,960	4,000	4,120	4,245	4,370	4,390	21,125
<b>Interest:</b>								
131	915	965	1,015	1,065	1,115	1,175	1,235	5,605
<b>Addendum—Aid to State and local governments:</b>								
Deductibility of:								
	16,915	17,700	18,440	19,220	20,045	20,920	21,855	100,480
	30,720	32,145	33,490	34,910	36,410	37,995	39,695	182,500
Exclusion of interest on:								
	19,915	20,650	21,285	21,795	22,170	22,475	22,680	110,405
	255	245	245	240	225	210	200	1,120
	895	870	845	810	775	720	650	3,800
	495	425	395	370	350	335	320	1,770
	2,510	2,395	2,290	2,185	2,060	1,955	1,845	10,335
	1,165	1,075	990	880	755	645	440	3,710
	1,400	1,470	1,530	1,580	1,620	1,645	1,665	8,040
	415	390	365	345	325	310	300	1,645
	1,200	1,245	1,280	1,305	1,325	1,340	1,350	6,600
	2,420	2,510	2,590	2,655	2,705	2,750	2,780	13,480
	110	110	105	110	110	115	120	560

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.

Figures in table 5-1 are the arithmetic sums of corporate and individual income tax revenue loss estimates from table 5-2, and do not reflect possible interactions across these two taxes.

<sup>1</sup>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: 1997 \$675; 1998 \$720; 1999 \$750; 2000 \$780; 2001 \$810; 2002 \$845; 2003 \$875.

<sup>2</sup>The figures in the table indicate the effect of the child credit on receipts. The effect on outlays in (in millions of dollars) is as follows: 1997 \$0; 1998 \$0; 1999 \$538; 2000 \$685; 2001 \$662; 2002 \$624; and 2003 \$589.

<sup>3</sup>The figures in the table indicate the effect of the earned income tax credit on receipts. The effect on outlays in (in millions of dollars) is as follows: 1997 \$21,856; 1998 \$22,295; 1999 \$24,496; 2000 \$25,334; 2001 \$26,040; 2002 \$26,715; and 2003 \$27,414.

### 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.<sup>2</sup> 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.<sup>3</sup>
- 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

<sup>2</sup> Gross income does, however, include transfer payments associated with past employment, such as social security benefits.

<sup>3</sup> 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.

set of tax expenditures under its normal tax baseline than is considered here.

### **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<sup>4</sup> 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,<sup>5</sup> 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 in each of the three main areas—individual, business, and international taxation—within the Office of Tax Analysis. 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.

For the next year, the Administration's plan is to complete additional studies that will focus on the availability of the data needed to assess the effects of selected significant tax expenditures. 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.<sup>6</sup> 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 policies 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.<sup>7</sup> 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 benefits 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.

<sup>4</sup> Committee on Governmental Affairs, United States Senate, "Government Performance and Results Act of 1993" (Report 103-58, 1993).

<sup>5</sup> Director of the Office of Management and Budget, "The Government Performance and Results Act," Report to the President and the Congress, May 1997.

<sup>6</sup> Joint Committee on Taxation, "Estimates of Federal Tax Expenditures for Fiscal Years 1998-2992," JCS-22-97, December 15, 1997; 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).

<sup>7</sup> 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 meritorious consumption.

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 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, there are many 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—which provides flexibility for policy design. Regarding limitations, 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, which can diminish their 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 unnecessary. 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.

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., favor-

able 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, which has inherent uncertainties. 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.**—A U.S. citizen or resident alien who resides or stays overseas for at least 11 of the past 12 months may exclude \$70,000 per year of foreign-earned income. Beginning in 1998, the exclusion limit is increased to \$80,000 in \$2,000 annual increments. 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 (\$60,270 in 1997). 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.<sup>8</sup>

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 benefiting 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.

### General Science, Space, and Technology

**6. 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.

**7. R&E credit.**—The research and experimentation (R&E) credit, which expired on May 31, 1997, was reinstated under the Taxpayer Relief Act of 1997 for 13 months (through June 30, 1998). 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

**8. 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.

**9. 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

<sup>8</sup>Section 911 was also the subject of a January 1993 Treasury report to Congress, "Taxation of Americans Working Overseas."

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.

10. **Alternative fuel production credit.**—A non-taxable 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.

11. **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.

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

13. **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.

14. **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.

15. **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.

16. **Alcohol fuel credits.**—Gasohol, a motor fuel composed of at least 10 percent alcohol, is exempt from 5.4 of the 18.4 cents per gallon Federal excise tax on gasoline. Smaller exemptions are allowed for motor fuel with lower alcohol content. There is a corresponding income tax credit for alcohol used as a fuel in applications where the excise tax is not assessed. This credit, equal to a subsidy of 54 cents per gallon for alcohol used as a motor fuel, is intended to encourage substitution of alcohol for petroleum-based gasoline. In addition, small producers of ethanol are eligible for a 10 cent per gallon credit.

17. **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.

18. **Exclusion of utility conservation subsidies.**—Subsidies by public utilities for customer expenditures on energy conservation measures are excluded from the gross income of the customer. The exclusion does not apply to subsidies provided to businesses after December 31, 1996.

### Natural Resources and Environment

19. **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.

20. **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.

21. **Capital gains treatment of iron ore.**—Iron ore sold under a royalty contract can be treated as capital gains rather than ordinary income.

22. **Mining reclamation reserves.**—Taxpayers are allowed to establish reserves to cover certain costs of mine reclamation and of closing solid waste disposal properties. Net increases in reserves may be taken as a deduction against taxable income.

23. **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.

24. **Capital gains treatment of certain timber.**—Certain timber sold under a royalty contract can be treated as capital gains rather than ordinary income.

25. **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.

**26. 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 reforestation 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 reforestation investment that is amortizable is not reduced by any of the allowable investment credit.

**27. 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

**28. 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.

**29. 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.

**30. 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.<sup>9</sup> Farmers with forgiven debt are considered insolvent for tax purposes, and thus qualify for income tax forgiveness.

**31. Capital gains treatment of certain income.**—Certain agricultural income, such as unharvested crops, can be treated as capital gains rather than ordinary income.

**32. Income averaging for farmers.**—The Taxpayer Relief Act of 1997 allows taxpayers to lower their tax liability by averaging, over the prior three-year period, their taxable income from farming. Taxpayers may av-

erage their farm income beginning in 1998; the provision generally expires on December 31, 2000.

### 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.

**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. States may issue mortgage credit certificates (MCCs) in lieu of mortgage revenue

<sup>9</sup>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.

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 deferral on home sales.**—Homeowners can defer paying capital gains tax on the sale of a principal residence by buying or constructing a home at least equal in value to that of the sold home (net of sales and qualified fix-up costs) within two years. This deferral applies to homes sold before May 7, 1997. For homes sold between May 7, 1997 and July 28, 1997, taxpayers may defer paying the capital gains tax if they elect not to use the \$500,000 (\$250,000 for

singles) exclusion on the sale of a principal residence. The \$500,000 exclusion was created by the Taxpayer Relief Act of 1997. For homes sold after July 28, 1997, no capital gains deferral is allowed.

45. **Capital gains on sales by owners aged 55 or older.**—A taxpayer who is 55 years of age or older may elect to exclude from gross income up to \$125,000 of the capital gain from the sale of a principal residence. The exclusion is a once-in-a-lifetime election. This exclusion applies to homes sold before May 7, 1997. For homes sold between May 7, 1997 and July 28, 1997, taxpayers may exclude the \$125,000 from gross income if they elect not to use the \$500,000 (\$250,000 for singles) exclusion on the sale of a principal residence. The \$500,000 exclusion was created by the Taxpayer Relief Act of 1997. For homes sold after July 28, 1997, the \$125,000 exclusion is not allowed.

46. **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 was created by the Taxpayer Relief Act of 1997 and applies only to homes sold after May 6, 1997. The exclusion may not be used more than once every two years.

47. **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.

48. **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. States agencies determine who receives the credit; states are limited in the amount of credit they may authorize annually to \$1.25 per resident.

49. **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.

50. **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.

51. **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.<sup>10</sup> 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 farms and small businesses worth between \$250,000 and \$1 million.

**52. 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 before May 7, 1997, the top tax rate is 28 percent. For assets held for more than 1 year and sold between May 7, 1997 and July 28, 1997, the top rate is 20 percent (10 percent for taxpayers who would otherwise pay capital gains tax at the 15-percent rate). For assets held for more than 1.5 years and sold after July 28, 1997, the top rate is 20 percent (10 percent for taxpayers who would otherwise pay capital gains tax at the 15-percent rate). For assets held for more than 1 year but not more than 1.5 years and sold after July 28, 1997, the top rate is 28 percent.

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.

**53. 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.

**54. 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.

**55. 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.

<sup>10</sup>For example, if a borrower on December 31, 1997 issues a promise to pay \$1,000 plus interest at 10 percent on December 30, 1998, 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 1998.

**56. 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.

**57. 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.

**58. 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.

**59. Expensing of certain small investments.**—In 1997, qualifying investments in tangible property up to \$18,000 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 1997, the amount expensed is completely phased out when qualifying investments exceed \$218,000.

**60. 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.

**61. 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.

**62. *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

**63. *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.

**64. *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 1997, the maximum amount of the parking exclusion is \$170 (indexed) per month. The tax expenditure estimate does not include parking at facilities owned by the employer.

**65. *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 1997, the limit is \$70 (indexed) per month.

### Community and Regional Development

**66. *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.

**67. *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.

**68. *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.

**69. *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.

**70. *Expensing of environmental remediation costs.***—The Taxpayer Relief Act of 1997 allows taxpayers who clean up hazardous substances at a qualified site to 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. The expensing only applies to clean-up costs incurred after August 5, 1997 and before January 1, 2001.

### Education, Training, Employment, and Social Services

**71. *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).

**72. *HOPE tax credit.***—The Taxpayer Relief Act of 1997 created the non-refundable HOPE tax credit, which 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).

**73. *Lifetime Learning tax credit.***—The Taxpayer Relief Act of 1997 created the non-refundable Lifetime Learning tax credit, which 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.

**74. Education Individual Retirement Accounts.**—The Taxpayer Relief Act of 1997 created education IRAs. 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. Contributions can be made after December 31, 1997. 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.

**75. 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 payments 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.

**76. State prepaid tuition plans.**—Some states have adopted prepaid tuition plans, which allow persons to pay in advance for college tuition for designated beneficiaries. Taxes on the earnings from these plans are paid by the beneficiaries and are deferred until the tuition is actually paid. The Taxpayer Relief Act of 1997 expanded state prepaid tuition plans to include pre-payment for room and board expenses.

**77. 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.

**78. 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.

**79. 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 used 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.

**80. 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 ex-

penses. The tax exemption is phased out for taxpayers with AGI between \$76,250 and \$106,250 (\$50,850 and \$65,850 for singles) in 1997.

**81. 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.

**82. Child credit.**—The Taxpayer Relief Act of 1997 provides for a \$500 child credit for taxpayers with children under age 17, beginning January 1, 1999. (The Act also provides for a \$400 credit 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.

**83. 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.

**84. 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.

**85. 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, 1998 and who are certified as members of various targeted groups. 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.

**86. Welfare-to-work tax credit.**—The Taxpayer Relief Act of 1997 provides for an employer 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 May 1, 1999.

**87. 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.

88. **Adoption assistance.**—Beginning January 1, 1997, 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.

89. **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.

90. **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.

91. **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.

92. **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.

93. **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.

94. **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.

95. **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

96. **Employer-paid medical insurance and expenses.**—Employer-paid health insurance premiums and other medical expenses (including long-term care) is deducted as a business expense by employers, but it is not included in employee gross income. The self-employed also may deduct part of their family health insurance premiums.

97. **Medical savings accounts.**—Beginning January 1, 1997, 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. **Workmen's compensation benefits.**—Workmen's 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 1997, an employee could exclude up to \$9,500 (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 AGI between \$40,000 and \$50,000

(\$25,000 and \$35,000 for singles). The Taxpayer Relief Act of 1997 raises the phaseout range in 1998 to \$50,000 and \$60,000 (\$30,000 and \$40,000 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.

The Taxpayer Relief Act of 1997 created Roth IRAs, effective January 1, 1998. 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 59-1/2, (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 death benefits.**—Employer-provided death benefits are excluded from an employee's gross income even though the employer's costs for the death benefits are a deductible business expense.

112. **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.

113. **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.

114. **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.

115. **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 cor-

porations 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.

116. **Additional deduction for the blind.**—Taxpayers who are blind may take an additional \$1,000 standard deduction if single, or \$800 if married.

117. **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.

118. **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.

119. **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.

120. **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 \$6,500 of earned income in 1997. The credit is 40 percent of the first \$9,140 of income for a family with two or more qualifying children. When the taxpayer's income exceeds \$11,930, 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 \$25,760 of modified adjusted gross income (\$29,290 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 \$4,340 of earned income. When the taxpayer's income exceeds \$5,430, the credit is phased out at the rate of 7.65 percent. It is completely phased out at \$9,770 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

121. **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.

122. **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.

123. **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

124. **Veterans death benefits and disability compensation.**—All compensation due to death or disability paid by the Veterans Administration is excluded from taxable income.

125. **Veterans pension payments.**—Pension payments made by the Veterans Administration are excluded from gross income.

126. **G.I. Bill benefits.**—G.I. Bill benefits paid by the Veterans Administration are excluded from gross income.

127. **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

128. **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.

129. **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.

130. **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

131. **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 other-

wise would be liable to the unified transfer tax. This figure is scheduled to increase in steps to \$1 million in 2005.<sup>11</sup>

- 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 1997-2003 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. The Taxpayer Relief Act of 1997 (TRA97) allows up to 40 percent of the value of land subject to certain conservation easements to 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. The TRA97 exclusion applies to the estates of decedents dying after December 31, 1997.

<sup>11</sup> 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.

**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. The Taxpayer Relief Act of 1997 (TRA97) lowered the applicable interest rates and made the interest non-deductible. The TRA97 provision applies to the estates of decedents dying after December 31, 1997.

**Commerce and Housing**

4. **Special-use valuation of closely-held businesses.**—The special-use valuation rule available for 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.**—The Taxpayer Relief Act of 1997 added a provision excluding from taxable estates certain family-owned businesses that are bequeathed to qualified heirs. The exclusion 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. The exclusion applies to the estates of decedents dying after December 31, 1997.

**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	1997	1998	1999	2000	2001	2002	2003	1999-2003
<b>Natural Resources and Environment:</b>									
1	Donations of conservation easements .....	0	0	10	25	40	55	75	205
<b>Agriculture:</b>									
2	Special use valuation of farm real property .....	80	85	90	95	100	105	110	500
3	Tax deferral of closely held farms .....	10	10	15	15	15	20	20	85
<b>Commerce:</b>									
4	Special use valuation of real property used in closely held businesses .....	20	25	25	25	30	30	35	145
5	Tax deferral of closely held business .....	65	70	75	80	85	95	105	440
6	Exclusion for family owned businesses .....	0	0	390	395	400	420	435	2,040
<b>Education, training, employment, and social services:</b>									
7	Deduction for charitable contributions (education) .....	835	905	930	975	1,025	1,100	1,160	5,190
8	Deduction for charitable contributions (other than education and health) ...	2,460	2,670	2,745	2,880	3,035	3,245	3,425	15,330
<b>Health:</b>									
9	Deduction for charitable contributions (health) .....	755	820	840	880	930	995	1,050	4,695
<b>General government:</b>									
10	Credit for State death taxes .....	3,910	4,120	4,260	4,465	4,685	4,930	5,215	23,555

Note: All estimates have been rounded to the nearest \$5 million.

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## **SPECIAL ANALYSES AND PRESENTATIONS**

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## 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:

- 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.

### Part I: DESCRIPTION OF FEDERAL INVESTMENT

For more than forty 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 2003.

The classification of spending into 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. But 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, education, and training.
- Focusing on the role of investment in improving national productivity and enhancing economic growth would exclude items such as national defense assets, the benefits of which are enhanced national security rather than economic growth.
- Concern with the efficiency of Federal operations would lead to a focus solely on investments to 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 in-

cluded 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 grant is 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 \$228.8 billion in 1997. They are estimated to decline to \$225.3 billion in 1998 and to increase to \$236.9 billion in 1999. Major Federal investment will comprise an estimated 13.7 percent of total Federal outlays in 1999 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 \$113.2 billion in 1999. Physical investment outlays are for construction and rehabilitation, the purchase of major equipment, and the purchase or sale of land and structures. Slightly more than 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 \$52.4 billion in 1997 and are estimated to be \$50.3 billion in 1999. Almost all of these outlays, or \$45.7 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.

Outlays for direct physical investment for nondefense purposes are estimated to be \$18.5 billion in 1999. These outlays include \$12.0 billion for construction and rehabilitation. This amount funds water, power, and natural resources projects of the 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 \$6.5 billion in 1999. The largest amounts are for the air traffic control system and the Postal Service. For the purchase or sale of land and structures, collections are expected to exceed disbursements by \$3.6 billion in 1998, largely due to the sale of the United States Enrichment Corporation and the privatization of Elk Hills. Sale of these assets has been enacted. These sales explain most of the decline in outlays in this category from 1997 to 1998.

Grants to State and local governments for physical investment are estimated to be \$44.4 billion in 1999. More than three-fifths of these outlays, or \$27.6 billion, are to assist States and localities with transportation infrastructure. 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 \$73.7 billion in 1999. These outlays are devoted to increasing basic scientific knowledge and promoting related 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. More than half of these outlays, an estimated \$39.4 billion in 1999, are for national defense. Physical investment for research and development facilities and equipment is included in the physical investment category.

Nondefense outlays for the conduct of research and development are estimated to be \$34.3 billion in 1999. 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 \$50.0 billion in 1999. 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 \$29.8 billion in 1999, more than half 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 \$20.1 billion in 1999. Programs in this category are primarily aid for



**Table 6-1. COMPOSITION OF FEDERAL INVESTMENT OUTLAYS**  
(In billions of dollars)

	1997 actual	Estimate	
		1998	1999
<b>Federal Investment</b>			
Major public physical capital investment:			
Direct Federal:			
National defense .....	52.4	48.7	50.3
Nondefense .....	19.7	15.4	18.5
Subtotal, direct major public physical capital investment .....	72.2	64.1	68.8
Grants to State and local governments .....	41.5	44.1	44.4
Subtotal, major public physical capital investment .....	113.6	108.2	113.2
Conduct of research and development:			
National defense .....	40.2	39.0	39.4
Nondefense .....	30.9	32.4	34.3
Subtotal, conduct of research and development .....	71.1	71.4	73.7
Conduct of education and training:			
Grants to State and local governments .....	25.0	26.3	29.8
Direct Federal .....	19.0	19.5	20.1
Subtotal, conduct of education and training .....	44.0	45.7	50.0
<b>Major Federal investment outlays .....</b>	<b>228.8</b>	<b>225.3</b>	<b>236.9</b>
<b>MEMORANDUM</b>			
Major Federal investment outlays:			
National defense .....	92.6	87.7	89.7
Nondefense .....	136.2	137.6	147.2
Total, major Federal investment outlays .....	228.8	225.3	236.9
Miscellaneous physical investments:			
Commodity inventories .....	-1.0	-0.3	-0.2
Other physical investment (direct) .....	3.4	3.9	3.8
Total, miscellaneous physical investment .....	2.4	3.5	3.5
Total, Federal investment outlays, including miscellaneous physical investment .....	231.1	228.8	240.4

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 \$0.2 billion in 1999.

Outlays for other miscellaneous physical investment are estimated to be \$3.8 billion in 1999. 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 2003. 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	1997 Actual	Estimate						
		1998	1999	2000	2001	2002	2003	
<b>NATIONAL DEFENSE</b>								
Major public physical investment:								
Construction and rehabilitation .....	BA	4,805	4,504	3,857	4,387	4,151	4,336	4,680
	O	4,710	4,776	4,605	3,947	4,118	4,227	4,386
Acquisition of major equipment .....	BA	42,993	45,189	48,784	54,838	61,966	61,363	64,246
	O	47,778	44,020	45,730	48,203	51,058	53,974	58,977
Purchase or sale of land and structures .....	BA	-85	-76	-77	-80	-80	-80	-65
	O	-85	-76	-77	-80	-80	-80	-65
Subtotal, major public physical investment .....	BA	47,713	49,617	52,564	59,145	66,037	65,619	68,861
	O	52,403	48,720	50,258	52,070	55,096	58,121	63,298
Conduct of research and development .....	BA	39,591	39,873	39,716	36,770	35,839	36,359	37,253
	O	40,177	39,024	39,417	37,407	36,339	36,186	36,669
Conduct of education and training (civilian) .....	BA	5	2	5	10	10	10	10
	O	7	3	4	8	10	10	10
Subtotal, national defense investment .....	BA	87,309	89,492	92,285	95,925	101,886	101,988	106,124
	O	92,587	87,747	89,679	89,485	91,445	94,317	99,977
<b>NONDEFENSE</b>								
Major public physical investment:								
Construction and rehabilitation:								
Highways .....	BA	21,373	22,374	22,101	22,010	21,955	21,935	21,935
	O	20,502	21,751	22,319	22,331	22,197	22,045	21,980
Mass transportation .....	BA	3,757	4,460	4,635	4,636	4,636	4,636	4,636
	O	4,041	3,753	3,660	3,998	4,298	4,611	4,791
Rail transportation .....	BA	263	264	632	582	532	524	522
	O	372	236	500	539	577	545	528
Air transportation .....	BA	1,487	1,714	1,714	1,716	1,717	1,719	1,721
	O	1,514	1,609	1,650	1,689	1,715	1,726	1,722
Water transportation .....	BA	136	142	119	109	102	102	102
	O	111	136	96	66	66	76	82
Community development block grants .....	BA	4,854	4,924	4,725	4,015	3,981	3,933	4,040
	O	4,517	4,989	4,959	4,959	4,639	4,155	4,026
Other community and regional development .....	BA	1,308	1,459	2,023	1,563	1,388	1,362	1,388
	O	1,507	1,666	1,399	1,555	1,743	1,615	1,534
Pollution control and abatement .....	BA	3,764	4,127	4,464	3,609	3,392	3,344	3,343
	O	3,646	3,504	3,955	4,124	4,043	3,689	3,557
Water resources .....	BA	2,366	2,487	1,632	1,959	1,856	1,863	2,076
	O	2,078	2,757	2,021	1,880	2,319	1,633	1,965
Housing assistance .....	BA	917	6,219	5,890	5,191	4,793	4,786	4,882
	O	6,849	6,812	6,864	7,000	6,726	6,311	5,955
Energy .....	BA	1,098	1,046	1,042	1,196	1,165	1,142	1,232
	O	1,128	1,051	1,005	1,186	1,153	1,132	1,217
Veterans hospitals and other health .....	BA	1,684	1,732	1,485	1,503	1,524	1,550	1,611
	O	1,538	1,845	1,715	1,686	1,647	1,619	1,663
Postal Service .....	BA	1,595	1,971	1,439	932	799	686	846
	O	1,261	1,243	1,355	1,231	1,026	891	850
GSA real property activities .....	BA	1,381	242	712	702	821	934	750
	O	1,362	1,080	885	895	1,001	940	844
Other programs .....	BA	2,449	2,502	2,702	2,400	2,130	2,115	2,021
	O	2,610	2,675	2,793	2,952	2,895	2,390	2,264
Subtotal, construction and rehabilitation .....	BA	48,432	55,663	55,315	52,123	50,791	50,631	51,105
	O	53,036	55,107	55,176	56,091	56,045	53,378	52,978
Acquisition of major equipment:								
Air transportation .....	BA	1,969	1,923	2,167	2,422	2,686	2,948	3,214
	O	2,350	1,825	1,838	1,945	2,129	2,350	2,773
Postal Service .....	BA	1,360	1,298	1,320	1,144	846	424	93
	O	905	649	617	1,448	1,447	806	365
Other .....	BA	4,529	5,137	5,130	5,061	5,079	5,065	5,100
	O	3,638	4,367	4,169	4,628	4,778	4,847	4,882
Subtotal, acquisition of major equipment .....	BA	7,858	8,358	8,617	8,627	8,611	8,437	8,407
	O	6,893	6,841	6,624	8,021	8,354	8,003	8,020

Table 6-2. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: DEFENSE AND NONDEFENSE PROGRAMS—Continued

(in millions of dollars)

Description		1997 Actual	Estimate					
			1998	1999	2000	2001	2002	2003
Purchase or sale of land and structures .....	BA	335	-3,237	-183	635	682	140	671
	O	334	-3,616	-12	736	760	185	723
Other physical assets (grants) .....	BA	943	937	1,200	1,293	1,183	1,191	1,209
	O	969	1,142	1,144	1,221	1,230	1,221	1,224
Subtotal, major public physical investment .....	BA	57,568	61,721	64,949	62,678	61,267	60,399	61,392
	O	61,232	59,474	62,932	66,069	66,389	62,787	62,945
Conduct of research and development:								
General science, space, and technology .....	BA	10,813	12,427	12,703	12,822	13,113	13,397	13,589
	O	10,855	11,524	11,974	12,530	12,828	13,165	13,376
Energy .....	BA	2,388	1,303	1,460	1,310	1,306	1,271	1,279
	O	2,641	1,527	1,573	1,634	1,608	1,481	1,483
Transportation .....	BA	1,780	1,916	1,900	1,830	1,816	1,796	1,796
	O	1,782	1,920	2,255	2,028	1,972	1,984	1,954
Health .....	BA	12,655	13,534	14,820	15,692	16,662	17,643	19,721
	O	11,223	12,799	13,794	14,794	15,692	16,417	17,887
Natural resources and environment .....	BA	1,861	1,983	1,990	1,984	2,005	2,030	2,007
	O	1,590	1,734	1,785	1,793	1,799	1,829	1,808
All other research and development .....	BA	2,674	2,764	2,939	2,973	2,976	3,007	3,016
	O	2,805	2,851	2,906	2,975	3,013	3,042	3,081
Subtotal, conduct of research and development .....	BA	32,171	33,927	35,812	36,611	37,878	39,144	41,408
	O	30,896	32,355	34,287	35,754	36,912	37,918	39,589
Conduct of education and training:								
Education, training, employment and social services:								
Elementary, secondary, and vocational education .....	BA	16,997	18,737	20,751	21,003	21,122	20,895	20,843
	O	15,025	15,310	18,183	20,477	20,836	21,063	20,955
Higher education .....	BA	13,513	13,080	13,784	13,756	14,146	13,516	14,841
	O	12,290	12,403	12,445	12,381	12,621	11,999	13,390
Research and general education aids .....	BA	1,991	1,866	2,195	2,246	2,299	2,297	2,309
	O	1,769	2,109	2,027	2,214	2,315	2,321	2,340
Training and employment .....	BA	5,675	6,378	6,723	5,218	5,240	5,310	5,382
	O	4,769	5,448	6,163	6,058	5,492	5,238	5,304
Social services .....	BA	6,515	6,988	7,368	7,689	7,893	8,104	8,168
	O	6,435	6,767	7,308	7,433	7,659	7,859	8,013
Subtotal, education, training, and social services .....	BA	44,691	47,049	50,821	49,912	50,700	50,122	51,543
	O	40,288	42,037	46,126	48,563	48,923	48,480	50,002
Veterans education, training, and rehabilitation .....	BA	1,499	1,496	1,313	1,477	1,576	1,578	1,589
	O	1,477	1,499	1,513	1,482	1,604	1,583	1,591
Health .....	BA	880	894	981	1,010	1,046	1,097	1,195
	O	880	860	927	965	999	1,039	1,101
Other education and training .....	BA	1,447	1,376	1,467	1,483	1,465	1,482	1,498
	O	1,396	1,349	1,388	1,433	1,458	1,468	1,478
Subtotal, conduct of education and training .....	BA	48,517	50,815	54,582	53,882	54,787	54,279	55,825
	O	44,041	45,745	49,954	52,443	52,984	52,570	54,172
Subtotal, nondefense investment .....	BA	138,256	146,463	155,343	153,171	153,932	153,822	158,625
	O	136,169	137,574	147,173	154,266	156,285	153,275	156,706
Total, Federal investment .....	BA	225,565	235,955	247,628	249,096	255,818	255,810	264,749
	O	228,756	225,321	236,852	243,751	247,730	247,592	256,683

Table 6-3. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: GRANT AND DIRECT FEDERAL PROGRAMS

(in millions of dollars)

Description	1997 Actual	Estimate						
		1998	1999	2000	2001	2002	2003	
<b>GRANTS TO STATE AND LOCAL GOVERNMENTS</b>								
Major public physical investments:								
Construction and rehabilitation:								
Highways .....	BA	21,372	22,372	22,101	22,010	21,955	21,935	21,935
	O	20,498	21,742	22,312	22,326	22,195	22,043	21,978
Mass transportation .....	BA	3,757	4,460	4,635	4,636	4,636	4,636	4,636
	O	4,041	3,753	3,660	3,998	4,298	4,611	4,791
Rail transportation .....	BA	78						
	O	30	35	41	6			
Air transportation .....	BA	1,460	1,700	1,700	1,700	1,700	1,700	1,700
	O	1,489	1,554	1,636	1,674	1,699	1,708	1,700
Pollution control and abatement .....	BA	2,430	2,655	2,424	2,095	1,984	1,934	1,934
	O	2,319	2,086	2,286	2,469	2,476	2,173	2,059
Other natural resources and environment .....	BA	269	47	51	49	49	49	49
	O	179	283	71	67	57	50	50
Community development block grants .....	BA	4,854	4,924	4,725	4,015	3,981	3,933	4,040
	O	4,517	4,989	4,959	4,959	4,639	4,155	4,026
Other community and regional development .....	BA	1,185	1,138	1,813	1,372	1,190	1,161	1,162
	O	1,224	1,233	1,226	1,404	1,550	1,413	1,307
Housing assistance .....	BA	891	6,193	5,864	5,165	4,767	4,760	4,856
	O	6,015	6,790	6,841	6,976	6,702	6,285	5,929
Other construction .....	BA	129	460	113	113	113	113	113
	O	149	430	134	134	135	113	113
Subtotal, construction and rehabilitation .....	BA	36,425	43,949	43,426	41,155	40,375	40,221	40,425
	O	40,461	42,895	43,166	44,013	43,751	42,551	41,953
Other physical assets .....	BA	993	997	1,251	1,346	1,238	1,248	1,268
	O	1,024	1,217	1,220	1,277	1,283	1,274	1,279
Subtotal, major public physical capital .....	BA	37,418	44,946	44,677	42,501	41,613	41,469	41,693
	O	41,485	44,112	44,386	45,290	45,034	43,825	43,232
Conduct of research and development:								
Agriculture .....	BA	237	223	235	237	217	217	217
	O	208	229	234	247	255	246	243
Other .....	BA	109	113	148	147	149	149	151
	O	82	72	192	190	191	192	193
Subtotal, conduct of research and development .....	BA	346	336	383	384	366	366	368
	O	290	301	426	437	446	438	436
Conduct of education and training:								
Elementary, secondary, and vocational education .....	BA	16,149	17,703	19,551	19,827	19,945	19,718	19,666
	O	14,212	14,471	17,185	19,331	19,666	19,890	19,784
Higher education .....	BA	83	80	39	44	50	53	54
	O	75	84	69	42	40	39	39
Research and general education aids .....	BA	440	296	472	489	502	497	496
	O	277	456	318	454	488	498	497
Training and employment .....	BA	4,513	5,135	5,197	3,639	3,634	3,684	3,734
	O	3,769	4,261	4,745	4,495	3,914	3,630	3,672
Social services .....	BA	6,229	6,685	7,057	7,368	7,564	7,767	7,826
	O	6,185	6,484	6,986	7,117	7,337	7,529	7,676
Agriculture .....	BA	448	423	455	453	423	423	423
	O	420	429	432	439	444	439	432
Other .....	BA	79	84	82	82	81	81	81
	O	89	82	82	83	77	75	73
Subtotal, conduct of education and training .....	BA	27,941	30,406	32,853	31,902	32,199	32,223	32,280
	O	25,027	26,267	29,817	31,961	31,966	32,100	32,173
Subtotal, grants for investment .....	BA	65,705	75,688	77,913	74,787	74,178	74,058	74,341
	O	66,802	70,680	74,629	77,688	77,446	76,363	75,841
<b>DIRECT FEDERAL PROGRAMS</b>								
Major public physical investment:								
Construction and rehabilitation:								
National defense:								
Military construction .....	BA	3,220	2,938	2,430	3,250	3,015	3,205	3,514

Table 6-3. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: GRANT AND DIRECT FEDERAL PROGRAMS—Continued

(in millions of dollars)

Description	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Family housing .....	O 3,161	3,108	2,900	2,652	2,811	2,919	3,060
	BA 1,014	887	623	333	334	330	354
Atomic energy defense activities and other .....	O 1,012	991	901	481	494	496	506
	BA 571	679	804	804	802	801	812
	O 537	677	804	814	813	812	820
Subtotal, national defense .....	BA 4,805	4,504	3,857	4,387	4,151	4,336	4,680
	O 4,710	4,776	4,605	3,947	4,118	4,227	4,386
International affairs .....	BA 209	218	448	309	313	303	281
	O 315	260	261	263	262	258	235
General science, space, and technology .....	BA 374	410	477	475	488	503	503
	O 615	492	506	455	462	479	482
Water resources projects .....	BA 2,101	2,440	1,583	1,910	1,807	1,814	2,027
	O 1,904	2,478	1,953	1,814	2,263	1,584	1,916
Other natural resources and environment .....	BA 1,881	1,812	2,316	1,842	1,785	1,771	1,736
	O 1,691	1,789	2,023	2,041	1,932	1,894	1,881
Energy .....	BA 1,098	1,046	1,042	1,196	1,165	1,142	1,232
	O 1,128	1,051	1,005	1,186	1,153	1,132	1,217
Postal Service .....	BA 1,595	1,971	1,439	932	799	686	846
	O 1,261	1,243	1,355	1,231	1,026	891	850
Transportation .....	BA 349	422	765	707	651	645	645
	O 482	401	576	619	661	641	634
Housing assistance .....	BA 26	26	26	26	26	26	26
	O 834	22	23	24	24	26	26
Veterans hospitals and other health facilities .....	BA 1,637	1,652	1,448	1,466	1,487	1,513	1,574
	O 1,497	1,798	1,663	1,630	1,588	1,582	1,626
Federal Prison System .....	BA 350	151	326	328	90	90	90
	O 307	22	499	602	750	349	265
GSA real property activities .....	BA 1,381	423	712	702	821	934	750
	O 1,514	1,370	885	895	1,001	940	844
Other construction .....	BA 1,006	1,143	1,307	1,075	984	983	970
	O 1,027	1,286	1,261	1,318	1,172	1,051	1,049
Subtotal, construction and rehabilitation .....	BA 16,812	16,218	15,746	15,355	14,567	14,746	15,360
	O 17,285	16,988	16,615	16,025	16,412	15,054	15,411
Acquisition of major equipment:							
National defense:							
Department of Defense .....	BA 42,789	44,861	48,463	54,519	61,653	61,054	63,925
	O 47,563	43,699	45,411	47,887	50,745	53,664	58,660
Atomic energy defense activities .....	BA 204	328	321	319	313	309	321
	O 215	321	319	316	313	310	317
Subtotal, national defense .....	BA 42,993	45,189	48,784	54,838	61,966	61,363	64,246
	O 47,778	44,020	45,730	48,203	51,058	53,974	58,977
General science and basic research .....	BA 243	338	376	380	392	400	401
	O 275	315	392	425	458	465	467
Space flight, research, and supporting activities .....	BA 592	640	658	641	628	609	591
	O 607	641	654	649	632	614	596
Energy .....	BA 182	128	143	138	135	121	88
	O 192	125	139	137	133	120	87
Postal Service .....	BA 1,360	1,298	1,320	1,144	846	424	93
	O 905	649	617	1,448	1,447	806	365
Air transportation .....	BA 1,969	1,923	2,167	2,422	2,686	2,948	3,214
	O 2,350	1,825	1,838	1,945	2,129	2,350	2,773
Water transportation (Coast Guard) .....	BA 245	255	268	244	231	231	231
	O 232	181	214	152	189	227	243
Other transportation (railroads) .....	BA 304	.....	3	.....	.....	.....	.....
	O 297	145	26	1	.....	.....	.....
Social security .....	BA 89	50	.....	.....	.....	.....	.....
	O 52	89	69	73	78	84	91
Hospital and medical care for veterans .....	BA 876	861	605	609	612	615	638
	O 469	1,101	586	587	593	596	616
Department of Justice .....	BA 543	603	667	667	667	668	669
	O 337	266	325	404	381	381	381

Table 6-3. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: GRANT AND DIRECT FEDERAL PROGRAMS—Continued

(in millions of dollars)

Description		1997 Actual	Estimate					
			1998	1999	2000	2001	2002	2003
Department of the Treasury .....	BA	329	1,004	962	929	934	937	944
	O	297	632	696	832	886	893	898
General supply fund .....	BA	541	565	573	613	636	666	696
	O	541	565	573	613	636	666	696
Other .....	BA	535	633	824	787	789	761	783
	O	284	232	419	699	739	748	752
Subtotal, acquisition of major equipment .....	BA	50,801	53,487	57,350	63,412	70,522	69,743	72,594
	O	54,616	50,786	52,278	56,168	59,359	61,924	66,942
Purchase or sale of land and structures:								
National defense .....	BA	-85	-76	-77	-80	-80	-80	-65
	O	-85	-76	-77	-80	-80	-80	-65
International affairs .....	BA	11	10	18	12	12	12	11
	O	11	10	18	19	19	18	17
Sale of the United States Enrichment Corporation .....	BA		-1,600					
	O		-1,600					
Privatization of Elk Hills .....	BA		-2,415	-728				
	O		-2,415	-728				
Other .....	BA	324	768	527	623	670	128	660
	O	323	389	698	717	741	167	706
Subtotal, purchase or sale of land and structures .....	BA	250	-3,313	-260	555	602	60	606
	O	249	-3,692	-89	656	680	105	658
Subtotal, major public physical investment .....	BA	67,863	66,392	72,836	79,322	85,691	84,549	88,560
	O	72,150	64,082	68,804	72,849	76,451	77,083	83,011
Conduct of research and development:								
National defense								
Department of Defense .....	BA	37,116	37,295	36,891	33,953	33,043	33,583	34,398
	O	37,702	36,446	36,593	34,570	33,511	33,376	33,813
Atomic energy and other .....	BA	2,475	2,578	2,825	2,817	2,796	2,776	2,855
	O	2,475	2,578	2,824	2,837	2,828	2,810	2,856
Subtotal, national defense .....	BA	39,591	39,873	39,716	36,770	35,839	36,359	37,253
	O	40,177	39,024	39,417	37,407	36,339	36,186	36,669
International affairs .....	BA	191	172	176	173	176	180	185
	O	394	333	264	272	282	294	302
General science, space, and technology								
NASA .....	BA	7,845	8,193	8,038	8,060	8,162	8,306	8,427
	O	8,137	7,975	7,880	8,098	8,023	8,209	8,327
National Science Foundation .....	BA	2,272	2,381	2,671	2,756	2,844	2,931	3,025
	O	2,015	2,111	2,360	2,548	2,698	2,817	2,920
Department of Energy .....	BA	696	1,853	1,994	2,006	2,107	2,160	2,137
	O	703	1,438	1,734	1,884	2,107	2,139	2,129
Subtotal, general science, space, and technology .....	BA	11,004	12,599	12,879	12,995	13,289	13,577	13,774
	O	11,249	11,857	12,238	12,802	13,110	13,459	13,678
Energy .....	BA	2,388	1,303	1,460	1,310	1,306	1,271	1,279
	O	2,641	1,527	1,573	1,634	1,608	1,481	1,483
Transportation:								
Department of Transportation .....	BA	505	569	672	678	641	600	577
	O	492	457	747	776	766	735	686
NASA .....	BA	1,194	1,264	1,147	1,071	1,094	1,115	1,138
	O	1,237	1,424	1,370	1,114	1,068	1,111	1,130
Subtotal, transportation .....	BA	4,087	3,136	3,279	3,059	3,041	2,986	2,994
	O	4,370	3,408	3,690	3,524	3,442	3,327	3,299
Health:								
National Institutes of Health .....	BA	12,023	12,894	13,943	14,754	15,668	16,951	19,011
	O	10,599	12,171	13,066	14,038	14,866	15,879	17,346
All other health .....	BA	622	630	838	899	955	653	671
	O	614	618	694	722	792	504	507

Table 6-3. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: GRANT AND DIRECT FEDERAL PROGRAMS—Continued

(in millions of dollars)

Description		1997 Actual	Estimate					
			1998	1999	2000	2001	2002	2003
Subtotal, health .....	BA	12,645	13,524	14,781	15,653	16,623	17,604	19,682
	O	11,213	12,789	13,760	14,760	15,658	16,383	17,853
Agriculture .....	BA	971	1,024	1,039	1,054	1,050	1,053	1,052
	O	970	999	1,013	1,035	1,036	1,033	1,032
Natural resources and environment .....	BA	1,858	1,980	1,987	1,981	2,002	2,027	2,004
	O	1,589	1,732	1,783	1,791	1,797	1,827	1,806
National Institute of Standards and Technology .....	BA	392	371	447	474	497	516	522
	O	399	394	423	434	452	479	503
Hospital and medical care for veterans .....	BA	263	272	300	300	300	300	300
	O	235	270	293	300	301	301	301
All other research and development .....	BA	605	685	717	711	710	715	712
	O	581	605	661	671	670	671	681
Subtotal, conduct of research and development .....	BA	71,416	73,464	75,145	72,997	73,351	75,137	78,293
	O	70,783	71,078	73,278	72,724	72,805	73,666	75,822
Conduct of education and training:								
Elementary, secondary, and vocational education .....	BA	848	1,034	1,200	1,176	1,177	1,177	1,177
	O	813	839	998	1,146	1,170	1,173	1,171
Higher education .....	BA	13,430	13,000	13,745	13,712	14,096	13,463	14,787
	O	12,215	12,319	12,376	12,339	12,581	11,960	13,351
Research and general education aids .....	BA	1,551	1,570	1,723	1,757	1,797	1,800	1,813
	O	1,492	1,653	1,709	1,760	1,827	1,823	1,843
Training and employment .....	BA	1,162	1,243	1,526	1,579	1,606	1,626	1,648
	O	1,000	1,187	1,418	1,563	1,578	1,608	1,632
Health .....	BA	880	894	981	1,010	1,046	1,097	1,195
	O	880	860	927	965	999	1,039	1,101
Veterans education, training, and rehabilitation .....	BA	1,499	1,496	1,313	1,477	1,576	1,578	1,589
	O	1,477	1,499	1,513	1,482	1,604	1,583	1,591
General science and basic research .....	BA	519	526	570	585	601	617	633
	O	483	478	512	547	575	591	610
National defense .....	BA	5	2	5	10	10	10	10
	O	7	3	4	8	10	10	10
International affairs .....	BA	220	199	200	200	200	200	200
	O	247	214	202	201	201	201	201
Other .....	BA	467	447	471	484	489	498	503
	O	407	429	482	479	483	492	499
Subtotal, conduct of education and training .....	BA	20,581	20,411	21,734	21,990	22,598	22,066	23,555
	O	19,021	19,481	20,141	20,490	21,028	20,480	22,009
Subtotal, direct Federal investment .....	BA	159,860	160,267	169,715	174,309	181,640	181,752	190,408
	O	161,954	154,641	162,223	166,063	170,284	171,229	180,842
Total, Federal investment .....	BA	225,565	235,955	247,628	249,096	255,818	255,810	264,749
	O	228,756	225,321	236,852	243,751	247,730	247,592	256,683

## 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 for capital assets 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.<sup>1</sup> 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. The Administration, working with the Congress, is on course to make capital management in the Federal Government a model worthy of emulation.

### 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 de-

sired 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 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 was re-

<sup>1</sup>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.



peated in 1995 and reissued in 1996 and 1997 as OMB Circular A-11: Part 3: "Planning, Budgeting, and Acquisition of Capital Assets" (June 1997) (hereafter referred to as Part 3). Part 3 identified other OMB guidance on this issue.<sup>2</sup>

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 agencies along with participation from 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 and are also available as a separate publication. These principles offer guidelines to agencies to help carry out better planning, analysis, risk management, and budgeting for capital asset acquisitions.

<sup>2</sup>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.

**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 2003 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. Next year additional effort will be made 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 encouraged this. As noted, many agencies aggregate asset acquisition 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 was reissued in June 1997 with the *Capital Programming Guide* as a supplement. 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 or, if not, how and why the goals should be revised and whether the project is still cost beneficial and justified for continued funding or should be canceled. Approved acquisition goals submitted with the 1999 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 ongoing 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 1998 and 1999 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 1998 and 1999.

- 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 encour-

age 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.
- OMB will issue a revised *Capital Programming Guide* that will incorporate specific examples of good capital programming practices found by the GAO in a study of State and local government and private industry practices and by Federal agencies as a result of the new, more stringent requirements.

### Major Acquisition Proposals

For the definition of major capital assets described above this budget requests \$69.7 billion of budget authority for 1999. This includes \$51.6 billion for the Department of Defense and \$18.1 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.

#### Construction and Rehabilitation

This budget includes \$12.7 billion of budget authority for 1999 for construction and rehabilitation.

*Department of Defense.*—The budget requests \$3.1 billion for 1999 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.

*Department of Energy.*—This budget requests \$1.4 billion for 1999 for construction and rehabilitation for the Department of Energy. The largest item is a request for \$284 million for the National Ignition Facility, which will be used to perform experiments, including inertial confinement fusion experiments, at high pressures and temperatures. These investments are also discussed in the text that accompanies Table 6-5.

*Corps of Engineers.*—This budget requests \$1.2 billion for 1999 for construction and rehabilitation for the

Table 6-4. CAPITAL ASSET ACQUISITIONS

(Budget authority in billions of dollars)

	1997 actual	1998 proposed	1999 proposed
<b>MAJOR ACQUISITIONS</b>			
Construction and rehabilitation:			
Defense military construction and family housing .....	4.2	3.8	3.1
Department of Energy .....	1.2	1.2	1.4
Corps of Engineers .....	1.6	2.0	1.2
Department of the Interior .....	1.0	0.8	0.8
General Services Administration .....	1.4	0.4	0.7
Other agencies .....	5.6	7.2	7.1
Subtotal, construction and rehabilitation .....	15.1	14.2	12.7
Major equipment:			
Department of Defense .....	42.8	44.9	48.5
Department of Transportation .....	2.2	2.1	2.4
Department of the Treasury .....	0.3	1.0	1.0
NASA .....	0.6	0.7	0.7
Other agencies .....	5.1	5.4	5.4
Subtotal, major equipment .....	50.3	53.3	57.2
Purchases of land and structures .....	0.3	1.1	0.5
Total, major acquisitions .....	65.7	68.7	70.4
Sale of major assets .....	—*	–4.4	–0.7
Total, capital asset acquisitions <sup>1</sup> .....	65.7	64.2	69.7

\* Indicates \$50 million or less.

<sup>1</sup> This total is derived from the direct Federal major public physical investment budget authority on Table 6-3 (\$72.8 billion for 1999). Table 6-4 excludes an estimate of spending for assets not owned by the Federal Government (\$3.2 billion for 1999).

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. Table 6-5 identifies the advance appropriations requested for programs that can be completed by 2003.

*Department of the Interior.*—This budget requests \$0.8 billion for construction and rehabilitation for the Department of the Interior. The largest items are for water resources projects for the Bureau of Reclamation and construction for the National Parks. Advance appropriations requested for these programs are shown in Table 6-5 and discussed in the accompanying text.

*General Services Administration (GSA).*—The 1999 budget includes \$0.7 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 \$7.1 billion for construction and rehabilitation for other agencies. The largest items are for the Postal Service (\$1.4 billion in 1999) and the Tennessee Valley Authority (\$0.7 billion in 1999).

#### Major Equipment

This category covers capital purchases for major equipment, including information technology, such as computer hardware, major software, and renovations required for this equipment. This budget includes \$57.2

billion in budget authority for 1999 for the purchase of major equipment.

*Department of Defense.*—The budget requests \$48.5 billion for 1999 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 \$2.4 billion in budget authority for the Department of Transportation, which includes \$2.1 billion to modernize the air traffic control system and \$0.3 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.

*Department of the Treasury.*—The budget requests \$1.0 billion in budget authority for 1999 for major equipment, primarily information technology investments for the Internal Revenue Service. These efforts and proposed advance appropriations for 2000 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. These investments are also discussed in the text that accompanies Table 6–5, which displays advance appropriations for capital acquisitions.

*National Aeronautics and Space Administration (NASA).*—The budget requests \$0.7 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.

*Other agencies.*—This budget requests \$5.4 billion for major equipment for other agencies. The largest part of this is for the Postal Service (\$1.3 billion in 1999). Other agencies include the Department of Energy (\$0.7 billion), for science and other projects; the Department of Justice (\$0.7 billion), primarily for the FBI; and the Department of Veterans Affairs (\$0.6 billion), for hospital equipment.

### **Purchase and Sale of Land and Structures**

This budget includes \$0.5 billion for 1999 for the purchase of land and structures. This is primarily \$0.2 billion for the purchase of buildings by the General Services Administration. The budget also includes \$4.4 billion in 1998 for proceeds from the sale of the United States Enrichment Corporation (\$1.6 billion), the Privatization of Elk Hills (\$2.4 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. This funding is shown in Table 6–5.

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 proposes to use this principle more consistently than in past years. This budget requests \$5.3 billion in budget authority for 1999, \$14.8 billion in advance appropriations for 2000–2003, and \$2.1 billion in advance appropriations for later years, for a total request of \$22.1 billion for these projects for these years.

### **Department of Commerce**

This budget requests \$590 million in regular appropriations and \$2.9 billion in advance appropriations for the Department of Commerce for projects in the National Oceanic and Atmospheric Administration (NOAA) and the National Institute of Standards and Technology (NIST).

*NOAA.*—This budget requests \$550 million for 1999 and \$1,462 million in advance appropriations for 1999–2003 for capital asset acquisitions in NOAA. An additional \$1,336 million is requested for 2004–2011.

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.

*NIST.*—The request includes \$40 million in 1999 and \$115 million in 2000–2002 in advance appropriations to complete funding for construction of a \$218 million Advanced Measurement Laboratory in Gaithersburg, Maryland. This facility will provide stringent controls for particulate matter, temperature, vibration, and humidity that are unattainable in current NIST buildings. Such conditions are vital for NIST to keep pace with rapid developments in semiconductors, precision instruments, industrial robots, computers, chemicals, pharmaceuticals, building materials, and emerging technologies requiring molecular and atomic-level precision.

### **Department of Defense**

This budget requests \$569 million in advance appropriations for 2000–2002 to fully fund selected military construction projects in the Army and Navy. The budget requests \$225 million for these projects in 1999.

### **Department of Energy**

The budget proposes \$2,304 million in advance appropriations for 2000–2003 and an additional \$213 million for 2004–2006 for design and construction of facilities for defense and science activities in the Department of Energy. The budget requests \$717 million for these projects for 1999.

*Weapons activities.*—The budget requests \$482 million in regular appropriations for 1999, \$974 million in advance appropriation for 2000–2003, and an additional \$38 million for 2004–2006 in advance appropria-

Table 6-5. PROPOSED SPENDING TO FULLY FUND SELECTED CAPITAL ASSET ACQUISITIONS

(Budget authority in millions of dollars)

	Regular appropriations 1999	Advance appropriations					Sum 2000-2003
		2000	2001	2002	2003		
<b>DEPARTMENT OF COMMERCE</b>							
National Oceanic and Atmospheric Administration: <sup>1</sup> Procurement, acquisition and construction .....	550	451	419	307	285	1,462	
National Institute of Standards and Technology: Construction of research activities .....	40	40	40	35	.....	115	
Subtotal, Department of Commerce .....	590	491	459	342	285	1,577	
<b>DEPARTMENT OF DEFENSE</b>							
Military construction, Navy .....	32	14	.....	.....	.....	14	
Military construction, Army .....	193	293	190	72	.....	555	
Subtotal, Department of Defense .....	225	307	190	72	.....	569	
<b>DEPARTMENT OF ENERGY</b>							
Weapons activities <sup>1</sup> .....	482	519	251	146	58	974	
Other defense activities .....	66	58	13	5	.....	76	
Science <sup>1</sup> .....	169	318	353	333	250	1,254	
Subtotal, Department of Energy .....	717	895	617	484	308	2,304	
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>							
Indian health facilities .....	39	28	28	.....	.....	56	
National Institutes of Health .....	90	40	.....	.....	.....	40	
Subtotal, Department of Health and Human Services .....	129	68	28	.....	.....	96	
<b>DEPARTMENT OF THE INTERIOR</b>							
Bureau of Reclamation: Water and related resources .....	7	9	6	8	1	24	
National Park Service: Construction .....	14	40	12	.....	.....	52	
Subtotal, Department of the Interior .....	21	49	18	8	1	76	
<b>DEPARTMENT OF TRANSPORTATION</b>							
Federal Aviation Administration: Facilities and equipment <sup>1</sup> .....	775	700	475	329	248	1,752	
<b>DEPARTMENT OF THE TREASURY</b>							
Internal Revenue Service: Information technology investments .....	323	323	.....	.....	.....	323	
<b>CORPS OF ENGINEERS</b>							
Construction .....	184	244	163	92	32	531	
<b>ENVIRONMENTAL PROTECTION AGENCY</b>							
Buildings and facilities: Research Triangle Park .....	32	41	.....	.....	.....	41	
<b>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</b>							
Human space flight <sup>1</sup> .....	2,270	2,134	1,933	1,766	1,546	7,379	
<b>NATIONAL SCIENCE FOUNDATION</b>							
Major research equipment .....	44	38	30	17	10	95	
<b>SMITHSONIAN INSTITUTION</b>							
Construction .....	16	19	.....	.....	.....	19	
<b>Total</b> .....	5,325	5,309	3,913	3,110	2,430	14,762	

Note: For these capital projects, budget authority for the entire project is requested partly in the budget year and partly in future years in advance appropriations.  
<sup>1</sup>This budget also requests advance appropriations for years beyond 2003.

tions to complete useful segments of all new and ongoing construction projects supporting the nuclear weapons Stockpile Stewardship and Management Program. Advance appropriations are requested for twenty two projects that support this program. The largest project is the National Ignition Facility (NIF), which will be used to perform experiments, including inertial confinement fusion experiments, at high pressures and temperatures. The budget requests \$284 million in 1999 for NIF and \$394 million in advance appropriations for 2000-2003 to complete the project, which is under construction at the Lawrence Livermore National Laboratory. Other major projects include the Dual Axis Radiographic Hydrodynamic Facility at the Los Alamos

National Laboratory; a computing laboratory, a systems testing center, and a processing laboratory at the Sandia National Laboratory; and major reconstruction projects at the Pantex, Kansas City, and Y-12 facilities.

*Other defense activities.*—The budget requests \$66 million in 1999 and an additional \$76 million in advance appropriations to complete useful segments of all new and ongoing construction projects in support of the Fissile Materials Disposition and Naval Reactors programs. For Fissile Materials Disposition, the budget requests \$25 million in 1999 and \$22 million in 2000 to design a facility to take apart plutonium pits from nuclear weapons and convert the material to a non-classified form and requests \$28 million in 1999 and

\$22 million in 2000 to design a facility to fabricate excess plutonium into mixed-oxide fuel for commercial nuclear reactors. For Naval Reactors, the budget requests \$13 million in 1999 and \$32 million in advance appropriations to upgrade laboratory facilities and expand a facility for storage of spent nuclear fuel from naval vessels.

*Science.*—The budget requests \$169 million in 1999, \$1,254 million in advance appropriation for 2000–2003, and an additional \$175 million in advance appropriations for 2004–2005 for various science-related projects. The largest project is the Spallation Neutron Source (SNS), for which \$157 million is requested in 1999 and a total of \$814 million in advance appropriations in subsequent years. The SNS will be a world-class facility enabling researchers in academia, industry, and government to conduct cutting-edge research into new materials, semiconductors, and structural biology.

#### **Department of Health and Human Services**

This budget requests \$129 million for 1999 in regular appropriations and \$96 million in advance appropriations for projects in the Department of Health and Human Services. Funds for National Institutes of Health (NIH) support an advanced clinical research facility that will house laboratories and hospital beds under one roof. This will allow the continuation of the best possible clinical research at NIH.

Funds for Indian health facilities will allow for needed improvements in these facilities.

#### **Department of the Interior**

This budget requests \$21 million in budget authority for 1999 and \$76 million in advance appropriations for 2000–2003 to fully fund projects in the Bureau of Reclamation and the National Park Service.

*Bureau of Reclamation.*—This budget requests \$7 million in regular appropriations for 1999 for the Bureau of Reclamation and \$24 million over the years 2000–2003 in advance appropriations to fully fund three water resources projects. These funds will finance the modification of an existing dam to meet current safety criteria, a project to reduce flood damage on the Upper Colorado River, and one to prevent further degradation of an aquifer in eastern Idaho.

*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 NPS can acquire the dams, the Secretary of the Interior must determine that funds to complete restoration are available. In addition to \$11 million already appropriated and \$86 million in 1998 from priority Federal land acquisitions and exchanges, advance appropriations of \$16 million in 2000 would fully fund the \$113 million project and provide the funding stability needed for the Secretary to proceed with acquisition. Advance appropriations are also requested for four other parks that have an ongoing project requiring

funding for later years: Sequoia National Park (\$13 million); Riis Park in Gateway National Recreation Area (\$5.5 million); Shiloh National Military Park (\$10 million); and Lake Mead National Recreation Area (\$7.5 million). For 1999 the budget requests \$14 million in regular appropriations for these projects.

#### **Department of Transportation**

*Federal Aviation Administration.*—This Budget requests \$775 million in 1999, an additional \$1,752 million for 2000–2003, with additional requests of \$160 million for 2004–2006, 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 \$323 million in budget authority for 1999 and \$323 million in advance appropriations for 2000 to finance information technology investments. 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.

#### **Corps of Engineers**

This budget requests \$184 million in 1999 and \$531 million for 2000–2003 to fully fund ongoing projects that can be completed in 2003 or earlier. These funds finance construction, rehabilitation, and related activity for water resources development projects that provide navigation, flood control, environmental restoration, and other benefits.

#### **Environmental Protection Agency**

This budget requests \$32 million in 1999 and \$41 million in advance appropriations in 2000 for construction of the EPA's new research and office facility in Research Triangle Park in North Carolina. The total cost of the facility is \$273 million. This state-of-the-art facility will consolidate nine leased spaces spread across three metropolitan areas. This project has been the Agency's top laboratory construction project for many years and will prove instrumental in achieving many national environmental goals.

***National Aeronautics and Space Administration (NASA)***

*Human Space Flight (International Space Station).*— This budget requests \$2,270 million in budget authority for 1999, \$7,379 million in advance appropriations over the years 1999–2003, and an additional \$350 million in 2004 to fully fund the remaining costs of the International 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 launch to begin construction of the Station is scheduled for mid-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 already appropriated \$11.1 billion through 1998.

***National Science Foundation (NSF)***

This budget requests \$44 million in 1999 and \$95 million in advance appropriations for 2000–2003 to

complete the redevelopment of the U.S. station at the South Pole in Antarctica and to complete NSF's contribution to the International Large Hadron Collider.

These amounts include \$22 million in 1999 and \$36 million for 2000–2001 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 \$22 million in 1999 and \$59 million in 2000–2003 to complete NSF's contribution.

***Smithsonian Institution***

This budget requests \$16 million in budget authority for regular appropriations in 1999 and \$19 million in advance appropriations for 2000 to complete construction of the National Museum of the American Indian. Congress has already appropriated \$38 million through 1998.

## 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 1998 and 1999 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 Offi-

cer 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," (June 1997), 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" (June 1997), 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 re-installations; 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” (June 1997), 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 is not necessarily an accurate measure of 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 substantial upward revisions in the estimates of physical capital stocks this year, discussed below, provide an example of the impact of changes in underlying assumptions.

#### 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.<sup>3</sup> 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 \$1,827 billion in 1997 and is estimated to increase slightly to \$1,839 billion by 1999. In 1997, the national defense capital stock accounted for \$657 billion, or 36 percent of the total, and nondefense stocks for \$1,170 billion, or 64 percent of the total.

The stock data shown here are revised significantly from the figures reported in the budget last year, because of changes in estimating techniques to conform to the changes in depreciation methods in the recent revision of the National Income and Product Accounts. As described in the technical note at the end of this section, the new methods result in reduced depreciation estimates and therefore larger stocks. The total physical capital stock reported last year for 1996 was \$1,491 billion, compared to \$1,820 billion now estimated for that year, an increase of 22 percent. The largest revisions were in the stocks for grant-financed capital, which increased 43 percent relative to the earlier figures. Direct stocks increased by 31 percent for non-defense and only 1 percent for defense capital. Stocks of direct defense and nondefense equipment fell from the previous estimate, by 24 percent and 42 percent respectively.

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 \$1,170 billion in 1997. With the investments proposed in the budget, nondefense stocks are estimated to grow to \$1,224 billion in 1999. 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.

<sup>3</sup>Constant dollar stock estimates are expressed in chained 1992 dollars, consistent with the revisions to the National Income and Product Accounts (NIPAs) released in January 1996.

**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	Transportation	Community 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
Annual data:											
1990 .....	1,692	719	973	288	166	121	685	426	136	98	24
1991 .....	1,729	733	996	295	168	127	702	438	138	100	26
1992 .....	1,760	736	1,024	304	171	134	719	451	139	102	28
1993 .....	1,783	733	1,051	312	172	140	738	464	141	103	30
1994 .....	1,797	719	1,078	318	173	145	760	478	142	105	34
1995 .....	1,810	700	1,109	325	174	151	784	493	145	106	39
1996 .....	1,820	679	1,141	333	175	159	807	508	148	108	44
1997 .....	1,827	657	1,170	340	174	165	831	522	150	109	49
1998 est. ....	1,831	634	1,196	342	174	167	855	537	153	110	55
1999 est. ....	1,839	615	1,224	346	174	172	878	552	155	111	60

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 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 \$657 billion in 1997 to \$615 billion in 1999.

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 non-defense 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 1997, 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 also been relatively stable 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 non-defense 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 \$801 billion in 1997 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 1997 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 non-defense 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 de-

**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						
	Gross	Depreciation	Net	Gross	Depreciation	Net	Composition of net investment		Gross	Depreciation	Net	Composition of net investment			
							Water and power	Other				Transportation (mainly highways)	Community and regional development	Natural resources and environment	Other
<b>Five year intervals:</b>															
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
<b>Annual data:</b>															
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
1991 .....	45.3	21.3	24.0	16.9	10.0	6.9	1.5	5.4	28.3	11.3	17.1	12.1	1.4	2.0	1.5
1992 .....	49.3	22.0	27.3	20.3	10.5	9.8	2.9	6.9	29.1	11.6	17.5	12.3	1.5	1.9	1.9
1993 .....	49.6	22.8	26.8	19.0	11.0	8.1	1.6	6.5	30.6	11.9	18.7	13.4	1.3	1.6	2.4
1994 .....	50.7	23.5	27.2	16.9	11.3	5.6	0.5	5.0	33.8	12.2	21.6	14.1	1.9	1.4	4.3
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 .....	56.7	24.9	31.7	20.2	12.0	8.2	0.6	7.6	36.5	13.0	23.5	14.6	2.7	1.4	4.9
1997 .....	55.4	25.8	29.6	18.8	12.4	6.4	-0.5	6.9	36.6	13.3	23.2	14.7	2.5	1.3	4.8
1998 est. ....	52.4	26.4	26.1	14.4	12.6	1.7	-*	1.8	38.1	13.7	24.3	14.8	2.8	1.2	5.5
1999 est. ....	54.4	26.9	27.5	17.0	12.8	4.2	-0.6	4.9	37.4	14.1	23.3	14.6	2.6	1.0	5.1

\* \$50 million or less.

velopment, 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.

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 \$842 billion in 1997 in constant 1992 dollars, rising to \$920 billion in 1999. 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.<sup>4</sup> Nearly three-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 5.0 percent from 1970 to 1997, 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:

**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

<sup>4</sup>For estimates of the total education stock, see Table 2-4 in Chapter 2, "Stewardship: Toward a Federal Balance Sheet."



**Table 6-8. NET STOCK OF FEDERALLY FINANCED RESEARCH AND DEVELOPMENT<sup>1</sup>**  
(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
Annual data:									
1990 .....	357	32	325	341	205	137	699	237	462
1991 .....	361	33	328	354	216	138	715	249	466
1992 .....	365	34	331	366	227	140	732	261	471
1993 .....	368	36	333	380	238	142	748	274	474
1994 .....	371	37	334	393	249	144	764	286	477
1995 .....	370	38	333	407	261	146	777	298	479
1996 .....	370	39	331	420	272	148	790	311	479
1997 .....	368	40	328	433	283	149	801	323	477
1998 est. ....	365	41	324	446	295	151	811	336	475
1999 est. ....	362	42	320	461	308	153	823	349	473

<sup>1</sup>Excludes outlays for physical capital for research and development, which are included in Table 6-6.

**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 .....	70	52	18
1965 .....	100	73	27
1970 .....	225	179	46
1975 .....	308	251	57
1980 .....	414	326	88
1985 .....	510	383	126
Annual data:			
1990 .....	662	490	171
1991 .....	682	504	179
1992 .....	701	515	186
1993 .....	727	528	199
1994 .....	749	544	205
1995 .....	780	559	220
1996 .....	809	577	232
1997 .....	842	595	247
1998 est. ....	878	617	260
1999 est. ....	920	647	273

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.

### **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 a measure of depreciation as the consumption of the existing capital stock. In addition, estimates of depreciation are improved based on recent empirical research.<sup>5</sup>

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 budgetary purposes, OMB prepares separate estimates, 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. In previous estimates of physical capital stocks, OMB used straight-line depreciation with useful lives roughly based on BEA's methods prior to its comprehensive revision.<sup>6</sup> The new rates result in slower depreciation and hence larger stocks over time for all categories except equipment, where the rates result in smaller stocks than before.

<sup>5</sup> BEA explained its new methods and presented its revised estimates of capital stocks in "Improved Estimates of Fixed Reproducible Tangible Wealth, 1929–95", *Survey of Current Business*, May 1997, pp. 69–92. Updated estimates incorporating BEA's annual revision appear in "Fixed Reproducible Tangible Wealth in the United States: Revised Estimates for 1993–95 and Summary Estimates for 1925–96", *Survey of Current Business*, September 1997, pp. 37–47.

<sup>6</sup> The straight-line depreciation estimates were based on the following assumed useful lives: 46 years for water and power projects; 40 years for other direct Federal construction and all grant-financed capital; and 16 years for defense procurement and major nondefense equipment.

### **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 non-defense 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.<sup>7</sup> 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.<sup>8</sup>

### **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. 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. 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.

<sup>7</sup> See U.S. Department of Labor, Bureau of Labor Statistics, *The Impact of Research and Development on Productivity Growth*, Bulletin 2331, September 1989.

<sup>8</sup> 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. The subject is currently being examined by the President's Commission to Study Capital Budgeting.

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 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, 1999<sup>1</sup>**  
(In millions of dollars)

	Total investment outlays	Federal capital	National capital
Construction and rehabilitation:			
Grants:			
Transportation .....	27,649	.....	27,649
Natural resources and environment .....	2,357	.....	2,355
Community and regional development .....	6,185	.....	1,152
Housing assistance .....	6,841	.....	.....
Other grants .....	134	.....	52
Direct Federal:			
National defense .....	4,605	4,605	.....
General science, space, and technology .....	506	413	506
Natural resources and environment .....	3,976	2,465	3,666
Energy .....	1,005	1,005	1,005
Transportation .....	576	117	576
Veterans and other health facilities .....	1,663	1,663	1,663
Postal Service .....	1,355	1,355	1,355
GSA real property activities .....	885	885	.....
Other construction .....	2,044	1,593	972
Total construction and rehabilitation .....	59,781	14,101	40,951
Acquisition of major equipment (direct):			
National defense .....	45,730	45,730	.....
Postal Service .....	617	617	617
Air transportation .....	1,838	1,838	1,838
Other .....	4,093	3,913	2,311
Total major equipment .....	52,278	52,098	4,766
Purchase or sale of land and structures .....	-89	-89	.....
Other physical assets (grants) .....	1,220	.....	.....
Total physical investment .....	113,190	66,110	45,793
Research and development:			
Defense .....	39,417	.....	1,121
Nondefense .....	34,287	.....	33,728
Total research and development .....	73,704	.....	34,849
Education and training .....	49,958	.....	49,628
Total investment outlays .....	236,852	66,110	130,270

<sup>1</sup>Total Federal investment is the same as “total, major Federal investment outlays” in Table 6–1. Some Federal investment 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.

The universe of Federal capital encompasses 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 1999 is estimated to be \$66 billion, or 28 percent of the total Federal investment outlays shown in Table 6-1. Of the investment in Federal capital, 76 percent is for defense and 24 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.<sup>8</sup>

<sup>8</sup>This definition of "capital assets" is the same as used in last year's budget. 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 small deficit, compared to a small surplus in 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. 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, 1999<sup>1, 2</sup>**  
(In billions of dollars)

<b>Operating Budget</b>	
Receipts .....	1,743
Expenses:	
Depreciation .....	85
Other .....	1,667
Subtotal, expenses .....	1,752
Surplus or deficit (-) .....	-10
<b>Capital Budget</b>	
Income: depreciation .....	85
Capital expenditures .....	66
Surplus or deficit (-) .....	19
<b>Unified Budget</b>	
Receipts .....	1,743
Outlays .....	1,733
Surplus or deficit (-) .....	10

<sup>1</sup>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.  
<sup>2</sup>The method of estimating depreciation was revised in this year's budget, as explained in the previous section of this chapter.

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 essentially the same size as the unified budget surplus: a surplus \$2 billion higher than the unified budget surplus, instead of a deficit that

was \$20 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.)

### **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.<sup>9</sup>

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

<sup>9</sup>The amount of depreciation recorded as an expense in the budget year might be 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.

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.

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).<sup>10</sup> 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.<sup>11</sup> 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.<sup>12</sup>

### **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" 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

<sup>10</sup>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.

<sup>11</sup>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, "The Capital Budgeting Process" and "The Capital Expenditure Evaluation Methods," chap. 19 and 20 in Robert Rachlin and H.W. Allen Sweeny, *Handbook of Budgeting* (3rd ed.; New York: Wiley, 1993).

<sup>12</sup>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.

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 up-front 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.<sup>13</sup> 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 objectives 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.<sup>14</sup>

Businesses finance investment from net income 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.

<sup>13</sup>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.

<sup>14</sup>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 weapons systems, space exploration equipment, and other “Federal mission property” or for heritage assets. 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.

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 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.<sup>15</sup>

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.<sup>16</sup> 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.<sup>17</sup>

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. Furthermore, it 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. For example, the United Kingdom shows the capital spending within each agency total and displays the sum of capital spending for the government as a whole. However, a recent study of European countries found only four

<sup>15</sup>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).

<sup>16</sup>Governmental Accounting Standards Board (GASB), *Codification of Governmental Accounting and Financial Reporting Standards as of June 30, 1996*, sections 1100.107 and 1400.114–1400.118.

<sup>17</sup>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.

that had a real difference between a current budget and a capital budget (Greece, Ireland, Luxembourg, and Portugal);<sup>18</sup> 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.<sup>19</sup> 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; and it budgets for infrastructure assets that it owns on the basis of cash expenditure rather than depreciation.<sup>20</sup> Some countries—including Sweden, Denmark, Finland, and the Netherlands—formerly had separate capital budgets but abandoned them a number of years ago.<sup>21</sup>

### 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.”<sup>22</sup>

After further study of the role of depreciation in budgeting for national capital, GAO reiterated that conclusion in another study in 1995.<sup>23</sup> “The greatest disadvantage . . . was that depreciation would result in a loss of budgetary control under an obligation-based

budgeting system.”<sup>24</sup> 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.”<sup>25</sup>

## 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.<sup>26</sup> 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.”<sup>27</sup> 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.<sup>28</sup> 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 formation of national capital. GAO reiterated its recommendation in another report in 1995.<sup>29</sup>

<sup>18</sup> M. Peter van der Hoek, “Fund Accounting and Capital Budgeting: European Experience,” *Public Budgeting and Financial Management*, vol. 8 (Spring 1996), pp. 39–40.

<sup>19</sup> 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.” The United Kingdom has announced plans to budget on an accrual basis, including the depreciation for capital assets, beginning with its budget for 2001–02.

<sup>20</sup> 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.

<sup>21</sup> 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.

<sup>22</sup> 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.

<sup>23</sup> GAO, *Budget Issues: The Role of Depreciation in Budgeting for Certain Federal Investments*, GAO/AIMD–95–34 (February 1995), pp. 1 and 19–20.

<sup>24</sup> *Ibid.*, p. 17. Also see pp. 1–2 and 16–19.

<sup>25</sup> GAO, *Budget Issues: Budgeting for Federal Capital*, GAO/AIMD–97–5 (November 1996), p. 28. Also see p. 4.

<sup>26</sup> *Incorporating an Investment Component in the Federal Budget*, pp. 1–2, 9–10, and 15.

<sup>27</sup> *Ibid.*, pp. 1 and 5.

<sup>28</sup> *Ibid.*, pp. 2 and 13–16.

<sup>29</sup> *The Role of Depreciation in Budgeting for Certain Investments*, pp. 2 and 19–20.

**Table 6-12. UNIFIED BUDGET WITH NATIONAL INVESTMENT COMPONENT, 1999**

(In billions of dollars)

Receipts .....	1,743
Outlays:	
National investment .....	130
Other .....	1,603
Subtotal, outlays .....	1,733
Surplus or deficit (-) .....	10

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 \$130 billion in 1999. 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 non-defense 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, non-profit organizations, or individuals. Only 9 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.<sup>30</sup>

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 are for physical investment such as highways and office buildings. These and other definitional questions are hard to resolve. The answers could significantly affect

<sup>30</sup>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, 1999<sup>1,2</sup>**

(In billions of dollars)

<b>Operating Budget</b>	
Receipts .....	1,697
Expenses:	
Depreciation <sup>3</sup> .....	72
Other .....	1,603
Subtotal, expenses .....	1,675
Surplus or deficit (-) .....	22
<b>Capital Budget</b>	
Income:	
Depreciation <sup>3</sup> .....	72
Earmarked tax receipts <sup>4</sup> .....	46
Subtotal, income .....	118
Capital expenditures .....	130
Surplus or deficit (-) .....	-12
<b>Unified Budget</b>	
Receipts .....	1,743
Outlays .....	1,733
Surplus or deficit (-) .....	10

<sup>1</sup>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.

<sup>2</sup>The method of estimating depreciation was revised in this year’s budget, as explained in the previous section of this chapter.

<sup>3</sup>Excludes depreciation on capital financed by earmarked tax receipts allocated to the capital budget.

<sup>4</sup>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.

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.<sup>31</sup>

**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 or deficit does not measure the Government’s contribution to the nation’s net saving (i.e., saving net of depre-

<sup>31</sup>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).



ciation). 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.<sup>32</sup>

Until two 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.<sup>33</sup> 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.<sup>34</sup>

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 1997 Federal Government current account deficit was increased \$10 billion by including depreciation rather than gross investment, because depreciation of federally owned structures and equipment was more than gross invest-

ment. The 1999 Federal current account deficit is estimated to be increased \$14 billion. This is unlike a few years earlier, when the Federal current account deficit was reduced, in some years substantially.<sup>35</sup> 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 current cost, not historical cost. 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 \$19 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 (\$19 billion). For *national capital*, Table 6–13 indicates that current cost depreciation (plus the excise taxes earmarked to finance capital expenditures for highways and airports and airways<sup>36</sup>) is less than gross investment but almost as large—the capital budget deficit is \$12 billion. The rationale of borrowing to finance net investment would justify the Federal Government borrowing this amount (\$12 billion) and no more to finance its investment in national capital.<sup>37</sup>

<sup>32</sup> See chapter 18 of this volume, "National Income and Product Accounts," for the NIPA current account of the Federal Government based on the budget estimates for 1998 and 1999, and for a discussion of the NIPA Federal sector and its relationship to the budget.

<sup>33</sup> 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.

<sup>34</sup> 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 Federal sector: 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."

<sup>35</sup> See actuals and estimates for 1988–99 in table 18–2 of chapter 18 of this volume, "National Income and Product Accounts."

<sup>36</sup> The capital budget deficit would be about \$35 billion larger if current cost depreciation were used instead of earmarked excise taxes for investment in highways and airports and airways.

<sup>37</sup> 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

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) 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.<sup>38</sup>

The first budget of this Administration was a bold step to increase the saving available for private investment while also increasing Federal investment for national capital. The deficit has been cut by over nine-tenths during the past five years, and available resources have been shifted to investment in education and training and in science and technology. The present budget goes further, proposing budget balance by 1999 while protecting high priority investments. A capital budget is not a justification to relax current and proposed budget constraints. Any easing would undo the gains from the deficit reduction already achieved and the further gains from balancing the budget.

disbursements of the direct loan and guaranteed loan financing accounts. See chapter 13 of this volume, "Federal Borrowing and Debt," and the explanation of Table 13-2.

<sup>38</sup> 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 1998 enacted appropriations and adjusted for inflation in later years.

The current services concept is discussed in Chapter 16, "Current Services Estimates."

Federal public physical capital spending was \$113.6 billion in 1997 and is projected to increase to \$132.4 billion by 2007 on a current services basis. The largest components are for national defense and for roadways and bridges, which together accounted for almost two-thirds of Federal public physical capital spending in 1997.

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 \$29.1 billion in 1997, and current services outlays are estimated to increase to \$36.1 billion by 2007. Outlays for nondefense housing and buildings were \$12.1 billion in 1997 and are estimated to be \$13.3 billion in 2007. Physical capital outlays for other nondefense categories were \$20.0 billion in 1997 and are projected to be \$25.7 billion by 2007. For national defense, this spending was \$52.4 billion in 1997 and is estimated on a current services basis to be \$57.4 billion in 2007.

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)

	1997 Actual	Estimate									
		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Nondefense:											
Transportation-related categories:											
Roadways and bridges .....	20.5	21.7	22.7	23.2	23.6	23.9	24.3	24.7	25.3	25.8	26.3
Airports and airway facilities .....	3.9	3.4	3.5	3.5	3.6	3.7	3.9	4.0	4.1	4.2	4.3
Mass transportation systems .....	4.0	3.8	3.6	4.0	4.2	4.5	4.6	4.7	4.8	4.9	5.0
Railroads .....	0.7	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Subtotal, transportation .....	29.1	29.3	30.2	31.0	31.7	32.4	33.2	33.9	34.6	35.3	36.1
Housing and buildings categories:											
Federally assisted housing .....	7.2	7.3	7.3	7.4	7.3	7.2	7.4	7.0	7.2	7.3	7.5
Hospitals .....	1.8	2.6	2.3	2.4	2.4	2.5	2.6	2.6	2.7	2.8	2.9
Public buildings <sup>1</sup> .....	3.1	2.9	2.6	2.7	2.8	2.8	2.8	2.8	2.8	2.9	2.9
Subtotal, housing and buildings .....	12.1	12.8	12.2	12.4	12.6	12.5	12.8	12.4	12.7	13.0	13.3
Other nondefense categories:											
Wastewater treatment and related facilities .....	2.1	1.9	2.1	2.4	2.6	2.5	2.6	2.7	2.7	2.8	2.8
Water resources projects .....	2.0	2.7	2.4	2.5	2.5	2.5	2.7	2.7	2.8	2.8	2.9
Space and communications facilities .....	3.3	2.9	3.2	4.0	3.9	3.1	2.7	2.8	2.8	2.9	3.0
Energy programs .....	1.3	1.2	1.1	1.3	1.2	1.2	1.3	1.4	1.4	1.5	1.5
Community development programs .....	5.9	6.5	6.2	6.3	6.4	6.4	6.5	6.6	6.8	6.9	7.1
Other nondefense .....	5.3	2.1	5.8	6.8	7.0	6.7	7.5	7.7	7.9	8.1	8.3
Subtotal, other nondefense .....	20.0	17.4	20.8	23.3	23.6	22.5	23.3	23.9	24.5	25.1	25.7
Subtotal, nondefense .....	61.2	59.4	63.2	66.7	67.9	67.4	69.3	70.1	71.7	73.4	75.0
National defense .....	52.4	48.7	49.4	49.2	49.8	50.3	52.3	53.7	55.0	56.1	57.4
Total .....	113.6	108.2	112.6	116.0	117.7	117.7	121.6	123.8	126.7	129.6	132.4

<sup>1</sup> 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)

	1997 Actual	Estimate				
		1998	1999	2000	2001	2002
<b>Nondefense:</b>						
Transportation-related categories:						
Roadways and bridges .....	18.1	18.8	19.2	19.1	18.9	18.7
Airports and airway facilities .....	3.6	3.1	3.0	3.0	3.0	3.0
Mass transportation systems .....	3.6	3.2	3.0	3.3	3.3	3.5
Railroads .....	0.6	0.4	0.4	0.3	0.3	0.3
Subtotal, transportation .....	25.8	25.4	25.6	25.7	25.6	25.6
Housing and buildings categories:						
Federally assisted housing .....	6.5	6.3	6.2	6.1	5.9	5.7
Hospitals .....	1.7	2.5	2.1	2.1	2.1	2.1
Public buildings <sup>1</sup> .....	2.9	2.7	2.4	2.4	2.5	2.4
Subtotal, housing and buildings .....	11.1	11.5	10.7	10.6	10.6	10.3
Other nondefense categories:						
Wastewater treatment and related facilities .....	1.9	1.6	1.8	2.0	2.1	2.0
Water resources projects .....	1.9	2.5	2.2	2.3	2.2	2.1
Space and communications facilities .....	3.2	2.7	3.0	3.6	3.4	2.7
Energy programs .....	1.3	1.1	1.0	1.1	1.1	1.0
Community development programs .....	5.2	5.7	5.3	5.2	5.1	5.0
Other nondefense .....	5.0	1.9	5.2	6.0	6.0	5.7
Subtotal, other nondefense .....	18.4	15.5	18.4	20.2	20.0	18.5
Subtotal, nondefense .....	55.4	52.4	54.7	56.5	56.1	54.4
National defense .....	47.0	42.9	42.7	41.6	41.2	40.7
<b>Total .....</b>	<b>102.5</b>	<b>95.4</b>	<b>97.4</b>	<b>98.1</b>	<b>97.4</b>	<b>95.1</b>

<sup>1</sup> Excludes outlays for public buildings that are included in other categories in this table.

For budget authority and outlay details for most programs on a policy basis, see the items included in major public physical capital in tables 6-2 and 6-3.

### 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 growth in travel to the year 2011 .....	2.15 percent
2. Annual cost to maintain overall 1993 conditions and performance on highways eligible for Federal-aid .....	\$42.8 billion (1993 dollars)
3. Annual cost to maintain overall 1994 conditions on bridges .....	\$5.1 billion (1993 dollars)

### Airports and Airway Facilities

1. Airports in the National Plan of Integrated Airport Systems with scheduled passenger traffic .....	540
2. Air traffic control towers .....	476
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 .....	\$4.2 billion (1993 dollars)
2. Yearly cost to replace and maintain the urban, rural, and special services bus fleet and facilities .....	\$3.7 billion (1993 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 1998 .....	\$68 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 (1997) .....	45.3 percent
2. Average length of stay, IHS hospitals (days) (1997) .....	4.2
3. Hospital admissions (1997) .....	56,219
4. Outpatient visits (1996) .....	4,118,800
5. Eligible population (1998) .....	1,463,938

### Department of Veterans Affairs (VA) Hospitals (1996)

1. Hospitals .....	172
2. Outpatient clinics .....	439
3. Domiciliaries .....	40
4. Centers for veterans .....	206
5. Nursing homes .....	131

### Water Resources

Water resources projects include navigation (deepwater ports and inland waterways); flood and storm damage protection; irrigation; hydro-power; 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

Scientific and technological advances have left few facets of life untouched. Great leaps in the speed and economy of transportation, enormous increases in farm productivity, global flows of information and services, advances in health treatment and prevention and in environmental protection—all these changes have created a world at the dawn of the 21st Century that is vastly different from the world our grandparents knew. As numerous studies show, technological innovation and scientific discovery have been responsible for at least half of the Nation's productivity growth in the last 50 years, generated millions of high-skill, high-wage jobs, and substantially improved the quality of life in America.

The Federal government has played an important role in spurring and sustaining this scientific and technological advance. Among other feats, Government-sponsored research and development (R&D) has put Americans on the moon, explored the oceans, harnessed the atom, devised more effective treatments for cancers, found the remains of lost civilizations, tracked weather

patterns and earthquake faults, and discovered the chemistry of life. No other country in history can match the United States' record of achievement in science and technology. Because these investments have paid such rich dividends, and because the next century will bring new challenges, opportunities and problems that science and technology can help address, continued U.S. leadership in science and technology is a cornerstone of the President's vision for America. The Administration is proposing \$76.4 billion in outlays for R&D activities in 1999, including \$36.4 billion for civilian R&D—a six-percent increase over 1998. University-based research will increase to roughly \$13.5 billion, an eight-percent increase over 1998. The "Federal Science and Technology" (FS&T) budget is an alternative measure of the Federal investment in science and technology proposed by the National Academy of Sciences. By this alternative accounting method the FS&T budget total would be approximately \$45 billion in 1999. Chapter Six 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)

	1997 Actual	1998 Estimate	1999 Proposed	Dollar Change: 1998 to 1999	Percent Change: 1998 to 1999
<b>By Agency</b>					
Defense .....	37,844	36,592	36,714	122	0%
Health and Human Services .....	11,407	13,096	14,127	1,031	8%
National Aeronautics and Space Administration .....	9,811	9,769	9,618	-151	-2%
Energy .....	6,572	6,289	7,002	713	11%
National Science Foundation .....	2,343	2,370	2,607	237	10%
Agriculture .....	1,478	1,561	1,599	38	2%
Commerce .....	792	820	837	17	2%
Interior .....	572	622	632	10	2%
Transportation .....	561	517	908	391	76%
Veterans Affairs .....	563	608	664	56	9%
Environmental Protection Agency .....	537	596	617	21	4%
Other .....	1,050	1,007	1,108	101	10%
<b>TOTAL .....</b>	<b>73,530</b>	<b>73,847</b>	<b>76,433</b>	<b>2,586</b>	<b>4%</b>
<b>By R&amp;D Type</b>					
Basic Research .....	14,113	14,549	15,805	1,256	9%
Applied Research .....	13,898	15,030	15,787	757	5%
Development .....	43,062	41,800	42,112	312	1%
Equipment .....	731	698	828	130	19%
Facilities .....	1,726	1,770	1,901	131	7%
<b>TOTAL .....</b>	<b>73,530</b>	<b>73,847</b>	<b>76,433</b>	<b>2,586</b>	<b>4%</b>
<b>By Civilian Theme</b>					
Basic Research .....	12,981	13,456	14,684	1,228	9%
Applied Research .....	9,785	10,733	11,219	486	5%
Development .....	8,118	8,166	8,384	218	3%
Equipment .....	582	552	684	132	24%
Facilities .....	1,411	1,336	1,423	87	7%
<b>SUBTOTAL .....</b>	<b>32,877</b>	<b>34,243</b>	<b>36,394</b>	<b>2,151</b>	<b>6%</b>

Table 7-1. FEDERAL RESEARCH AND DEVELOPMENT EXPENDITURES—Continued

(Outlays, dollar amounts in millions)

	1997 Actual	1998 Estimate	1999 Proposed	Dollar Change: 1998 to 1999	Percent Change: 1998 to 1999
<b>By Defense Theme</b>					
Basic Research .....	1,132	1,093	1,121	28	3%
Applied Research .....	4,113	4,297	4,568	271	6%
Development .....	34,944	33,634	33,72	894	0%
Equipment .....	149	146	144	-2	-1%
Facilities .....	315	434	478	44	10%
<b>SUBTOTAL .....</b>	<b>40,653</b>	<b>39,604</b>	<b>40,039</b>	<b>435</b>	<b>1%</b>
R&D Support to Universities .....	11,748	12,458	13,455	997	8%



## 8. UNDERWRITING FEDERAL CREDIT AND INSURANCE

The Federal Government continues to be the largest financial institution in the United States, with a face value of \$6.2 trillion outstanding at the end of 1997. Of this, \$181 billion is direct loans, \$822 billion is loan guarantees, and \$5.2 trillion is insurance. Including Government-sponsored enterprises (GSEs), the total Federal and federally assisted credit and insurance outstanding is \$7.9 trillion.

These diverse financial programs offer credit for housing, education, business, and exports, and insurance for deposits, pensions, and other risks. They face two challenges. Like other programs, they are operating under tight budgetary constraints. And they are seeking to redefine their purpose and improve their effectiveness 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.

The introduction to this chapter summarizes key changes in financial markets and their effects on Federal programs.

- Its first section is a cross-cutting 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. This section also describes the recent simplification of credit reform and the intent to increase loan sales.
- 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 new housing consortium 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. 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 non-financial 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.

### 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 new 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,<sup>1</sup> 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.
- 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 need-

<sup>1</sup> 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.

ed 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 under-served 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 encour-

age 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 under-served 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 perform-

ance: 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, why and to what extent should private terms and conditions be supplemented or subsidized?
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 non-profit 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; 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.

### **Simplification of Credit Reform**

The Balanced Budget Act of 1997 amended the Federal Credit Reform Act of 1990 (FCRA) to make several technical changes, some of which codified OMB guidance. Among the provisions were:

- Requiring agencies to use the same discount rate to calculate the subsidy when they obligate budget authority for direct loans and loan guarantees as when they prepare the President's Budget. Previously, agencies switched at obligation to interest rates during the preceding calendar quarter. Analysis showed that quarterly rates predicted actual annual average rates slightly better than the President's Budget assumptions from the previous year. However, the increased accuracy was not great enough to justify the additional complexity and the change in loan volume from what Congress had assumed when it appropriated subsidy budget authority for the program.
- Requiring agencies to use the same forecast assumptions (e.g., default and recovery rates) to calculate subsidy rates when they obligate for direct loans and loan guarantees as when they prepare the President's Budget. This provision also was enacted in response to the Budget and Appropriations Committees' desire for loan volumes consistent with Congressional intent in appropriations acts. While agencies must use the same forecast assumptions, they will continue to calculate subsidy estimates at obligation using cash flows that have been adjusted to reflect the actual terms and conditions (explicit technical assumptions) of the direct loan and loan guarantee contracts, rather than the estimated terms and conditions assumed in the President's Budget.
- Strengthening the requirement that agencies to transfer end-of-year unobligated balances in liquidating accounts (revolving funds for direct loans and loan guarantees made prior to the effective date of the FCRA) to the general fund as soon as practicable after the close of the fiscal year. Because permanent appropriations are available to pay claims in excess of the liquidating account balance, these unobligated balances do not need to be carried forward between fiscal years.
- Requiring the interest rate paid on financing account debt to Treasury, and earned on financing account balances, to be identical to the discount rate used to calculate subsidy costs. These interest rates must be equal in order for the financing accounts to have exactly enough resources to pay default claims or repay debt to Treasury.

OMB also has simplified the reestimate process by requiring only one reestimate for differences between

the interest rate assumptions in the President's Budget and the actual interest rate when the loan is disbursed. This reestimate is to be made when at least 90 percent of the dollar volume of loans in a cohort has been disbursed. Previously, agencies were required to perform interest rate reestimates after the close of each fiscal year in which disbursements occurred. For programs disbursing over multiple years, the true discount rate for a cohort is not known for several years; meanwhile, calculations using a combination of estimated and actual rates resulted in wide fluctuations in reestimates that provided no useful information.

### **Debt Collection and Loan Asset Sales**

The Federal Government's inventory of delinquent loans and loan receivables was \$37 billion at the end of 1997. Usually, this debt is worked by the agency that made the direct loans or loan guarantees. Little progress has been made in reducing this debt, whereas the private sector has developed sophisticated tools for collecting delinquent debt and quickly disposing of assets acquired through default. A major theme of credit program re-engineering will be to work delinquent debt more aggressively and take advantage of private sector efficiencies by:

- *Fully implementing the Debt Collection Improvement Act of 1996.* Agencies must send debt that is over 180 days overdue to Treasury for offset against Federal payments to the delinquent borrower and to a debt collection center designated by the Secretary of the Treasury.
- *Requiring private lenders to liquidate collateralized defaulted loan assets.* The Rural Housing Service of USDA, and its farm and business loan guarantee programs, require lenders to dispose of defaulted assets. This better aligns private lenders' incentives with the Federal Government's interest in maximizing collections, and takes advantage of private sector efficiencies to maximize collections and reduce the net cost of credit programs. The Government avoids acquiring delinquent debt and having to dispose of the collateral.
- *Requiring agencies to sell delinquent debt over one year overdue.* Government policy will presume that sales of delinquent debt over one year overdue will be in the best financial interest of the Government unless demonstrated otherwise. Exemptions will be made for debt that is producing collections, owned by foreign Governments or entities, is in structured forbearance, or is in adjudication or bankruptcy. HUD's aggressive program of selling delinquent assets over the past three years has demonstrated that agencies can significantly reduce their delinquent debt in a way that furthers program objectives and increases the return to the

Government. SBA also will sell delinquent assets in 1998, 1999, and 2000.

The Federal Credit Policy Working Group, together with the General Services Administration, is developing a government-wide Financial Advisor Request for Proposal, which by June 1998 will make available to all agencies a list of financial advisors through a basic

ordering agreement. Each credit agency will be expected to contract with a financial advisor to conduct a valuation of their loan asset portfolio. For all agencies, the results of the asset valuation study will be used to adjust baseline subsidy rates in the FY 2000 Budget. These rates will also reflect estimated proceeds from the sale of delinquent assets.

## 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 \$102 billion of loan and loan guarantee commitments in 1997, helping 1.3 million households.

Each Department has a program to guarantee single-family mortgages; together, they guaranteed [XX] percent of the single-family mortgages originated in the United States last year.

- HUD's Federal Housing Administration (FHA) runs a Mutual Mortgage Insurance Fund that guaranteed \$61 billion in mortgages for 740,000 households in 1997. 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 1997, VA provided \$24 billion in guarantees to 239,000 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 1997, nearly \$2 billion of guarantees went to 40,000 households.

In addition, RHS has direct loan programs for single-family and multi-family mortgages, and FHA guarantees mortgages for multi-family housing and other specialized properties. The VA makes vendee loans when it sells collateral from defaults.

### The Housing Consortium

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 make themselves electronically accessible to their clients and loan originators. They are challenged to assess and monitor their risks 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, and to improve the effectiveness and efficiency of their programs.

The FHA, VA, and RHS housing guarantee programs and Ginnie Mae are forming a Housing Consortium to adapt to the rapid shift to electronic underwriting in the private sector. This Consortium will become 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. The Consortium will become the "board of directors" for a common data warehouse and analysis center on housing loan performance—using it to monitor the changing risk and cost of guarantees and the performance of guaranteed loan originators and servicers. Learning from each other and from the private sector, the Housing Consortium will seek to improve loan origination, data systems, performance measurement, risk sharing and pricing, and asset disposition.

**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.

The VA recently entered into a "memorandum of understanding" with Freddie Mac to use its "Loan Prospector" electronic underwriting system. VA customized the scoring for its applicants based upon the actual profile of its veteran borrowers. As a result, VA will improve its risk management capability by focusing servicing on its high-risk borrowers to reduce losses to the government, lenders, and borrowers. VA expects that less required lender documentation, faster processing, and fewer errors will improve efficiency of loan

origination. In 1999, VA will propose legislation to charge lenders a fee that will be used to develop Electronic Data Interchange (EDI) capability with lenders to automate loan processing and servicing.

The FHA is also collaborating with Freddie Mac to pilot Loan Prospector, adapting it to FHA's clients. The RHS is examining the potential benefits of electronic underwriting for its guaranteed loan program. Meanwhile, RHS will develop the ability to offer electronic origination using off-the-shelf software. Building on new systems for both its direct and guarantee programs, RHS will introduce electronic origination into its 502 Guarantee program by 1999.

**Data Systems.** 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. To track experience on these loans and issuers, Ginnie Mae created two data bases starting in 1990 that draw monthly input from issuers based on private standards.

The Issuer Portfolio Analysis Database System (IPADS) and the Correspondence Portfolio Analysis Database System (CPADS) 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.

The current analytical system is designed fill Ginnie Mae's needs. IPADS allows quick access to information, such as yearly changes in the size of business an issuer has with Ginnie Mae, delinquency ratio, twelve-month collection history, portfolio age, and average mortgage rate. IPADS will generate twenty-four month trend analyses of key performance indicators and compare an issuer's portfolio data against established Ginnie Mae norms.

But the same data and much the same system could be very useful to the loan guarantee programs. For example, CPADS is similar to IPADS but organizes the data by loan servicer and can compare performance by loan originator regardless of how often a loan is sold. Thus, 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.

These systems can also report promptly on the payment status of individual loans, enabling quick follow-up to late payments. If federally guaranteed loans were originated electronically, useful data on the loan, borrower, and home characteristics could be "warehoused" in conjunction with information on the monthly payment history. This could be the basis for models that determine which loans are most likely to become delinquent or default. Servicer attention could focus on those borrowers.

FHA is currently a participant in Ginnie Mae's data monitoring systems. VA and RHS will soon become participants. RHS will require all of its lenders to file reports electronically in IPADS before FY 1999, and

will become a full user of that system to track its guaranteed loans.

**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.

HUD has begun to rank servicers based on a combination of loan default rates and the ratio of actual to potential losses on defaults. The rankings are adjusted for each state. Bonus points are given for servicers with portfolios emphasizing social objectives. Servicers are divided into categories based on their size. Those in the top 25 percent of their category receive higher reimbursement rates for certain servicing-related activities.

The rankings move FHA away from reviewing compliance with procedures and toward evaluating servicing performance. Ranking criteria can be refined as more experience is gained with the system. For example, the system could include the effects of proactive servicing techniques that would prevent delinquency. The most effective use of performance-based incentives to encourage better servicing could also be analyzed. Aggressive use of such measures would allow FHA to identify best practices of top servicers and to sanction poorly-performing servicers.

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. RHS is now instituting an annual external audit of servicing at a representative sample of lenders for compliance with requirements and to pinpoint weaknesses contributing to loan delinquencies.

RHS is re-writing program regulation to enhance program delivery, and is considering a legislative proposal to augment the guarantee fee structure in order to reward or penalize lenders based on performance.

**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.

If, as expected, risk-based pricing becomes common in the private sector in the next few years, Federal loan guarantee programs will need to assess the impact on their loan portfolios. They 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. New risk-based pricing might help maintain the actuarial soundness of these programs in the context of adverse selection. On the other hand, risk-based pricing might reduce the effectiveness of these programs in serving the needs of lower-income, minority, and traditionally underserved borrowers. Further study of these competing concerns in light of actual market developments is required.

Under its current limited risk-sharing demonstration authority, FHA may assess risk-sharing proposals to test a scheme that partners a housing credit program with a private guarantor. The purpose is to lower the government's share of risk while, under a pre-arranged contract, the private guarantor picks up the remainder. The private guarantor, perhaps a large private mortgage insurer with experience and superior skills, would have an incentive to help loan programs push loan servicers to manage risks efficiently. FHA and a partner assume a large majority of the risk while holding the lender accountable for a small portion, so the lender's willingness to underwrite high-risk borrowers is not significantly reduced compared with current practice.

**Asset Disposition.** Common wisdom in the mortgage industry is to avoid foreclosure because that is when significant losses pile up, including costs for maintenance and marketing. Federal guarantee programs have found that the best practice is to avoid taking the property into possession, and instead make it the responsibility of the lender.

Of the three Federal mortgage guarantee programs, RHS is the only one that currently operates under the "best practice" for asset disposition. The lender is paid the loss claim, which includes costs incurred for up to six months from the time of the default. After the loss claim is paid, RHS has no involvement in the loan, and it becomes the sole responsibility of the lender. RHS will shorten the loss claim period from six months to three months through regulation changes to encourage lenders to dispose of properties as efficiently as possible.

VA and FHA will also be making improvements in asset disposition. VA will propose legislation to eliminate the vendee loan program, which provides public financing on foreclosed properties. In addition, VA will explore initiatives that outsource its asset disposition.

### **RHS Direct Housing 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. In October 1997, RHS completed implementation of the Dedicated Loan Origination Service System (DLOS), which centralized servicing of the whole loan portfolio. Whereas all origination and servicing had been done in over 2,000 field offices, these now only handle origination and some specific liquidation duties. Everything else is handled at the centralized servicing center.

DLOS has been a major improvement. Along with two major regulations in 1996 and 1997, it reduced RHS' direct loan subsidy rate by 40 percent. RHS is also exploring what economies of scale could be realized in the area of asset disposition. Legislative proposals for 1999 would allow single-family direct loans to be refinanced using guarantees, thus helping borrowers to graduate to private credit. The refinanced loans would be relatively low-risk because the borrowers would have built up equity in their homes.

### **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, changes in their business practices can have a significant impact on the housing finance sector of the U.S. economy. As of September 1997, Fannie Mae and Freddie Mac had \$1.5 trillion outstanding in mortgages purchased or guaranteed. 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.

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. The risk-based capital requirements will be based on a stress-test model. 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 in early 1999.

As required by the 1992 Act, the Secretary of Housing and Urban Development 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.

The growth of the GSEs' core mortgage businesses has slowed, but they have maintained the growth in their earnings by expanding the range of their activities and increasing their on-balance sheet holdings of mortgages and MBS. These changes may, however, increase their risk. The GSEs' exposure to changes in interest rates increases as their on-balance sheet holdings of mortgages and MBS grow.

By contrast, some of the GSEs' new business activities and innovations may improve their risk profiles. 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 advent of risk-based pricing may mitigate risk by pricing more precisely for expected losses. For holders of mortgage credit risk, sophisticated risk measurement and pricing tools are leading 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, 1997, 6,418 financial institutions were FHLBS members, an increase of 395 over September 1996. About 69 percent of members are commercial banks, 28 percent are thrifts, and the remaining 3 percent are credit unions and insurance companies; however, almost 70 percent of outstanding FHLBS advances were held by thrifts as of September 30.

The FHLBS reported net income of \$1.5 billion for the year ending September 30, 1997, up from \$1.3 billion in the previous 12 months. Total System capital rose from \$16.5 billion to \$18.4 billion, and the ratio of capital to assets fell from 5.8 percent to 5.7 percent. Average return on equity was about 6.8 percent, after adjustment for payment of interest to the Resolution Funding Corporation (REFCorp). Outstanding advances to members reached \$182 billion at September 30, 1997, a 19 percent increase over the \$153 billion outstanding a year earlier. System investments other than advances stood at \$138 billion, or about 42 percent of total assets, as of September 30, 1997; compared to a year earlier, investments have increased in dollar terms but declined as a percentage of 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 by law to provide discounted advances for targeted housing and community investment lending through a Community Investment Program (CIP). 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 risk in the System.

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 System's expanding investment activities have created new sources of risk, the FHLBanks have taken measures to manage these risks. Indeed, the FHLBS' investment activities also pose important public policy issues as to the degree to which the composition of assets on the FHLBS' balance sheet adequately reflects the mission of the System. New pilot programs allowing the FHLBanks to underwrite mortgages jointly with their members have been approved by the Federal Housing Finance Board, the System's regulator. Through these programs, the FHLBS is expanding its traditional role as a wholesale lender as a means of promoting housing finance and community investment.

Significant developments in housing finance markets over the past two decades, such as increasing securitization, have reduced the role of portfolio lenders. Of about \$4 trillion in residential mortgage debt outstanding, only about 14 percent of loans are held directly by thrifts and 18 percent are held by commercial banks. Together, Fannie Mae, Freddie Mac, and Ginnie Mae hold or guarantee an additional 47 percent. As a result of GSE and Federal agency sponsorship of secondary markets and the increasing presence of private securitizers, lenders have access to liquidity sources other than FHLBS advances. In addition, the Deposit Insurance Funds Act of 1996 called for merging the Bank Insurance Fund and the Savings Association Insurance Fund in 1999, contingent on legislation to abolish the Federal thrift charter, which requires a significant degree of specialization in housing finance. Like other GSEs, the role and risks of the FHLBS must continue to be examined and monitored 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 1999, about 6 million borrowers will receive \$40 billion in loans, of which \$34 billion is for new loans and the remainder 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 4,800 lenders, 36 State and private guaranty agencies, 50 participants in the secondary markets, and nearly 7,000 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. Lenders bear two percent of the default risk, and the government is responsible for the remainder. The Department also makes administrative payments to guaranty agencies and pays interest subsidies to lenders on need-based loans while a student is in school and during certain grace and deferment periods.

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 schools, which then disburse loan funds to students—greatly streamlining loan delivery for students, parents, and schools. 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 reduce fees for students and parents. Proposed changes will save \$1.8 billion over five years.

The General Accounting Office and Federal courts have acknowledged that the Federal Government is the actual guarantor of the loans. The State and non-profit intermediaries in FFEL act as agents of the Federal Government. Guaranty agencies are not independent guarantors, but are in fact administrators of the Federal guarantee. The Administration proposes that direct Federal payments be used to pay default claims, eliminating the need for guaranty agencies to hold Federal funds in reserve from which to pay claims. This will make possible the return to the Treasury of over \$1 billion in reserve funds between 2000 and 2003.

To improve accountability for the Federal guarantee, the Secretary's agreements with guaranty agencies will be revised and be subject to periodic recertification. They will include specific, publicly released performance information—confirmed by reliable audits—to ensure the submission of timely, accurate, and consistent data for management. Over the next five years, the Secretary expects to move to a system of performance-based contracts for the administration of the guarantee, rather than designation of intermediary agencies.

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 1,000 schools, of which 203 were eliminated from the student loan programs. This has helped reduce the national student loan cohort default rate from 10.7 percent for 1994 to 10.4 percent for 1995, 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.

Modernizing student aid benefit delivery is one of the Department's key priorities. To improve the management of both loan programs, attention will be given to re-engineering information systems and expanding electronic data exchange to improve customer service, enhance data quality, and lower costs. The Department will support adoption of private sector best practices to improve servicing in both programs.

### **Sallie Mae**

The Student Loan Marketing Association is a for-profit, shareholder-owned corporation chartered by Congress in 1972. Its purpose is to expand 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). It currently holds about one-third of all outstanding guaranteed student loans. Sallie Mae also has authority to finance academic facilities and equipment.

Pursuant to legislation enacted in 1996, Sallie Mae shareholders voted in July 1997 to approve a plan to reorganize the corporation as a fully private, state-chartered entity. Under the reorganization, which became effective in August, shares of Sallie Mae common stock were converted on a one-for-one basis into shares of a new holding company, the SLM Holding Corporation. Sallie Mae, which retains its status as a GSE, is now a wholly owned subsidiary of the holding corporation. According to the authorizing legislation, the GSE must wind down and be liquidated by September 30, 2008.

### **Connie Lee**

The College Construction Loan Insurance Association was created by the Higher Education Amendments of

1986 to insure and reinsure the financing of postsecondary education facilities. In 1988, the Department of Education helped provide initial financing of the corporation by purchasing \$19 million of newly issued common stock. Subsequently, the corporation sold additional stock to institutional investors. By 1996, Connie Lee had insured over \$2 billion of debt service on bonds benefitting colleges, universities, and teaching hospitals. Legislation was enacted in 1996 that privatized Connie Lee by repealing its legislation and requiring the Government to sell, and Connie Lee to purchase, the corporation's federally owned stock. This sale was completed in February 1997.

### **Business and Rural Development Credit Programs and GSEs**

#### **Small Business Administration**

SBA has successfully expanded small businesses' access to capital, increasing its annual loan volume 46 percent over the past five years (from \$7.4 billion in 1993 to \$10.9 billion in 1997), while also reducing agency staff by about 20 percent.

In its principal program, Section 7(a) General Business loans, SBA has improved access to capital for the Nation's most under-served small businesses in several ways. The Low Documentation (LowDoc) initiative reduced the application form for 7(a) loans under \$100,000 to a single sheet. The FASTRACK pilot allows lenders to use their own forms and processes in exchange for a reduced Government guarantee. These initiatives—and aggressive lending goals—have helped to increase 7(a) loan volume to minority- and women-owned businesses from \$1.8 billion (27 percent of 7(a) loan volume) in 1993 to \$3.8 billion (40 percent) in 1997.

**Reliance on private sector partners.** With its portfolio growing from \$20.7 billion in 1993 to \$35.0 billion in 1997, SBA has relied increasingly on its private sector partners for loan servicing and liquidation, especially in the 7(a) program, which accounts for 75 percent of SBA business lending.

Prior to 1996, SBA's most experienced lenders had authority to approve, service, and liquidate SBA-guaranteed loans under the Preferred Lender Program (PLP) in exchange for a lower SBA guaranty (70 percent compared to 80 or 90 percent for other lenders). In 1996, Congress set the maximum guaranty for all 7(a) loans at 80 percent for loans under \$100,000, and 75 percent for most others. Congress also authorized PLP lenders to service and liquidate their loans. In 1997, SBA issued a new policy requiring all lenders to service and liquidate loans approved on or after Oct. 1, 1997.

These changes in legislation, together with SBA's goal of increasing its use of PLP lenders, have led to a large increase in lending. Loans approved through PLP lenders grew from \$3.0 billion in 1996 (39 percent of all 7(a) loans approved) to \$4.9 billion in 1997 (52

percent of approvals) and are currently estimated at \$5.5 billion in 1998.

SBA also delegates servicing and liquidation authority in its LowDoc program. LowDoc loans accounted for 33 percent of all 7(a) loans in 1997 (down from 45 percent in 1996.)

**Need for better oversight tools.** Over the past four years, SBA has significantly increased loan volume, reduced staffing, and delegated additional authorities to its private sector partners. During this period, commercial small business lenders have become increasingly more sophisticated in identifying credit risk, and some 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. SBA will begin a new initiative in 1998 to improve its lender monitoring and oversight tools.

**Reform initiatives.** In 1998, SBA will implement a plan to complete its shift from a loan servicing to a lender oversight financial institution. These initiatives 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 capital, while relying on private lenders to perform functions where they have historically been more efficient.

**Portfolio oversight.** To ensure that the agency meets its portfolio management responsibilities, SBA will invest \$8 million in 1998 to improve portfolio oversight. An additional \$12 million is requested for 1999. This funding will allow SBA to 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 field offices and private sector partners.

**Loan asset sales.** Completing its transition from loan servicing to lender oversight, SBA will sell its portfolio of defaulted guaranteed loans and direct loans in 1998, 1999, and 2000. The Disaster loan portfolio will be sold in 1999 and 2000. 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.

***Criminal background checks.*** In 1999, \$1 million is requested for SBA to conduct criminal background checks of loan applicants prior to the disbursement of the loans. According to recent research conducted by SBA's Office of Inspector General (OIG), loans made to borrowers with an undisclosed criminal record are approximately 2.5 times more likely to become delinquent or to default. This proposal will likely result in future subsidy rate reductions for SBA's credit programs.

***Doing more with less.*** These initiatives will allow SBA to continue to "do more with less". Through improved portfolio oversight and lender servicing of defaulted loans, the Government's subsidy cost of SBA's 7(a) loan program is estimated to decline from 2.14 percent in 1998 to 1.39 percent in 1999, reducing the Government's contribution to the cost of this program by nearly \$83 million. Additional savings may be achieved in the future if increasing reliance on lenders allows SBA to further reduce agency staffing.

#### **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. Each program has low default rates.

USDA also provides grants, direct loans, and loan guarantees to assist rural businesses, including cooperatives, to increase employment and diversify the rural economy. In 1999, 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 \$800 million in 1998. The default rate for these 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. 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 still did not allow transfers between funding streams. The budget proposes \$715 million for a fully flexible RCAP.

#### **Electric and Telecommunications Loans**

USDA's rural electric and telephone program makes new loans to maintain existing infrastructure and to modernize electric and telephone service. Historically, the Federal risk associated with the over \$40 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 \$400 million was written off in 1997. However, both the telephone and electric industries are moving into a more competitive environment.

In the electric industry, deregulation may erode loan security and the ability of 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. USDA will propose legislation to restructure its outstanding \$30 billion portfolio of rural electric loans. 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 tied to the Treasury rate. The demand for loans to rural electric co-ops will 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 1999 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 1999. 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 would 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. High defaults and delinquencies are inherent in the direct loan program.

FSA guaranteed farm loans are made to more credit-worthy 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 1996 Farm Bill changed many of the servicing requirements for delinquent borrowers. The FSA no longer can make a new loan to a borrower who is delinquent on an existing loan. Borrowers who have previously received a FSA loan write-down or write-off are no longer eligible for additional loans. The 1999 Budget proposes to allow farmers to become eligible for assistance after 7 years, which is consistent with commercial terms. 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 these changes, 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 the risk of concentration in certain agricultural commodities. 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 bailed out the FCS and created Farmer Mac.

The Nation's agricultural sector and its lenders are now on much firmer ground. Strong farm income has enabled borrowers to repay debt, and lenders to augment their capital. Farmland prices have regained most of their previous levels and continue to increase. Interest rates and inflationary expectations are significantly lower. Credit usage by farmers and credit standards of lenders are more conservative.

Another sign of the increasing health of agricultural finance is the greater share of credit provided by commercial banks. From 1986 to 1996, commercial banks' share of all farm debt increased from 24 percent to 39 percent, while the share for FCS declined from 29 percent to 25 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 in 1996 and 1997.

### **The Farm Credit System**

The Farm Credit System earned income every year in the past decade, including over \$1 billion in each of the last four years. Nonperforming loans have been reduced to 1.5 percent of the portfolio. Loan volume has been gradually increasing since 1992, although the \$63.0 billion in September 1997 is far below the high of over \$80 billion in the early 1980s. Increases in loan volume, declines in the cost of funds, and increases in capital have widened the FCS's net interest margin from less than one percent in 1987 to 2.99 for 1996.

Improved asset condition and income enabled FCS to post record capital levels; by September 30, 1997, capital stood at \$11.4 billion—half again larger than five years ago, 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 to cover the remainder. The FCS has retired all of its high-coupon long-term debt, moved to marginal cost loan pricing, and adopted 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 districts with 36 banks plus 376 associations; by October 1997, there were only 6 districts, 8 banks and 206 associations. System staff declined by 14 percent over 1990–1995. Operating expenses as a percent of loans outstanding have begun to decline.

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 from FCS institutions, supplements 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, 1997, the Insurance Fund's assets were \$1.3 billion, and are estimated to attain the statutorily required level of two percent of outstanding debt in 1998.

Improvement in the FCS's financial condition is also reflected in the evaluations of 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 1997, in contrast, 203 institutions were given the top ratings, only 9 received the mid-range rating of "3," and one institution 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 5 institutions, with 3.9 percent of the FCS's assets, in 1997.

Loans to farmers and other eligible producers comprise 73 percent of the System's portfolio. Lending secured by farm land has been 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 increased the cooperatives' share of FCS's portfolio to almost 27 percent at year-end 1996.

During 1997, the FCA published regulations that expand the 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. 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 (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. During 1995 and 1996, FCS's loan growth rate accelerated, in part due to more aggressive lending as its capital strengthened. This coincided with a surge in agricultural exports and a rise in crop prices, which have propelled land values upward in regions with export concentration. The volatility of these forces will be a risk factor for future repayment and collateral capacity.

#### **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 has been authorized 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 ("Farmer Mac II"). 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 will be exposed to losses,

and must estimate them accurately to set fees and decide the appropriate level of capital reserves.

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 1997 capital is estimated to be about \$75 million—three times greater than the 1996 statutory capital requirement well ahead of the deadline.

Farmer Mac has also 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.

#### **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. At the end of 1997, the amount outstanding was about \$130 billion.

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 "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. or foreign financial institutions to expand agricultural exports. The GSM programs are targeted to countries where government guarantees are needed to counter competi-

tion from countries that offer credit through ECAs or commodity marketing boards.

The increase in world trade and the globalization of capital markets have made ECAs somewhat less important in recent years. During 1993–95, ECA credit from G-7 countries averaged \$70 billion annually. In comparison, private credit to developing countries was \$230 billion in 1996.

**Stabilizing international financial 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 multi-lateral 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.

Use of the ESF is also being considered in response to the crises in some Asian economies. In particular, an ESF agreement with South Korea is near completion, as part of a broader undertaking by 13 countries to provide "second line" support to that country. This ESF facility will carry interest rates that will result in zero subsidy cost for the United States as defined under credit reform.

**Helping economies in transition.** The dramatic transformation that has been underway in Eastern and Central Europe in recent years presents U.S. businesses with unprecedented opportunities matched by unprecedented risks. Since 1991, Eximbank has provided financing for exports to Russia and other New Independent States, as well as countries in Central Europe, to increase U.S. exports and assist the region's economic transformation. Eximbank provided \$3.2 billion in financing from FY 1995 through 1997, and expects to provide \$1.5 billion in additional credits each year for exports to the region in FYs 1998 and 1999.

For example:

- In July 1993, Eximbank signed the Oil and Gas Framework Agreement (OGFA) under which it may provide \$2 billion or more in financial assistance for purchases of U.S. equipment and services to revitalize Russia's energy sector. Nine transactions for \$971 million have been authorized under this agreement.
  - In January 1996, Eximbank signed a Memorandum of Understanding with the Russian state timber industry governmental entity, helping to open the way for the export of U.S. goods and services to modernize Russia's timber and forest products industry.
  - In November 1996, Eximbank initiated a Russian commercial bank program to expand Eximbank financing for the private sector. Eximbank currently accepts commercial bank guarantees from Russia, Kazakhstan, Lithuania, Latvia, and Estonia, and expects to accept commercial bank guarantees from other NIS countries and most Central European countries as their banking sectors develop.
- Through its Urban and Environmental Credit Program, USAID has provided loan guarantees to Poland, the Czech Republic, and Hungary. These guarantees, accompanied by technical assistance, will assist in developing financial markets for mortgages, municipal finance, and infrastructure finance.
- 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. Funding for this program has been doubled in the FY 1999 Budget. 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.
- International credit management initiative.** The Administration proposes as part of the Director's management agenda to improve credit management at USAID, Eximbank, OPIC, DSAA, DOD/DELG, and USDA. This will include improvements to loan servicing, portfolio tracking, and credit budgeting policies and procedures. More accurate financial records, using consistent accounting standards, will improve repayment practices and collections.
- International lending cost estimates.** Since 1992, the President's budget requests have used the same assumptions about default risk in international lending. These assumptions were obsolete 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.
- The FY 1999 Budget makes 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). 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. Most international credit agencies charge borrowers fees that substantially offset the cost due to credit risk. The FY 1999 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 provide coverage against depositor 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 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 \$2.7 trillion at over 9,200 commercial banks and about 1,800 savings institutions. The NCUA insures about 11,300 credit unions with \$290 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 (FIRREA) of 1989 and the Federal Deposit Insurance Corporation Improvement Act (FDICIA) of 1991. These reforms, combined with more favorable economic conditions, helped to restore the health of depository institutions and the deposit insurance system. The FDIC currently classifies only 98 institutions with \$7 billion in assets as "problem" institutions, compared to over 1,000 institutions with almost \$600 billion in assets just five years ago.

No commercial banks or thrifts failed during 1997—a record year for BIF and SAIF. Eight credit unions with \$19 million in assets failed during 1997. Although depository institutions and their Federal insurance funds are currently in good financial condition, an economic downturn could put pressure on the deposit insurance funds.

Banks have achieved very strong levels of earnings in the last few years, which enabled the industry to recapitalize BIF. BIF reached its statutorily designated reserve ratio of 1.25 percent in mid-1995. As a result, the FDIC continues to maintain deposit insurance premiums for banks in a range from zero for the healthiest

banks to 27 cents per \$100 of deposits for the riskiest banks. Currently, 95 percent of commercial banks pay no deposit insurance premiums.

The earnings of the thrift industry also have significantly improved in the last few years. 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. As a result, most thrifts paid no deposit insurance premiums in 1997.

In addition, the DIFA merges the BIF and SAIF on January 1, 1999, provided that no savings associations exist at that time. This makes the merger conditional on legislation this year to combine the bank and thrift charters.

The National Credit Union Share Insurance Fund (NCUSIF) also remains strong with assets of \$3.7 billion. Each insured credit union is required to deposit and maintain in the fund 1 percent of its member share accounts. In 1997, 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 third consecutive year that the Fund paid a dividend to federally insured credit unions. The Board also waived premiums for 1998.

**Other Legislative and Regulatory Developments.** Recent legislation 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 toward the increasing integration and efficiency of the financial services industry.

In May 1997, the Administration presented its recommendations for modernizing the financial services industry and developing a common depository institution charter to Congress. The Administration's proposal removes Depression-era barriers to competition, preserves the safety and soundness of our nation's depository institutions and protects consumer rights. The proposal promotes competition and efficiency within the indus-

try, which will foster the creation of new products and services and benefit consumers.

In October 1997 the Supreme Court heard arguments on two related cases: the National Credit Union Administration v. First National Bank and the AT&T Family Federal Credit Union v. First National Bank. At issue is the question of how broadly a credit union may interpret its field of membership. The Supreme Court decision in these cases, which is expected during the current term, could have a significant impact on the growth rate and total size of credit unions.

### **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 which are currently healthy but become distressed, and from changes in the funding of plans and their investment results. Two-thirds of all plans are sufficiently funded, and much of the underfunding is in plans sponsored by financially healthy firms. Underfunding is spread across all industries, with a heavier concentration in the steel, automobile, and transportation equipment industries.

The number of plans insured by PBGC has been declining as small companies with defined benefit plans terminate them and shift to defined contribution plans. At the same time, the number of workers whose pensions are insured by PBGC has increased. In particular, the number of defined benefit pension plans with 1,000 or more participants has increased to 4,400 compared to 3,600 in 1980.

During the past five years, PBGC has been working to prevent and mitigate losses. Under the Early Warning Program, it has negotiated more than 50 major settlements providing more than \$15 billion in new pension contributions from companies and improving pension security for 1.6 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. In 1996, PBGC expanded the Early Warning Program to include more companies. In 1997, PBGC posted the second year with a positive financial position in its 23-year history.

The Retirement Protection Act of 1994 (RPA) improved PBGC's early intervention capability, was an important factor in achieving a number of the settlements, and is beginning to strengthen 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 requires privately held companies with seriously underfunded plans to give PBGC advance notice of any transactions that potentially are harmful to their plans. When this "Early Warning Program" shows benefits to pensioners to be seriously at risk, PBGC begins negotiating funding and other arrangements in order to forestall its taking over the plan.

PBGC fared well in 1997. There were no major plan terminations, and investment performance was strong. Premium revenues dropped somewhat, largely reflecting lower underfunding-related premiums as pension funding improved. Premiums were also reduced by an RPA provision that became effective July 1, 1997 which increased the interest rate used to calculate underfunding-related premiums.

The multi-employer program guarantees pension benefits of certain unionized plans offered by several employers in an industry. The program continues to be financially strong. In May 1996, the Administration proposed 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. Although it passed the Senate, this provision was not enacted and is being proposed again.

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 workers' retirement years. The new plan is designed to be fully funded virtually constantly, but would also be protected by PBGC.

### **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.

Flood insurance premium revenue grew by approximately 45 percent from 1994 to 1997, exceeding the

goal of 20 percent set three years ago. 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 accurate insurance rating, and promote public awareness of flood insurance and flood risk.

In 1997, the NFIP expanded mitigation insurance as authorized by the National Flood Insurance Reform Act of 1994. Mandatory Increased Cost of Construction (ICC) 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 1998 and 1999, FEMA will continue efforts to reduce future flood damage by educating Federal regulators about mandatory flood insurance requirements for federally backed home and business loans on property 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.

### **Crop Insurance**

Subsidized Federal crop insurance administered by USDA assists farmers in managing catastrophic 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.) The reform was implemented in crop year 1995, and no ad hoc crop disaster assistance bill has been enacted since 1994. In 1995, 82 percent of eligible acres participated 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." Accordingly, the 1998 Budget proposed to expand the crop insurance program to include "revenue insurance" coverage. Revenue insurance will protect farmers against lost revenue caused by low prices, low yields, or any combination of the two.

In order to ensure that sufficient funding is available to provide agent sales commissions, the budget proposes to shift funding for this activity from discretionary spending back to mandatory spending through the Federal Crop Insurance Corporation Fund. The Administration is developing a combination of program changes to reduce program cost that would take effect in 2000. These include placing a \$100,000 limit on the indemnity producers can receive from the premium-free catastrophic insurance policy; reducing the reimbursement rate paid to the private insurance companies from the current 27 percent of premium to 25 percent; slightly reducing the subsidy the Federal Government pays for insurance on changes from the expected market price; and lowering the loss ratio that premiums are based on to 1.060 from the current 1.075.

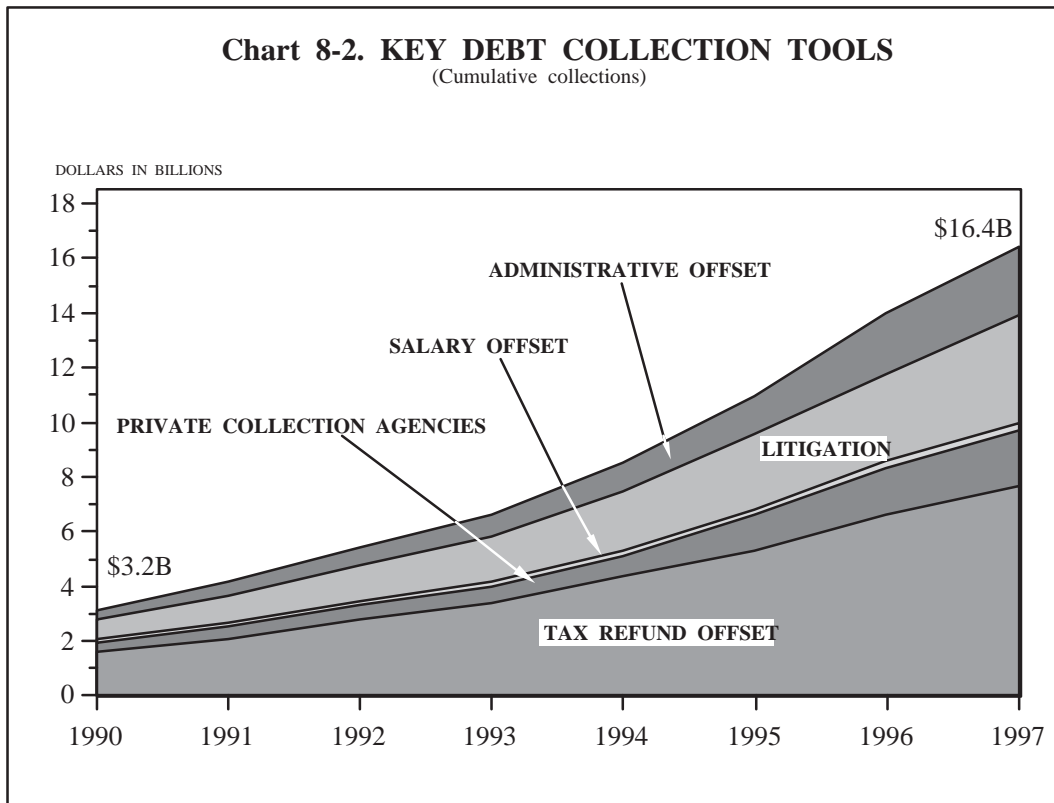
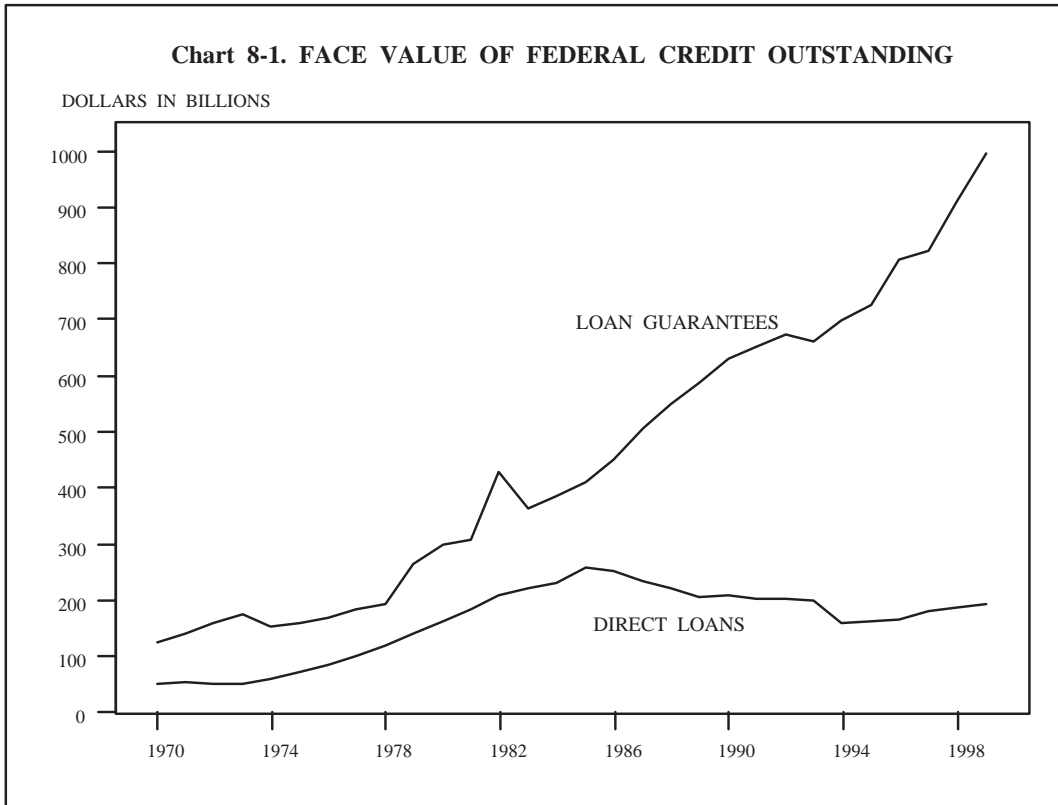
### **Improving Debt Collection**

The timing and the amount of recoveries of defaulted loans are key elements in the cost of loan programs. Recoveries and rehabilitation of delinquent debt are important measures of overall program performance.

At the end of 1997, total receivables of the Federal Government were \$263 billion or an increase of 4 percent from 1996. Of that amount, \$52 billion were delinquent or an increase of 1 percent from 1996. Total delinquencies over 180 days delinquent increased by over \$1 billion from \$46 billion in 1996 to \$47 billion in 1997. The amount of non-performing accounts written-off increased from \$5 billion in 1996 to \$ 6 billion in 1997.

At each stage of the Government's credit and debt management process, there are specific tools that can be used to prevent default, convert delinquent accounts into repayment, and, if appropriate, enforce a claim through the judicial process. The chart below shows the historical growth in terms of collections through private collection agencies, salary offset, tax refund offset, administrative offset and litigation. In the last ten years, the use of these tools has resulted in the collection of over \$17 billion.

Total collections on outstanding receivables increased from \$95 billion to \$102 billion from 1996 to 1997. As Treasury and the agencies implement the Debt Collection Improvement Act of 1996, collections will increase through the use of such tools as administrative garnishment and loan asset sales. In addition, initiatives such as prescreening for prior delinquency will prevent unnecessary future defaults.



**Table 8-1. FACE VALUE AND ESTIMATED COST OF FEDERAL AND FEDERALLY ASSISTED CREDIT PROGRAMS**

(in billions of dollars)

Program	Face Value 1996	1998 Budget Estim. Present Value of Future Costs <sup>1</sup>	Face Value 1997	Current Estimates Present Value of Future Costs <sup>1</sup>
<b>Direct Loans:<sup>2</sup></b>				
Farm Service Agency (excl.CCC), Rural Development, Rural Housing .....	47	10-16	47	10-16
Rural Electrification Admin. and Rural Telephone Bank .....	35	3-6	34	3-6
Agency for International Development .....	13	1-2	13	1-2
Public Law 480 .....	12	0-1	11	0-1
Disaster Assistance .....	9	8-12	10	7-11
Foreign Military Financing .....	8	0-1	8	0-1
Export-Import Bank .....	8	2-4	10	3-4
Federal Direct Student Loan Program .....	12	6-9	21	8-12
Small Business .....	2	0-1	1	0-1
Other Direct .....	19	1-2	26	2-4
<b>Total Direct Loans</b> .....	<b>165</b>	<b>31-54</b>	<b>181</b>	<b>34-58</b>
<b>Guaranteed Loans:<sup>2</sup></b>				
FHA Mutual Mortgage Insurance Fund .....	364	(12)-0	361	(10)-0
VA Mortgage .....	155	3-5	170	5-7
FHA General/Special Risk Insurance Fund .....	91	7-10	88	6-9
Federal Family Education Loan Program .....	102	5-10	99	5-10
Small Business .....	31	2-4	34	2-4
Export-Import Bank .....	18	4-6	22	4-7
Farm Service Agency and Rural Housing .....	11	1-2	12	1-2
CCC Export Credits .....	5	0-1	5	0-1
Other Guaranteed .....	28	2-4	31	2-5
<b>Total Guaranteed Loans</b> .....	<b>805</b>	<b>12-42</b>	<b>822</b>	<b>15-45</b>
<b>Total Federal Credit</b> .....	<b>970</b>	<b>43-96</b>	<b>1,003</b>	<b>49-103</b>
<b>Government-Sponsored Enterprises:<sup>3</sup></b>				
Fannie Mae .....	812	.....	862	.....
Freddie Mac .....	601	.....	627	.....
Federal Home Loan Banks <sup>4</sup> .....	153	.....	182	.....
Sallie Mae <sup>5</sup> .....	.....	.....	.....	.....
Farm Credit System .....	57	.....	59	.....
<b>Total Government-Sponsored Enterprises</b> .....	<b>1,623</b>	.....	<b>1,730</b>	.....
<b>Total</b> .....	<b>2,593</b>	<b>43-96</b>	<b>2,733</b>	<b>49-103</b>

<sup>1</sup> Direct loan future costs are program account outlays projected over a period comparable to loan maturity plus the embedded loss from outstanding loans. Loan guarantee costs are program account outlays plus liquidating account outlays (and outlays from defaulted guaranteed loans that result in loans receivable) projected over a period comparable to loan maturity.

<sup>2</sup> 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 in guaranteed loans.

<sup>3</sup> Net of purchases of federally guaranteed loans.

<sup>4</sup> The lending by the Federal Home Loan Banks measures their advances to member thrift and other financial institutions. In addition, their investment in private financial instruments at the end of 1997 was \$136 billion.

<sup>5</sup> The face value and Federal costs of Federal Family Education Loans in Sallie Mae's portfolio are included in the account of that program under guaranteed loans above.

**Table 8-2. REESTIMATES OF CREDIT SUBSIDIES ON LOANS DISBURSED, 1992—1997** <sup>1</sup>  
(In millions of dollars)

Program	1994	1995	1996	1997	1998
<b>Direct Loans:</b>					
Agriculture credit insurance fund .....	-72	28	2	-31	.....
Agricultural conservation .....	-1				.....
Rural electrification and telephone loans .....	*	61	-37	84	.....
Rural telephone bank .....	1			10	.....
Rural water and waste disposal .....				-12	.....
Rural housing insurance fund .....	2	152	46	-73	.....
Rural community facility .....				-2	.....
Rural economic development loans .....				1	.....
Rural development loan program .....		1			.....
Rural community advancement program .....				22	.....
P.L. 480 Title I loan program .....			-37	-1	.....
Federal direct student loans .....			3	-83	123
Bureau of Reclamation direct loans .....					2
Veterans housing benefit program fund .....	-39	30	76	-72	465
Foreign military financing .....				13	4
SBA—disaster loans .....					-354
Export-Import Bank direct loans .....	-28	-16	37		.....
<b>Loan Guarantees:</b>					
Agriculture credit insurance fund .....	5	14	12	-51	.....
Commodity Credit Corporation export guarantees .....	3	103	-426	343	.....
Rural development insurance fund .....	49			-3	.....
Rural housing insurance fund .....	2	10	7	-10	.....
Rural business and industry .....				-6	.....
Rural community facility guarantees .....				-2	.....
Rural community advancement program .....				-2	.....
P.L. 480 Title I Food for Progress credits .....		84	-38		.....
Federal family education (formerly GSL):					
Technical reestimate .....	97	421	60		.....
Volume reestimate .....			535	99	.....
FHA-Mutual mortgage .....				-340	.....
FHA-General and special risk .....	-175		-110	-25	.....
BIA-Indian guaranteed loans .....				31	.....
Veterans housing benefit fund guarantees:					
Technical reestimate .....	-447	167	334	-706	38
AID housing guaranty .....	-2	-1	-7		.....
SBA-Business loans .....			257	-16	-176
Export-Import Bank guarantees .....	-11	-59	13		.....
<b>Total</b> .....	<b>-616</b>	<b>995</b>	<b>727</b>	<b>-832</b>	<b>102</b>

\* \$500 thousand or less.

<sup>1</sup> Additional information on credit reform subsidy rates is contained in the Federal Credit Supplement to the budget for 1999.

<sup>2</sup> 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 1999 SUBSIDY RATES, BUDGET AUTHORITY, AND LOAN LEVELS FOR DIRECT LOANS<sup>1</sup>**

(In millions of dollars)

Agency and Program	1999 Weighted average subsidy as a percent of disbursements	1999 Subsidy budget authority	1999 Estimated loan levels
<b>Agriculture:</b>			
Agricultural credit insurance program .....	8.5	56	666
Rural community advancement program .....	14.43	153	1,014
Rural electrification and telephone .....	2.27	36	1,475
Rural telephone bank .....	2.65	10	175
Distance learning and medical link program .....	0.12	*	150
Rural housing insurance fund .....	16.45	197	1,197
Rural development loan fund .....	50.35	18	35
Rural economic development loans .....	25.22	4	15
P.L. 480 direct loans .....	86.79	89	102
<b>Commerce:</b>			
Fisheries finance loans .....	1	*	24
<b>Defense:</b>			
Family housing improvement fund .....	60		
<b>Education:</b>			
Federal direct student loans .....	3.42	525	13,857
<b>Housing and Urban Development:</b>			
FHA-mutual mortgage insurance program .....			50
FHA-general and special risk program .....			50
<b>Interior:</b>			
Bureau of Reclamation loan program .....	31.58	12	38
<b>State Department:</b>			
Repatriation loans .....	80	1	1
<b>Transportation:</b>			
Minority business resource center program .....	11	2	14
<b>Treasury:</b>			
Community development financial institutions fund .....	40.65	20	49
<b>Veterans Affairs:</b>			
Veterans housing benefit program fund .....	19.55	56	203
Miscellaneous veterans programs fund .....	6.73	1	11
<b>International Assistance Programs:</b>			
Foreign military financing loan program .....	11.97	20	167
Overseas Private Investment Corporation .....	2	4	200
<b>Small Business Administration:</b>			
Disaster loans .....	5.93	53	901
Business loans .....	9.54	6	60
<b>Other Independent Agencies:</b>			
Export-Import Bank .....	3.22	45	1,396
<b>Federal Emergency Management Agency:</b>			
Disaster assistance .....	5.42	2	25
<b>Total .....</b>	<b>5.99</b>	<b>1,310</b>	<b>21,875</b>

\* \$500 thousand or less.

<sup>1</sup> Additional information on credit reform subsidy rates is contained in the Federal Credit Supplement to the budget for 1999.



**Table 8-4. ESTIMATED 1999 SUBSIDY RATES, BUDGET AUTHORITY, AND LOAN LEVELS FOR LOAN GUARANTEES <sup>1</sup>**

(In millions of dollars)

Agency and Program	1999 Weighted average subsidy as a percent of disbursements	1999 Subsidy budget authority	1999 Estimated loan levels
<b>Agriculture:</b>			
Agricultural credit insurance fund .....	1.89	44	2,325
Commodity Credit Corporation export loans .....	5.48	253	4,615
Rural community advancement program .....	0.55	10	1,285
Rural housing insurance fund .....	0.18	6	3,250
<b>Defense:</b>			
Export loan guarantees .....			250
Family housing improvement fund .....	7		
<b>Education:</b>			
Federal family education loan program .....	6.15	1,763	28,671
<b>Health and Human Services:</b>			
Health resources and services .....	5.32	4	80
<b>Housing and Urban Development:</b>			
Indian housing guarantee fund .....	8.13	6	69
Title VI Indian Federal guarantees .....	11	5	44
Home loan guarantees .....	11	11	100
Community development loan guarantees (Sec. 108) .....	2.3	29	1,261
FHA-mutual mortgage .....	-2.62	-1,594	110,000
FHA-general and special risk .....	-0.27	81	18,100
<b>Interior:</b>			
Indian loan guarantees .....	7.54	5	60
<b>Transportation:</b>			
MARAD guaranteed loans (Title XI) .....	5.01	16	520
<b>Veterans Affairs:</b>			
Veterans housing benefit program fund .....	0.88	206	23,440
<b>International Assistance Programs:</b>			
Micro and small enterprise development .....	3.29	2	61
Urban and environmental credit .....	8.82	6	68
Development credit authority .....	8.39	13	155
Overseas Private Investment Corporation .....	2	46	2,600
<b>Small Business Administration:</b>			
Business Loans .....	1.51	176	15,235
<b>Other Independent Agencies:</b>			
Export-Import Bank .....	5.86	903	15,401
<b>Total</b> .....	<b>N/A</b>	<b>1,991</b>	<b>227,590</b>
<b>ADDENDUM</b>			
<b>Secondary guaranteed loans:</b>			
GNMA secondary mortgage guarantees .....	-0.42	-9	150,000

N/A = Not applicable.

<sup>1</sup> Additional information on credit reform subsidy rates is contained in the Federal Credit Supplement to the budget for 1999.

Table 8-5. SUMMARY OF FEDERAL DIRECT LOANS AND LOAN GUARANTEES

(In billions of dollars)

	Actual				Estimate	
	1994	1995	1996	1997	1998	1999
Direct Loans:						
Obligations .....	22.7	30.9	23.4	33.6	28.1	26.3
Disbursements .....	19.3	22.0	23.6	32.2	32.0	29.8
Subsidy budget authority <sup>1</sup> .....	2.8	2.6	1.8	2.4	4.5	1.3
Loan Guarantees:						
Commitments .....	204.1	138.5	175.4	172.3	194.0	210.4
Lender Disbursements .....	194.2	117.9	143.9	144.7	155.5	163.0
Subsidy budget authority <sup>1</sup> .....	2.4	4.6	4.0	3.6	2.3	2.0

<sup>1</sup> Excludes subsidy reestimates for loans made in prior years.<sup>2</sup> 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 or Program	In millions of dollars			As percentage of outstanding loans <sup>1</sup>		
	1997 actual	1998 estimate	1999 estimate	1997 actual	1998 estimate	1999 estimate
<b>DIRECT LOAN WRITEOFFS</b>						
Agriculture:						
Agricultural credit insurance fund .....	392	322	322	3.93	3.37	3.69
Rural development insurance fund .....	2	2	2	0.04	0.04	0.04
Rural housing insurance fund .....	97	96	92	0.33	0.36	0.33
Rural electrification and telecommunications loans .....	409	.....	.....	1.45	.....	.....
Commerce:						
Economic development revolving fund (EDA) .....	.....	1	1	.....	1.81	1.96
Education:						
Student financial assistance .....	5	8	8	3.54	5.36	4.81
Federal direct student loan program .....	15	.....	2	0.07	.....	.....
Health and Human Services:						
Health Resources and Services .....	2	2	2	0.25	0.25	0.25
Housing and Urban Development:						
Revolving fund .....	5	.....	.....	1.84	.....	.....
FHA-Mutal mortgage insurance .....	.....	.....	1	.....	.....	1.96
Interior:						
Revolving fund .....	2	14	4	3.77	31.11	11.76
State:						
Repatriation loans .....	1	1	1	25	25	25
Veterans Affairs:						
Veterans housing benefit program <sup>2</sup> .....	9	11	16	0.04	0.04	0.07
Federal Emergency Management Administration:						
Disaster assistance .....	42	.....	.....	25.6	.....	.....
Small Business Administration						
Business and disaster loans .....	232	117	85	2.14	1.11	0.91
Other Independent Agencies:						
Federal Communications Commission .....	793	6,202	119	11.65	152.83	9.48
Tennessee Valley Authority .....	1	.....	.....	.....	0.57	0.9
<b>Total, direct loan writeoffs .....</b>	<b>1,598</b>	<b>6,776</b>	<b>655</b>	<b>.....</b>	<b>.....</b>	<b>.....</b>
<b>GUARANTEED LOAN TERMINATIONS FOR DEFAULT</b>						
Agriculture:						
Agricultural credit insurance fund .....	78	13	12	1.11	0.17	0.15
CCC guaranteed loans .....	31	345	342	0.68	6.54	5.55
Rural development insurance fund .....	42	30	13	11.2	8.98	4.88

Table 8-6. DIRECT LOAN WRITE-OFFS AND GUARANTEED LOAN TERMINATIONS FOR DEFAULTS—Continued

Agency or Program	In millions of dollars			As percentage of outstanding loans <sup>1</sup>		
	1997 actual	1998 estimate	1999 estimate	1997 actual	1998 estimate	1999 estimate
Rural housing insurance fund .....	10	26	33	0.14	0.14	0.13
Rural business and industry loans .....	6	17	16	.....	.....	.....
Commerce:						
Federal ship financing fund .....	1	.....	.....	1.17	.....	.....
Education:						
Federal family education loans .....	3,322	3,522	3,567	3.36	3.29	2.88
Health and Human Services:						
Health professions graduate student loans .....	44	42	49	1.48	1.42	1.69
Housing and Urban Development:						
FHA-General and special risk guaranteed loans .....	1,092	1,496	3,280	1.24	1.63	3.33
FHA-Mutual mortgage and cooperative housing loans .....	4,488	4,108	3,895	1.24	1.08	0.92
Interior:						
Indian loan guaranty .....	40	6	5	39.21	5.94	4.9
Veterans Affairs:						
Veterans housing benefit program <sup>3</sup> .....	2,102	2,984	3,205	1.23	1.68	1.68
International Assistance Programs:						
Foreign military financing .....	6	1	1	0.1	0.01	0.01
Housing and other credit guaranty programs .....	.....	27	15	.....	1.47	0.86
Microenterprise and small enterprise development .....	.....	1	1	.....	2.12	1.42
Overseas Private Investment Corporation .....	7	.....	.....	0.35	.....	.....
Small Business Administration:						
Business loans .....	545	513	493	2.14	1.11	0.91
Other Independent Agencies:						
Export-Import Bank .....	74	8	12	0.37	0.04	0.05
<b>Total, guaranteed loan terminations for default .....</b>	<b>11,888</b>	<b>13,139</b>	<b>14,939</b>	.....	.....	.....
<b>Total, direct loan writeoffs and guaranteed loan terminations .....</b>	<b>13,486</b>	<b>19,915</b>	<b>15,594</b>	.....	.....	.....
<b>ADDENDUM: WRITEOFFS OF DEFAULTED GUARANTEED LOANS THAT RESULT IN LOANS RECEIVABLE</b>						
Commerce:						
Federal ship financing fund .....	1	.....	.....	0.51	.....	.....
Education:						
Federal family education loans .....	285	257	259	1.73	1.53	1.46
Health and Human Services:						
Health professions graduate student loans .....	10	10	10	2.12	2.08	2.01
Housing and Urban Development:						
FHA-General and special risk guaranteed loans .....	142	232	545	5.87	8.71	18.56
FHA-Mutual mortgage and cooperative housing loans .....	550	26	1	191.63	15.11	1.72
Veterans Affairs:						
Veterans housing benefit program <sup>3</sup> .....	1,120	548	565	145.83	71.72	74.73
International Assistance Programs:						
Housing and other credit guaranty programs .....	.....	70	84	.....	16.43	25
Small Business Administration:						
Business loans .....	105	174	810	1.6	1.44	1.27
<b>Total, writeoffs of loans receivable .....</b>	<b>2,213</b>	<b>1,317</b>	<b>2,274</b>	.....	.....	.....

<sup>1</sup> Average of loans outstanding over year.<sup>2</sup> In FY 1998, Veterans Housing Direct Loan Program, Loan Guaranty Program and Guaranty and Indemnity Fund direct loans were consolidated.<sup>3</sup> In FY 1998, Veterans Housing Loan Guaranty Program and Guaranty and Indemnity Fund loan guarantees were consolidated.

**Table 8-7. APPROPRIATIONS ACTS LIMITATIONS ON CREDIT LOAN LEVELS <sup>1</sup>**

(In millions of dollars)

Agency or Program	1997 Actual	Estimate	
		1998	1999
Housing and Urban Development:			
FHA-General and special risk loans .....	120	120	120
FHA-Mutual mortgage insurance loans .....	200	200	50
Interior:			
Bureau of Reclamation direct loans .....	37	31	38
State Department:			
Repatriation loans .....	1	1	1
Transportation:			
Minority business resource center loans .....	15	15	14
Orange County (CA) toll road demonstration .....	25	.....	.....
Direct loan financing (Alameda) .....	140	140	120
Treasury:			
Community development financial institutions fund .....	.....	32	49
Federal Emergency Management Agency:			
Disaster assistance loans .....	25	31	25
International Assistance Programs:			
Foreign military financing .....	543	218	171
<b>Total, limitations on direct loan obligations .....</b>	<b>1,106</b>	<b>1,378</b>	<b>1,162</b>
<b>LIMITATIONS ON GUARANTEED LOAN COMMITMENTS</b>			
Health and Human Services:			
Health professions graduate student loan insurance .....	140	85	.....
Health center guaranteed loans .....	.....	160	.....
Housing and Urban Development:			
Indian housing loan guarantee fund .....	53	62	69
Title VI Indian Federal guarantees .....	.....	45	44
Community development loan guarantees (Sec. 108) .....	1,389	1,261	1,261
Home loan guarantee .....	.....	.....	100
FHA-General and special risk .....	17,400	17,400	18,100
FHA-Mutual mortgage insurance .....	110,000	110,000	110,000
FHA-Loan recovery fund .....	10	10	.....
Interior:			
Indian guaranteed loans .....	35	35	56
Transportation:			
MARAD guaranteed loans (Title XI) .....	1,000	1,000	520
International Assistance Programs:			
Loan guarantees to Israel .....	2,000	.....	.....
<b>Total, limitations on guaranteed loan commitments .....</b>	<b>132,027</b>	<b>130,058</b>	<b>130,150</b>
<b>ADDENDUM</b>			
Secondary guaranteed loan commitment limitations:			
GNMA, mortgage-backed securities .....	110,000	130,000	150,000

<sup>1</sup> Data represents loan level limitations enacted or proposed to be enacted in appropriations acts. For information on actual and estimated loan levels supportable by new subsidy budget authority requested, see Table 8-3 and Table 8-4.

**Table 8-8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT**  
(in millions of dollars)

Agency or Program	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Department of Agriculture</b>							
Farm Service Agency							
Agricultural credit insurance fund liquidating account:							
Obligations .....							
Loan disbursements .....	1	1	1	4	4	4	4
Change in outstandings .....	-1,074	-984	-981	-921	-760	-702	-552
<b>Outstandings</b> .....	7,709	6,725	5,744	4,823	4,063	3,361	2,809
Agricultural credit insurance fund direct loan financing account:							
Obligations .....	799	646	666	666	666	666	666
Loan disbursements .....	785	649	665	677	666	666	666
Change in outstandings .....	232	161	145	126	91	72	57
<b>Outstandings</b> .....	2,258	2,419	2,564	2,690	2,781	2,853	2,910
Commodity credit corporation fund:							
Obligations .....	5,333	6,408	7,451	7,525	6,849	6,288	5,970
Loan disbursements .....	5,333	6,408	7,451	7,525	6,849	6,288	5,970
Change in outstandings .....	97	-93	-127	-53	-112	-60	-38
<b>Outstandings</b> .....	1,769	1,676	1,549	1,496	1,384	1,324	1,286
Rural Utilities Service							
Rural communication development fund liquidating account:							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....		-1		-1	-1		
<b>Outstandings</b> .....	9	8	8	7	6	6	6
Distance learning and medical link direct loan financing account:							
Obligations .....		300	150	150	150	150	150
Loan disbursements .....		90	195	180	150	150	150
Change in outstandings .....		83	173	143	99	85	70
<b>Outstandings</b> .....		83	256	399	498	583	653
Rural development insurance fund liquidating account:							
Obligations .....							
Loan disbursements .....	17	10					
Change in outstandings .....	-214	-199	-199	-189	-179	-170	-162
<b>Outstandings</b> .....	4,135	3,936	3,737	3,548	3,369	3,199	3,037
Rural electrification and telecommunications direct loan financing account:							
Obligations .....	1,105	1,420	1,475	1,475	1,475	1,475	1,475
Loan disbursements .....	916	1,903	1,499	1,346	1,287	1,213	1,412
Change in outstandings .....	804	1,829	1,409	1,234	1,150	1,056	1,233
<b>Outstandings</b> .....	4,306	6,135	7,544	8,778	9,928	10,984	12,217
Rural telephone bank direct loan financing account:							
Obligations .....	100	175	175	175	175	175	175
Loan disbursements .....	34	248	197	223	208	180	175
Change in outstandings .....	12	240	185	205	184	149	137
<b>Outstandings</b> .....	203	443	628	833	1,017	1,166	1,303
Rural water and waste disposal direct loans financing account:							
Obligations .....	830	694	764	764	764	764	764
Loan disbursements .....	670	726	680	649	757	635	642
Change in outstandings .....	645	701	646	605	704	569	564
<b>Outstandings</b> .....	2,260	2,961	3,607	4,212	4,916	5,485	6,049
Rural electrification and telecommunications liquidating account:							
Obligations .....							
Loan disbursements .....	64	39	25	17	12	9	6
Change in outstandings .....	-2,213	-1,408	-1,668	-1,068	-969	-876	-790
<b>Outstandings</b> .....	28,246	26,838	25,170	24,102	23,133	22,257	21,467
Rural telephone bank liquidating account:							
Obligations .....							
Loan disbursements .....	32	30	27	24	21	18	15
Change in outstandings .....	-64	-70	-93	-96	-100	-100	-100
<b>Outstandings</b> .....	1,264	1,194	1,101	1,005	905	805	705

Table 8-8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency or Program	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Rural Housing Service</b>							
Rural housing insurance fund liquidating account:							
Obligations .....							
Loan disbursements .....	2						
Change in outstandings .....	-1,238	-1,209	-1,206	-1,215	-1,170	-1,124	-1,077
<b>Outstandings</b> .....	20,947	19,738	18,532	17,317	16,147	15,023	13,946
Rural housing insurance fund direct loan financing account:							
Obligations .....	928	1,230	1,197	1,197	1,197	1,197	1,197
Loan disbursements .....	950	1,196	1,196	1,196	1,186	1,180	1,180
Change in outstandings .....	767	1,024	928	857	768	690	619
<b>Outstandings</b> .....	8,567	9,591	10,519	11,376	12,144	12,834	13,453
Rural community facility direct loans financing account:							
Obligations .....	137	206	200	200	200	200	200
Loan disbursements .....	159	163	192	196	189	176	201
Change in outstandings .....	145	152	178	177	166	148	169
<b>Outstandings</b> .....	493	645	823	1,000	1,166	1,314	1,483
<b>Rural Business—Cooperative Service</b>							
Rural economic development loans liquidating account:							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....	-1	-2	-2	-2			
<b>Outstandings</b> .....	6	4	2				
Rural economic development direct loan financing account:							
Obligations .....	12	25	15	15	15	15	15
Loan disbursements .....	11	14	20	15	15	15	16
Change in outstandings .....	7	8	12	6	4	3	2
<b>Outstandings</b> .....	42	50	62	68	72	75	77
Rural development loan fund direct loan financing account:							
Obligations .....	37	35	35	35	35	35	35
Loan disbursements .....	45	61	50	38	31	36	35
Change in outstandings .....	42	58	47	32	26	30	29
<b>Outstandings</b> .....	173	231	278	310	336	366	395
Rural business and industry direct loans financing account:							
Obligations .....	12	50	50	50	50	50	50
Loan disbursements .....	3	17	35	44	48	50	50
Change in outstandings .....	3	17	35	43	46	47	46
<b>Outstandings</b> .....	3	20	55	98	144	191	237
Rural development loan fund liquidating account:							
Obligations .....							
Loan disbursements .....	1	1					
Change in outstandings .....	-2	-2	-3	-3	-3	-3	-3
<b>Outstandings</b> .....	82	80	77	74	71	68	65
<b>Foreign Agricultural Service</b>							
Expenses, Public Law 480, foreign assistance programs, Agriculture liquidating account:							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....	-321	-354	-406	-463	-330	-332	-333
<b>Outstandings</b> .....	9,446	9,092	8,686	8,223	7,893	7,561	7,228
P.L. 480 Direct credit financing account:							
Obligations .....	183	227	102	102	102	102	102
Loan disbursements .....	156	240	152	110	102	102	102
Change in outstandings .....	107	225	120	66	49	39	39
<b>Outstandings</b> .....	1,371	1,596	1,716	1,782	1,831	1,870	1,909
P.L. 480 Title I Food for Progress Credits, financing account:							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....					-49	-49	-49
<b>Outstandings</b> .....	508	508	508	508	459	410	361

Table 8-8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency or Program	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Debt reduction—financing account:							
Obligations .....		27	262	72			
Loan disbursements .....		27	262	72			
Change in outstandings .....	-3	26	261	71	-1	-1	-1
<b>Outstandings</b> .....	63	89	350	421	420	419	418
<b>Department of Commerce</b>							
Economic Development Administration							
Economic development revolving fund liquidating account:							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....	-4	-5	-4	-4	-4	-4	-4
<b>Outstandings</b> .....	58	53	49	45	41	37	33
National Oceanic and Atmospheric Administration							
Fisheries finance, financing account:							
Obligations .....	25	34	24	24	24	24	24
Loan disbursements .....		59	24	24	24	24	24
Change in outstandings .....		57	20	19	17	14	14
<b>Outstandings</b> .....		57	77	96	113	127	141
<b>Department of Defense—Military</b>							
Family Housing							
Department of Defense, Family Housing Improvement, Direct Loan Financing Account:							
Obligations .....		13		531	411	239	489
Loan disbursements .....		7		175	345	319	334
Change in outstandings .....		7		175	345	319	334
<b>Outstandings</b> .....		7	7	182	527	846	1,180
Revolving and Management Funds							
Working capital fund, Navy:							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....	-62	-69	-69	-73	-78	-136	-133
<b>Outstandings</b> .....	1,164	1,095	1,026	953	875	739	606
Working capital fund, Air Force:							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....	-13	-14	-17	-18	-29	-25	-27
<b>Outstandings</b> .....	144	130	113	95	66	41	14
<b>Department of Education</b>							
Office of Postsecondary Education							
Student financial assistance:							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....	-66	17	17	17	16	16	16
<b>Outstandings</b> .....	141	158	175	192	208	224	240
College housing and academic facilities loans liquidating account:							
Obligations .....							
Loan disbursements .....	11						
Change in outstandings .....	-33	-59	-35	-32	-31	-28	-28
<b>Outstandings</b> .....	614	555	520	488	457	429	401
College housing and academic facilities loans financing account:							
Obligations .....							
Loan disbursements .....	4	5	1	6	6		
Change in outstandings .....	4	5	1	6	6		
<b>Outstandings</b> .....	18	23	24	30	36	36	36
Federal direct student loan program, financing account:							
Obligations .....	12,026	9,836	8,160	12,658	13,800	14,678	15,527
Loan disbursements .....	10,271	13,333	13,670	14,477	15,274	16,093	16,951
Change in outstandings .....	9,652	12,316	11,889	11,733	11,387	10,898	10,309
<b>Outstandings</b> .....	21,212	33,528	45,417	57,150	68,537	79,435	89,744

**Table 8-8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued**  
(in millions of dollars)

Agency or Program	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Department of Energy</b>							
Power Marketing Administration							
Bonneville Power Administration fund:							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....							
<b>Outstandings</b> .....	2	2	2	2	2	2	2
<b>Department of Health and Human Services</b>							
Health Resources and Services Administration							
Health Resources and Services:							
Obligations .....							
Loan disbursements .....	21						
Change in outstandings .....	-3	-24	-24	-24	-24	-24	-24
<b>Outstandings</b> .....	797	773	749	725	701	677	653
Medical facilities guarantee and loan fund:							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....	-10	-7	-7	-5	-5		
<b>Outstandings</b> .....	24	17	10	5			
<b>Department of Housing and Urban Development</b>							
Public and Indian Housing Programs							
Low-rent public housing—loans and other expenses:							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....	-65	-70	-71	-71	-71	-71	-74
<b>Outstandings</b> .....	1,562	1,492	1,421	1,350	1,279	1,208	1,134
Community Planning and Development							
Revolving fund (liquidating programs):							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....	-57	-40	-40	-35	-30	-30	-30
<b>Outstandings</b> .....	271	231	191	156	126	96	66
Community development loan guarantees liquidating account:							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....	-3	-4	-4	-4	-4	-4	-4
<b>Outstandings</b> .....	36	32	28	24	20	16	12
Housing Programs							
Nonprofit sponsor assistance liquidating account:							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....							
<b>Outstandings</b> .....	1	1	1	1	1	1	1
Flexible Subsidy Fund:							
Obligations .....							
Loan disbursements .....	71	62	33	11			
Change in outstandings .....	68	58	29	7	-4	-4	-4
<b>Outstandings</b> .....	744	802	831	838	834	830	826
FHA-Mutual mortgage and cooperative housing insurance funds liquidating account:							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....	-2	-2	-1				
<b>Outstandings</b> .....	5	3	2	2	2	2	2
FHA-General and special risk insurance funds liquidating account:							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....	-19	-13	-10	-10	-8	-7	-7
<b>Outstandings</b> .....	78	65	55	45	37	30	23



**Table 8-8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued**  
(in millions of dollars)

Agency or Program	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>FHA-General and special risk direct loan financing account:</b>							
Obligations .....	1	20	50	10	10	10	10
Loan disbursements .....	1	20	50	10	10	10	10
Change in outstandings .....	1	20	45	4	2		-10
<b>Outstandings</b> .....	1	21	66	70	72	72	62
<b>Housing for the elderly or handicapped fund liquidating account:</b>							
Obligations .....							
Loan disbursements .....	6	184					
Change in outstandings .....	-78	114	-71	-70	-70	-69	-69
<b>Outstandings</b> .....	8,228	8,342	8,271	8,201	8,131	8,062	7,993
<b>FHA-Mutual mortgage insurance direct loan financing account:</b>							
Obligations .....	3	25	50	10	10	10	10
Loan disbursements .....	1	27	50	10	10	10	10
Change in outstandings .....		26	47	3	-2	-13	-33
<b>Outstandings</b> .....	2	28	75	78	76	63	30
<b>Government National Mortgage Association</b>							
<b>Guarantees of mortgage-backed securities liquidating account:</b>							
Obligations .....							
Loan disbursements .....	98	19	8	44	18	5	5
Change in outstandings .....	11	-247	8	4	2	1	1
<b>Outstandings</b> .....	332	85	93	97	99	100	101
<b>Guarantees of mortgage-backed securities financing account:</b>							
Obligations .....							
Loan disbursements .....		339	71	65	61	62	54
Change in outstandings .....		255	13	1	2	3	1
<b>Outstandings</b> .....		255	268	269	271	274	275
<b>Department of the Interior</b>							
<b>Bureau of Reclamation</b>							
<b>Bureau of reclamation loan liquidating account:</b>							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....		-3	-3	-3	-4	-4	-4
<b>Outstandings</b> .....	77	74	71	68	64	60	56
<b>Bureau of Reclamation direct loan financing account:</b>							
Obligations .....	28	33	38	38	38	38	38
Loan disbursements .....	26	38	38	44	46	48	51
Change in outstandings .....	26	38	38	44	46	48	51
<b>Outstandings</b> .....	81	119	157	201	247	295	346
<b>National Park Service</b>							
<b>Construction:</b>							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....		-1			-1		-1
<b>Outstandings</b> .....	7	6	6	6	5	5	4
<b>Bureau of Indian Affairs</b>							
<b>Revolving fund for loans liquidating account:</b>							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....	-5	-16	-6	-4	-4	-4	-4
<b>Outstandings</b> .....	53	37	31	27	23	19	15
<b>Indian direct loan financing account:</b>							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....	-1	-1	-1	-2			
<b>Outstandings</b> .....	32	31	30	28	28	28	28

Table 8-8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency or Program	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Insular Affairs</b>							
Assistance to territories:							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....	-1	-1	-1	-1	-1	-2	-2
<b>Outstandings</b> .....	19	18	17	16	15	13	11
<b>Department of State</b>							
Administration of Foreign Affairs							
Repatriation loans financing account:							
Obligations .....	1	1	1	1	1	1	1
Loan disbursements .....	1	1	1	1	1	1	1
Change in outstandings .....							
<b>Outstandings</b> .....	4	4	4	4	4	4	4
<b>Department of Transportation</b>							
Office of the Secretary							
Minority business resource center direct loan financing account:							
Obligations .....	7	15	14	14	14	14	14
Loan disbursements .....	6	15	14	14	14	14	14
Change in outstandings .....	-1		-1		-2	-2	-2
<b>Outstandings</b> .....	7	7	6	6	4	2	
Federal Highway Administration							
Orange County (CA) toll road demonstration project direct loan financing account:							
Obligations .....							
Loan disbursements .....		6	13	13	13	13	13
Change in outstandings .....		6	13	13	13	13	13
<b>Outstandings</b> .....		6	19	32	45	58	71
High priority corridors loan financing account:							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....	-37						
<b>Outstandings</b> .....							
Right-of-way revolving fund liquidating account:							
Obligations .....							
Loan disbursements .....	18	20	20	20	3		
Change in outstandings .....	2		-2	-4	-21	-24	-24
<b>Outstandings</b> .....	184	184	182	178	157	133	109
<b>Federal Railroad Administration</b>							
Amtrak corridor improvement loans liquidating account:							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....		-1		-1	-1	-1	
<b>Outstandings</b> .....	6	5	5	4	3	2	2
Amtrak corridor improvement direct loan financing account:							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....	-3						
<b>Outstandings</b> .....							
Direct loan financing account:							
Obligations .....							
Loan disbursements .....	140	140	120				
Change in outstandings .....	140	140	120				
<b>Outstandings</b> .....	140	280	400	400	400	400	400
Railroad rehabilitation and improvement liquidating account:							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....	-14	-4	-4	-4	-5	-4	-4
<b>Outstandings</b> .....	57	53	49	45	40	36	32

Table 8-8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency or Program	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Railroad rehabilitation and improvement direct loan financing account:							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....							
<b>Outstandings</b> .....	4	4	4	4	4	4	4
<b>Department of the Treasury</b>							
Departmental Offices							
Community development financial institutions fund direct loan financing account:							
Obligations .....	7	32	49	49	49	49	49
Loan disbursements .....	4	4	5	6	46	52	54
Change in outstandings .....	4	4	5	6	46	52	54
<b>Outstandings</b> .....	4	8	13	19	65	117	171
<b>Department of Veterans Affairs</b>							
Veterans Benefits Administration							
Veterans Housing Benefit Program Fund Liquidating Account:							
Obligations .....							
Loan disbursements .....	56	52	54	55	57	59	60
Change in outstandings .....	-29	12	13	13	14	14	15
<b>Outstandings</b> .....	420	432	445	458	472	486	501
Veterans Housing Benefit Program Fund Direct Loan Financing Account:							
Obligations .....	1,280	1,891	109	152	124	88	49
Loan disbursements .....	1,280	1,891	109	152	124	88	49
Change in outstandings .....	269	413	-712	-351	-173	-86	-42
<b>Outstandings</b> .....	992	1,405	693	342	169	83	41
Miscellaneous veterans programs loan fund direct loan financing account:							
Obligations .....	5	7	11	13	17	7	3
Loan disbursements .....	5	7	11	13	17	7	3
Change in outstandings .....	2	4	9	11	14	4	
<b>Outstandings</b> .....	15	19	28	39	53	57	57
Miscellaneous veterans programs loan fund liquidating account:							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....	-2		-1				
<b>Outstandings</b> .....	1	1					
<b>Environmental Protection Agency</b>							
Environmental Protection Agency							
Abatement, control, and compliance direct loan liquidating account:							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....	-4	-9	-9	-8	-8	-8	-8
<b>Outstandings</b> .....	85	76	67	59	51	43	35
Abatement, control, and compliance direct loan financing account:							
Obligations .....							
Loan disbursements .....	5	4	2				
Change in outstandings .....		-1	-3	-5	-5	-5	-5
<b>Outstandings</b> .....	65	64	61	56	51	46	41
<b>Federal Emergency Management Agency</b>							
Federal Emergency Management Agency							
Disaster assistance direct loan liquidating account:							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....	-22					-3	-4
<b>Outstandings</b> .....	37	37	37	37	37	34	30
Disaster assistance direct loan financing account:							
Obligations .....		31	25	25	25	25	25
Loan disbursements .....	48	45	50	25	25	25	25
Change in outstandings .....	-15	42	48	15	8	-2	-6
<b>Outstandings</b> .....	127	169	217	232	240	238	232

Table 8-8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency or Program	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>International Assistance Programs</b>							
International Security Assistance							
Foreign military loan liquidating account:							
Obligations .....							
Loan disbursements .....	14	9	8	8	7	7	7
Change in outstandings .....	-867	-841	-626	-494	-432	-379	-296
<b>Outstandings</b> .....	6,154	5,313	4,687	4,193	3,761	3,382	3,086
Foreign military financing direct loan financing account:							
Obligations .....	298	200	167	167	167	167	167
Loan disbursements .....	376	471	543	592	615	263	167
Change in outstandings .....	353	251	221	217	182	-240	-367
<b>Outstandings</b> .....	1,451	1,702	1,923	2,140	2,322	2,082	1,715
Military debt reduction financing account:							
Obligations .....	3	18	4				
Loan disbursements .....	3	14	1				
Change in outstandings .....	3	14	1				
<b>Outstandings</b> .....	3	17	18	18	18	18	18
Multilateral Assistance							
International organizations and programs:							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....	-2	-2	-2	-2	-2	-2	-2
<b>Outstandings</b> .....	32	30	28	26	24	22	20
Agency for International Development							
Economic assistance loans—liquidating account:							
Obligations .....							
Loan disbursements .....	10						
Change in outstandings .....	-485	-671	-637	-648	-556	-545	-519
<b>Outstandings</b> .....	12,164	11,493	10,856	10,208	9,652	9,107	8,588
Debt reduction, financing account:							
Obligations .....							
Loan disbursements .....		69	89	199			
Change in outstandings .....	-57	12	32	142	-57	-57	-15
<b>Outstandings</b> .....	339	351	383	525	468	411	396
Microenterprise and small enterprise development credit direct loan financing account:							
Obligations .....							
Loan disbursements .....		1					
Change in outstandings .....							
<b>Outstandings</b> .....	2	2	2	2	2	2	2
Overseas Private Investment Corporation							
Overseas Private Investment Corporation liquidating account:							
Obligations .....							
Loan disbursements .....	3						
Change in outstandings .....	-16	-13	-8	-7	-4	-3	
<b>Outstandings</b> .....	37	24	16	9	5	2	2
Overseas private investment corporation direct loan financing account:							
Obligations .....	133	133	133	133	133	133	133
Loan disbursements .....	15	41	61	70	80	80	80
Change in outstandings .....	11	36	55	60	65	60	50
<b>Outstandings</b> .....	83	119	174	234	299	359	409
<b>Small Business Administration</b>							
Small Business Administration							
Business direct loan financing account:							
Obligations .....	24	19	20	21	21	22	22
Loan disbursements .....	8	13	30	30	30	30	30
Change in outstandings .....	-10	-14	-54	-62	27	27	27
<b>Outstandings</b> .....	151	137	83	21	48	75	102

**Table 8-8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued**  
(in millions of dollars)

Agency or Program	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Disaster direct loan financing account:</b>							
Obligations .....	961	785	1,516	985	951	1,010	1,035
Loan disbursements .....	1,168	744	533	878	902	936	936
Change in outstandings .....	664	136	-511	-7,168			
<b>Outstandings .....</b>	<b>7,891</b>	<b>8,027</b>	<b>7,516</b>	<b>348</b>	<b>348</b>	<b>348</b>	<b>348</b>
<b>Disaster loan fund liquidating account:</b>							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....	-220	-227	-597	-633			
<b>Outstandings .....</b>	<b>1,457</b>	<b>1,230</b>	<b>633</b>				
<b>Business loan fund liquidating account:</b>							
Obligations .....							
Loan disbursements .....	117	90	69				
Change in outstandings .....	-345	-565	-648	-112			
<b>Outstandings .....</b>	<b>1,325</b>	<b>760</b>	<b>112</b>				
<b>Other Independent Agencies</b>							
District of Columbia							
Loans to the District of Columbia for capital projects:							
Obligations .....							
Loan disbursements .....							
Change in outstandings .....	-12	-12	-12	-12	-15		
<b>Outstandings .....</b>	<b>51</b>	<b>39</b>	<b>27</b>	<b>15</b>			
Repayable advances to the District of Columbia direct loan financing account:							
Obligations .....	223						
Loan disbursements .....	223						
Change in outstandings .....	-156	-223					
<b>Outstandings .....</b>	<b>223</b>						
Export-Import Bank of the United States							
Export-Import Bank of the United States liquidating account:							
Obligations .....							
Loan disbursements .....	2						
Change in outstandings .....	-770	-1,038	-738	-1,236	-331	-294	-220
<b>Outstandings .....</b>	<b>6,388</b>	<b>5,350</b>	<b>4,612</b>	<b>3,376</b>	<b>3,045</b>	<b>2,751</b>	<b>2,531</b>
Debt reduction financing account:							
Obligations .....							
Loan disbursements .....		500	234	838			
Change in outstandings .....		500	234	838			
<b>Outstandings .....</b>		<b>500</b>	<b>734</b>	<b>1,572</b>	<b>1,572</b>	<b>1,572</b>	<b>1,572</b>
Export-Import Bank direct loan financing account:							
Obligations .....	1,549	2,780	1,396	1,396	1,396	1,396	1,396
Loan disbursements .....	1,331	1,042	1,113	1,062	1,128	1,197	1,269
Change in outstandings .....	750	673	609	335	245	207	187
<b>Outstandings .....</b>	<b>3,736</b>	<b>4,409</b>	<b>5,018</b>	<b>5,353</b>	<b>5,598</b>	<b>5,805</b>	<b>5,992</b>
Farm Credit System Financial Assistance Corporation							
Financial assistance corporation assistance fund, liquidating account:							
Obligations .....							
Loan disbursements .....	127	125	120	117	117	117	114
Change in outstandings .....	-35	-77	-88	-97	-103	-110	-139
<b>Outstandings .....</b>	<b>1,132</b>	<b>1,055</b>	<b>967</b>	<b>870</b>	<b>767</b>	<b>657</b>	<b>518</b>
Federal Communications Commission							
Spectrum auction direct loan financing account:							
Obligations .....	7,481	713					
Loan disbursements .....	7,481	713					
Change in outstandings .....	6,688	-5,489	-119	-119	-10		
<b>Outstandings .....</b>	<b>6,803</b>	<b>1,314</b>	<b>1,195</b>	<b>1,076</b>	<b>1,066</b>	<b>1,066</b>	<b>1,066</b>

**Table 8-8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued**  
(in millions of dollars)

Agency or Program	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Bank Insurance</b>							
Bank insurance fund:							
Obligations .....							
Loan disbursements .....							
<i>Change in outstandings</i> .....							
<b>Outstandings</b> .....	100	100	100	100	100	100	100
<b>FSLIC Resolution</b>							
FSLIC resolution fund:							
Obligations .....							
Loan disbursements .....							
<i>Change in outstandings</i> .....	-31	-95					
<b>Outstandings</b> .....	95						
<b>National Credit Union Administration</b>							
Community development credit union revolving loan fund:							
Obligations .....							
Loan disbursements .....	2	2	2	2	2	1	1
<i>Change in outstandings</i> .....		-1	-2				
<b>Outstandings</b> .....	6	5	3	3	3	3	3
<b>Tennessee Valley Authority</b>							
Tennessee Valley Authority fund:							
Obligations .....	49	50	38	38	153	172	172
Loan disbursements .....	49	50	38	38	38	33	33
<i>Change in outstandings</i> .....	-109	36	27	23	16	8	8
<b>Outstandings</b> .....	41	77	104	127	143	151	159
<b>Total, Direct loan transactions:</b>							
Obligations .....	33,580	28,079	24,347	28,691	29,022	29,200	29,963
Loan disbursements .....	32,181	31,985	29,832	31,315	30,538	30,216	30,919
<i>Change in outstandings</i> .....	12,715	5,535	7,810	1,921	9,971	8,965	8,829
<b>Outstandings</b> .....	181,375	186,910	194,720	196,641	206,612	215,577	224,406

**Table 8-9. GUARANTEED LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT**  
(in millions of dollars)

Agency or Program	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Department of Agriculture</b>							
Farm Service Agency							
Agricultural credit insurance fund liquidating account:							
Commitments .....							
New guaranteed loans .....	1	1	1				
Change in outstandings .....	-181	-162	-161	-130	-109	-98	-86
<b>Outstandings .....</b>	<b>992</b>	<b>830</b>	<b>669</b>	<b>539</b>	<b>430</b>	<b>332</b>	<b>246</b>
Agricultural credit insurance fund guaranteed loan financing account:							
Commitments .....	1,575	2,331	2,325	2,325	2,325	2,325	2,325
New guaranteed loans .....	1,549	2,254	2,279	2,279	2,279	2,279	2,279
Change in outstandings .....	334	1,046	862	862	862	862	862
<b>Outstandings .....</b>	<b>6,039</b>	<b>7,085</b>	<b>7,947</b>	<b>8,809</b>	<b>9,671</b>	<b>10,533</b>	<b>11,395</b>
Commodity credit corporation export guarantee financing account:							
Commitments .....	3,500	5,000	4,615	4,615	4,615	4,615	4,615
New guaranteed loans .....	2,411	5,000	4,615	4,615	4,615	4,615	4,615
Change in outstandings .....	-775	1,439	349	-177	14	3	-1
<b>Outstandings .....</b>	<b>4,548</b>	<b>5,987</b>	<b>6,336</b>	<b>6,159</b>	<b>6,173</b>	<b>6,176</b>	<b>6,175</b>
Commodity credit corporation guaranteed loans liquidating account:							
Commitments .....							
New guaranteed loans .....							
Change in outstandings .....	-75	-16					
<b>Outstandings .....</b>	<b>16</b>						
Natural Resources Conservation Service							
Agricultural resource conservation demonstration guaranteed loan financing account:							
Commitments .....							
New guaranteed loans .....							
Change in outstandings .....							
<b>Outstandings .....</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>17</b>
Rural Utilities Service							
Rural communication development fund liquidating account:							
Commitments .....							
New guaranteed loans .....							
Change in outstandings .....		-1					
<b>Outstandings .....</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
Rural development insurance fund liquidating account:							
Commitments .....							
New guaranteed loans .....	3						
Change in outstandings .....	-125	-82	-54	-44	-36	-31	-24
<b>Outstandings .....</b>	<b>375</b>	<b>293</b>	<b>239</b>	<b>195</b>	<b>159</b>	<b>128</b>	<b>104</b>
Rural water and waste water disposal guaranteed loans financing account:							
Commitments .....	3	75	75	75	75	75	75
New guaranteed loans .....		24	26	78	53	75	75
Change in outstandings .....	-1	23	25	76	48	68	66
<b>Outstandings .....</b>	<b>7</b>	<b>30</b>	<b>55</b>	<b>131</b>	<b>179</b>	<b>247</b>	<b>313</b>
Rural electrification and telecommunications liquidating account:							
Commitments .....							
New guaranteed loans .....							
Change in outstandings .....	-25	-20	-20	-20	-20	-20	-20
<b>Outstandings .....</b>	<b>642</b>	<b>622</b>	<b>602</b>	<b>582</b>	<b>562</b>	<b>542</b>	<b>522</b>
Rural Housing Service							
Rural housing insurance fund liquidating account:							
Commitments .....							
New guaranteed loans .....							
Change in outstandings .....	-2	-2	-1	-2	-1	-2	-1
<b>Outstandings .....</b>	<b>30</b>	<b>28</b>	<b>27</b>	<b>25</b>	<b>24</b>	<b>22</b>	<b>21</b>
Rural housing insurance fund guaranteed loan financing account:							
Commitments .....	2,028	3,020	3,250	3,150	3,150	3,150	3,150
New guaranteed loans .....	1,690	2,888	3,026	3,127	3,139	3,138	3,139
Change in outstandings .....	1,536	2,638	2,711	2,698	2,583	2,438	2,280
<b>Outstandings .....</b>	<b>5,039</b>	<b>7,677</b>	<b>10,388</b>	<b>13,086</b>	<b>15,669</b>	<b>18,107</b>	<b>20,387</b>

**Table 8-9. GUARANTEED LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued**  
(in millions of dollars)

Agency or Program	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Rural community facility guaranteed loans financing account:</b>							
Commitments .....	83	153	210	210	210	210	210
New guaranteed loans .....	32	67	107	124	173	196	210
Change in outstandings .....	27	61	97	109	152	167	171
<b>Outstandings</b> .....	<b>121</b>	<b>182</b>	<b>279</b>	<b>388</b>	<b>540</b>	<b>707</b>	<b>878</b>
Rural Business—Cooperative Service							
<b>Rural business and industry guaranteed loans financing account:</b>							
Commitments .....	816	1,075	1,000	1,000	1,000	1,000	1,000
New guaranteed loans .....	666	711	813	771	763	766	750
Change in outstandings .....	578	550	593	489	434	392	334
<b>Outstandings</b> .....	<b>1,306</b>	<b>1,856</b>	<b>2,449</b>	<b>2,938</b>	<b>3,372</b>	<b>3,764</b>	<b>4,098</b>
<b>Department of Commerce</b>							
Economic Development Administration							
<b>Economic development revolving fund liquidating account:</b>							
Commitments .....							
New guaranteed loans .....							
Change in outstandings .....	-1	-1	-1	-1	-1	-1	-1
<b>Outstandings</b> .....	<b>14</b>	<b>13</b>	<b>12</b>	<b>11</b>	<b>10</b>	<b>9</b>	<b>8</b>
National Oceanic and Atmospheric Administration							
<b>Fishing vessel obligations guarantees financing account:</b>							
Commitments .....							
New guaranteed loans .....	23	20					
Change in outstandings .....	15	11	-9	-9	-9	-9	-9
<b>Outstandings</b> .....	<b>94</b>	<b>105</b>	<b>96</b>	<b>87</b>	<b>78</b>	<b>69</b>	<b>60</b>
<b>Federal ship financing fund, fishing vessels liquidating account:</b>							
Commitments .....							
New guaranteed loans .....							
Change in outstandings .....	-22	-13	-12	-10	-9	-8	-8
<b>Outstandings</b> .....	<b>85</b>	<b>72</b>	<b>60</b>	<b>50</b>	<b>41</b>	<b>33</b>	<b>25</b>
<b>Department of Defense—Military</b>							
Procurement							
<b>Defense export loan guarantee financing account:</b>							
Commitments .....	20	250	250	250	250	250	250
New guaranteed loans .....		20	75	150	250	250	250
Change in outstandings .....		20	71	146	246	218	190
<b>Outstandings</b> .....		<b>20</b>	<b>91</b>	<b>237</b>	<b>483</b>	<b>701</b>	<b>891</b>
Family Housing							
<b>Department of Defense, Family Housing Improvement, Guaranteed Loan Financing Account:</b>							
Commitments .....		186		200	1,175	682	1,396
New guaranteed loans .....			101	66	986	914	955
Change in outstandings .....			101	56	966	884	915
<b>Outstandings</b> .....			<b>101</b>	<b>157</b>	<b>1,123</b>	<b>2,007</b>	<b>2,922</b>
<b>Department of Education</b>							
Office of Postsecondary Education							
<b>Federal family education loan liquidating account:</b>							
Commitments .....							
New guaranteed loans .....							
Change in outstandings .....	-6,743	-5,888	-5,548	-4,073	-2,726	-1,654	-924
<b>Outstandings</b> .....	<b>23,583</b>	<b>17,695</b>	<b>12,147</b>	<b>8,074</b>	<b>5,348</b>	<b>3,694</b>	<b>2,770</b>
<b>Federal family education loan program, financing account:</b>							
Commitments .....	24,832	26,820	28,671	30,380	32,031	33,755	35,560
New guaranteed loans .....	19,542	25,051	25,686	27,293	28,829	30,387	32,019
Change in outstandings .....	16,715	22,276	22,112	22,412	22,055	21,157	19,834
<b>Outstandings</b> .....	<b>75,387</b>	<b>97,663</b>	<b>119,775</b>	<b>142,187</b>	<b>164,242</b>	<b>185,399</b>	<b>205,233</b>
<b>Historically Black College and University Capital financing—Financing account:</b>							
Commitments .....							
New guaranteed loans .....		1	4	8	12	15	16
Change in outstandings .....		1	4	8	12	15	16
<b>Outstandings</b> .....		<b>1</b>	<b>5</b>	<b>13</b>	<b>25</b>	<b>40</b>	<b>56</b>



Table 8-9. GUARANTEED LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency or Program	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Department of Health and Human Services</b>							
Health Resources and Services Administration							
Health education assistance loans:							
Commitments .....	140	85					
New guaranteed loans .....	140	85					
Change in outstandings .....	128	74	-16	-21	-26	-31	-33
<b>Outstandings</b> .....	<b>1,494</b>	<b>1,568</b>	<b>1,552</b>	<b>1,531</b>	<b>1,505</b>	<b>1,474</b>	<b>1,441</b>
Health education assistance loans program:							
Commitments .....							
New guaranteed loans .....							
Change in outstandings .....	-84	-88	-99	-104	-108	-114	-119
<b>Outstandings</b> .....	<b>1,475</b>	<b>1,387</b>	<b>1,288</b>	<b>1,184</b>	<b>1,076</b>	<b>962</b>	<b>843</b>
Health center guaranteed loan financing account:							
Commitments .....		160					
New guaranteed loans .....		67	74	13	6		
Change in outstandings .....		67	71	9	1	-5	-6
<b>Outstandings</b> .....		<b>67</b>	<b>138</b>	<b>147</b>	<b>148</b>	<b>143</b>	<b>137</b>
Medical facilities guarantee and loan fund:							
Commitments .....							
New guaranteed loans .....							
Change in outstandings .....	-46	-44	-40	-30	-28		
<b>Outstandings</b> .....	<b>142</b>	<b>98</b>	<b>58</b>	<b>28</b>			
<b>Department of Housing and Urban Development</b>							
Public and Indian Housing Programs							
Low-rent public housing—loans and other expenses:							
Commitments .....							
New guaranteed loans .....							
Change in outstandings .....	-275	-280	-280	-280	-280	-280	-280
<b>Outstandings</b> .....	<b>3,586</b>	<b>3,306</b>	<b>3,026</b>	<b>2,746</b>	<b>2,466</b>	<b>2,186</b>	<b>1,906</b>
Indian housing loan guarantee fund financing account:							
Commitments .....	47	62	69	34	34	34	34
New guaranteed loans .....	11	20	34	40	40	40	40
Change in outstandings .....	11	20	34	40	40	40	40
<b>Outstandings</b> .....	<b>17</b>	<b>37</b>	<b>71</b>	<b>111</b>	<b>151</b>	<b>191</b>	<b>231</b>
Title VI Indian Federal guarantees financing account:							
Commitments .....		45	44				
New guaranteed loans .....		11	11	22	33	12	
Change in outstandings .....		11	11	22	33	12	
<b>Outstandings</b> .....		<b>11</b>	<b>22</b>	<b>44</b>	<b>77</b>	<b>89</b>	<b>89</b>
Community Planning and Development							
Revolving fund (liquidating programs):							
Commitments .....							
New guaranteed loans .....							
Change in outstandings .....	-1	-1	-1				
<b>Outstandings</b> .....	<b>2</b>	<b>1</b>					
Community development loan guarantees financing account:							
Commitments .....	278	1,261	1,261	1,217	1,217	1,217	1,261
New guaranteed loans .....	189	1,000	1,000	1,000	1,200	1,250	1,250
Change in outstandings .....	142	865	800	800	950	950	950
<b>Outstandings</b> .....	<b>775</b>	<b>1,640</b>	<b>2,440</b>	<b>3,240</b>	<b>4,190</b>	<b>5,140</b>	<b>6,090</b>
Community development loan guarantees liquidating account:							
Commitments .....							
New guaranteed loans .....		10	10	7	5		
Change in outstandings .....	-45	-23	-20	-18	-20	-20	-20
<b>Outstandings</b> .....	<b>198</b>	<b>175</b>	<b>155</b>	<b>137</b>	<b>117</b>	<b>97</b>	<b>77</b>
Home loan guarantee financing account:							
Commitments .....			100	100			
New guaranteed loans .....			27	82	72	19	
Change in outstandings .....			27	72	62	4	-15
<b>Outstandings</b> .....			<b>27</b>	<b>99</b>	<b>161</b>	<b>165</b>	<b>150</b>

**Table 8-9. GUARANTEED LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued**  
(in millions of dollars)

Agency or Program	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Housing Programs</b>							
FHA-Mutual mortgage and cooperative housing insurance funds liquidating account:							
Commitments .....							
New guaranteed loans .....							
Change in outstandings .....	-14,404	-6,362	-5,655	-5,607	-4,924	-4,486	-4,171
<b>Outstandings</b> .....	<b>87,755</b>	<b>81,393</b>	<b>75,738</b>	<b>70,131</b>	<b>65,207</b>	<b>60,721</b>	<b>56,550</b>
FHA-General and special risk insurance funds liquidating account:							
Commitments .....							
New guaranteed loans .....							
Change in outstandings .....	-6,018	-2,715	-4,088	-3,439	-2,769	-2,928	-2,638
<b>Outstandings</b> .....	<b>42,405</b>	<b>39,690</b>	<b>35,602</b>	<b>32,163</b>	<b>29,394</b>	<b>26,466</b>	<b>23,828</b>
FHA-General and special risk guaranteed loan financing account:							
Commitments .....	13,318	16,648	17,100	18,100	18,100	18,100	18,100
New guaranteed loans .....	12,677	14,323	14,416	14,073	13,805	12,331	13,480
Change in outstandings .....	5,344	9,999	10,495	8,768	8,207	6,576	7,578
<b>Outstandings</b> .....	<b>45,663</b>	<b>55,662</b>	<b>66,157</b>	<b>74,925</b>	<b>83,132</b>	<b>89,708</b>	<b>97,286</b>
FHA-Loan guarantee recovery fund—financing account:							
Commitments .....		10					
New guaranteed loans .....		3	3	3	1		
Change in outstandings .....		3	3	3	1		
<b>Outstandings</b> .....		<b>3</b>	<b>6</b>	<b>9</b>	<b>10</b>	<b>10</b>	<b>10</b>
FHA-Mutual mortgage insurance guaranteed loan financing account:							
Commitments .....	75,432	82,260	98,031	97,753	97,513	97,237	96,958
New guaranteed loans .....	61,175	58,613	67,222	68,315	69,369	70,473	71,590
Change in outstandings .....	37,459	46,068	47,746	43,227	39,485	38,358	54,163
<b>Outstandings</b> .....	<b>272,750</b>	<b>318,818</b>	<b>366,564</b>	<b>409,791</b>	<b>449,276</b>	<b>487,634</b>	<b>541,797</b>
<b>Government National Mortgage Association</b>							
Guarantees of mortgage-backed securities liquidating account:							
Commitments .....							
New guaranteed loans .....	97,569						
Change in outstandings .....	32,609	-439,725	-82,607	-7,373	-322	-14	
<b>Outstandings</b> .....	<b>530,042</b>	<b>90,317</b>	<b>7,710</b>	<b>337</b>	<b>15</b>	<b>1</b>	<b>1</b>
Guarantees of mortgage-backed securities financing account:							
Commitments .....	110,000	130,000	150,000	150,000	150,000	150,000	150,000
New guaranteed loans .....		107,472	108,658	110,772	111,853	112,522	114,285
Change in outstandings .....		468,737	108,369	31,308	62,387	27,840	31,525
<b>Outstandings</b> .....		<b>468,737</b>	<b>577,106</b>	<b>608,414</b>	<b>670,801</b>	<b>698,641</b>	<b>730,166</b>
<b>Department of the Interior</b>							
Bureau of Indian Affairs							
Indian loan guaranty and insurance fund liquidating account:							
Commitments .....							
New guaranteed loans .....							
Change in outstandings .....	-31	-20	-13	-8	-6	-4	-2
<b>Outstandings</b> .....	<b>57</b>	<b>37</b>	<b>24</b>	<b>16</b>	<b>10</b>	<b>6</b>	<b>4</b>
Indian guaranteed loan financing account:							
Commitments .....	35	35	56	35	35	35	35
New guaranteed loans .....	6	16	20	25	35	35	35
Change in outstandings .....	-44	-1	2	2	10		-5
<b>Outstandings</b> .....	<b>102</b>	<b>101</b>	<b>103</b>	<b>105</b>	<b>115</b>	<b>115</b>	<b>110</b>
<b>Department of Transportation</b>							
Maritime Administration							
Federal ship financing fund liquidating account:							
Commitments .....							
New guaranteed loans .....							
Change in outstandings .....	-154	-154	-124	-104	-84	-84	-84
<b>Outstandings</b> .....	<b>677</b>	<b>523</b>	<b>399</b>	<b>295</b>	<b>211</b>	<b>127</b>	<b>43</b>

**Table 8-9. GUARANTEED LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued**  
(in millions of dollars)

Agency or Program	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Maritime guaranteed loan (Title XI) financing account:</b>							
Commitments .....	330	477	520	320	320	320	320
New guaranteed loans .....	319	477	477	477	477	477	477
Change in outstandings .....	242	299	271	242	213	185	185
<b>Outstandings .....</b>	<b>2,006</b>	<b>2,305</b>	<b>2,576</b>	<b>2,818</b>	<b>3,031</b>	<b>3,216</b>	<b>3,401</b>
<b>Department of Veterans Affairs</b>							
Veterans Benefits Administration							
<b>Veterans Housing Benefit Program Fund Liquidating Account:</b>							
Commitments .....							
New guaranteed loans .....							
Change in outstandings .....	-835	-838	-741	-657	-584	-528	-478
<b>Outstandings .....</b>	<b>23,896</b>	<b>23,058</b>	<b>22,317</b>	<b>21,660</b>	<b>21,076</b>	<b>20,548</b>	<b>20,070</b>
<b>Veterans Housing Benefit Program Fund Guaranteed Loan Financing Account:</b>							
Commitments .....	24,287	24,844	23,440	22,895	23,399	22,786	23,287
New guaranteed loans .....	24,287	24,844	23,440	22,895	23,399	22,786	23,287
Change in outstandings .....	16,543	14,928	12,627	11,308	11,215	10,035	10,000
<b>Outstandings .....</b>	<b>146,574</b>	<b>161,502</b>	<b>174,129</b>	<b>185,437</b>	<b>196,652</b>	<b>206,687</b>	<b>216,687</b>
<b>International Assistance Programs</b>							
International Security Assistance							
<b>Foreign military loan liquidating account:</b>							
Commitments .....							
New guaranteed loans .....							
Change in outstandings .....	-438	-388	-380	-373	-357	-350	-349
<b>Outstandings .....</b>	<b>5,691</b>	<b>5,303</b>	<b>4,923</b>	<b>4,550</b>	<b>4,193</b>	<b>3,843</b>	<b>3,494</b>
Agency for International Development							
<b>Loan guarantees to Israel financing account:</b>							
Commitments .....	2,000						
New guaranteed loans .....	1,250	1,412					
Change in outstandings .....	1,250	1,412					
<b>Outstandings .....</b>	<b>7,814</b>	<b>9,226</b>	<b>9,226</b>	<b>9,226</b>	<b>9,226</b>	<b>9,226</b>	<b>9,226</b>
<b>Development credit authority guaranteed loan financing account:</b>							
Commitments .....		36	214	155	155	155	155
New guaranteed loans .....			94	130	155	155	155
Change in outstandings .....			94	130	154	154	153
<b>Outstandings .....</b>			<b>94</b>	<b>224</b>	<b>378</b>	<b>532</b>	<b>685</b>
<b>Housing and other credit guaranty programs liquidating account:</b>							
Commitments .....							
New guaranteed loans .....	41	29					
Change in outstandings .....	-66	-98	-116	-121	-108	-105	-105
<b>Outstandings .....</b>	<b>1,884</b>	<b>1,786</b>	<b>1,670</b>	<b>1,549</b>	<b>1,441</b>	<b>1,336</b>	<b>1,231</b>
<b>Private sector revolving fund liquidating account:</b>							
Commitments .....							
New guaranteed loans .....							
Change in outstandings .....	-8	-8					
<b>Outstandings .....</b>	<b>8</b>						
<b>Microenterprise and small enterprise development guaranteed loan financing account:</b>							
Commitments .....	96	69	46	47	48	49	50
New guaranteed loans .....	6	33	36	46	46	47	48
Change in outstandings .....	6	31	15	40	29	32	1
<b>Outstandings .....</b>	<b>32</b>	<b>63</b>	<b>78</b>	<b>118</b>	<b>147</b>	<b>179</b>	<b>180</b>
<b>Urban and environmental credit guaranteed loan financing account:</b>							
Commitments .....	43	31	68	71	91	102	114
New guaranteed loans .....	104	150	65	35	54	65	81
Change in outstandings .....	104	150	65	35	54	65	81
<b>Outstandings .....</b>	<b>343</b>	<b>493</b>	<b>558</b>	<b>593</b>	<b>647</b>	<b>712</b>	<b>793</b>
<b>Assistance for the New Independent States of the Former Soviet Union: Ukraine export credit insurance financing account:</b>							
Commitments .....							
New guaranteed loans .....	61						
Change in outstandings .....	61	-81	-61				
<b>Outstandings .....</b>	<b>142</b>	<b>61</b>					

**Table 8-9. GUARANTEED LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued**  
(in millions of dollars)

Agency or Program	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Overseas Private Investment Corporation</b>							
Overseas Private Investment Corporation liquidating account:							
Commitments .....							
New guaranteed loans .....	20						
Change in outstandings .....	-75	-75	-56	-10			
<b>Outstandings</b> .....	141	66	10				
Overseas private investment corporation guaranteed loan financing account:							
Commitments .....	2,143	1,800	2,000	2,000	2,000	2,000	2,000
New guaranteed loans .....	857	1,100	1,300	1,500	1,800	2,000	2,000
Change in outstandings .....	646	700	800	800	1,000	1,000	800
<b>Outstandings</b> .....	1,981	2,681	3,481	4,281	5,281	6,281	7,081
<b>Small Business Administration</b>							
Small Business Administration							
Pollution control equipment fund liquidating account:							
Commitments .....							
New guaranteed loans .....							
Change in outstandings .....	-10	-11	-11	-11	-11	-10	-10
<b>Outstandings</b> .....	76	65	54	43	32	22	12
Business guaranteed loan financing account:							
Commitments .....	10,641	11,887	11,660	11,660	11,660	11,660	11,660
New guaranteed loans .....	6,955	7,143	7,336	7,534	7,738	7,947	7,947
Change in outstandings .....	3,822	3,926	4,032	4,142	4,253	4,368	4,368
<b>Outstandings</b> .....	28,452	32,378	36,410	40,552	44,805	49,173	53,541
Business loan fund liquidating account:							
Commitments .....							
New guaranteed loans .....	1	1	1	1	1	1	1
Change in outstandings .....	-1,042	-850	-698	-579	-33	-23	-23
<b>Outstandings</b> .....	5,341	4,491	3,793	3,214	3,181	3,158	3,135
<b>Other Independent Agencies</b>							
Export-Import Bank of the United States							
Export-Import Bank of the United States liquidating account:							
Commitments .....							
New guaranteed loans .....	13						
Change in outstandings .....	-833	-616	-445	-375	-315	-246	-177
<b>Outstandings</b> .....	2,368	1,752	1,307	932	617	371	194
Export-Import Bank guaranteed loan financing account:							
Commitments .....	10,610	15,413	15,413	15,413	15,413	15,413	15,413
New guaranteed loans .....	10,670	10,102	10,693	11,036	11,302	11,600	11,600
Change in outstandings .....	5,159	329	23	-240	-711	-918	-918
<b>Outstandings</b> .....	19,743	20,072	20,095	19,855	19,144	18,226	17,308
National Credit Union Administration							
Credit union share insurance fund:							
Commitments .....	1						
New guaranteed loans .....							
Change in outstandings .....		-1					
<b>Outstandings</b> .....	1						
<b>Subtotal, Guaranteed loans (gross)</b>							
Commitments .....	282,258	324,033	360,418	362,005	364,816	365,170	367,968
New guaranteed loans .....	242,268	262,948	271,650	276,517	282,490	284,395	290,584
Change in outstandings .....	90,372	117,120	111,153	103,988	141,869	103,854	124,005
<b>Outstandings</b> .....	1,351,933	1,469,053	1,580,206	1,684,194	1,826,063	1,929,917	2,053,922
<b>Less, secondary guaranteed loans:<sup>1</sup></b>							
GNMA guarantees of RHS/VA/FHA pools:							
Commitments .....	-110,000	-130,000	-150,000	-150,000	-150,000	-150,000	-150,000
New guaranteed loans .....	-97,569	-107,472	-108,658	-110,772	-111,853	-112,522	-114,285
Change in outstandings .....	-32,609	-29,012	-25,762	-23,935	-62,065	-27,826	
<b>Outstandings</b> .....	-530,042	-559,054	-584,816	-608,751	-670,816	-698,642	-730,167

**Table 8-9. GUARANTEED LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued**  
(in millions of dollars)

Agency or Program	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Total, primary guaranteed loans:<sup>2</sup></b>							
Commitments .....	172,258	194,033	210,418	212,005	214,816	215,170	217,968
New guaranteed loans .....	144,699	155,476	162,992	165,745	170,637	171,873	176,299
Change in outstandings .....	57,763	88,108	85,391	80,053	79,804	76,028	92,480
<b>Outstandings .....</b>	<b>821,891</b>	<b>909,999</b>	<b>995,390</b>	<b>1,075,443</b>	<b>1,155,247</b>	<b>1,231,275</b>	<b>1,323,755</b>

<sup>1</sup> Loans guaranteed by FHA, VA, or RHS are included above. GNMA places a secondary guarantee on these loans, so they are deducted here to avoid double counting.

<sup>2</sup> When guaranteed loans result in loans receivable, they are shown in the direct loan table.

Table 8-10. LENDING AND BORROWING BY GOVERNMENT-SPONSORED ENTERPRISES (GSEs) <sup>1</sup>

(In millions of dollars)

Enterprise		1997 actual	Estimate	
			1998	1999
Student Loan Marketing Association	New transactions	10,019	8,224	8,106
	Net change	-3,132	-5,402	-4,442
	Outstandings	34,259	28,857	24,415
Federal National Mortgage Association:				
Portfolio Programs	New transactions	60,290	79,623	87,093
	Net change	28,674	44,319	42,238
	Outstandings	321,711	366,030	408,268
Mortgage-backed securities	New transactions	133,703	207,272	156,883
	Net change	22,189	110,611	59,420
	Outstandings	566,942	677,553	736,973
Federal Home Loan Mortgage Corporation:				
Portfolio Programs	New transactions	36,040	39,644	43,608
	Net change	27,738	33,683	40,902
	Outstandings	157,165	190,848	231,750
Mortgage-backed securities	New transactions	103,600	106,708	109,909
	Net change	-1,295	-1,291	-1,287
	Outstandings	470,015	468,724	467,437
Farm Credit System:				
Banks for cooperatives	New transactions	14,941	15,523	16,026
	Net change	-196	39	74
	Outstandings	2,026	2,065	2,139
Farm Credit Banks	New transactions	43,441	38,985	40,492
	Net change	1,809	1,396	1,510
	Outstandings	41,025	42,421	43,931
Agricultural Credit Banks	New transactions	40,668	48,000	49,000
	Net change	47	749	898
	Outstandings	14,961	15,710	16,608
Federal Agricultural Mortgage Corporation	New transactions	302	528	924
	Net change	216	394	711
	Outstandings	814	1,208	1,919
Federal home loan banks <sup>2</sup>	New transactions	980	1,039	1,107
	Net change	28,698	11,000	11,000
	Outstandings	182,000	193,000	204,000
Subtotal, lending (gross)	New transactions	443,984	545,546	513,148
	Net change	104,748	195,498	151,024
	Outstandings	1,790,918	1,986,416	2,137,440
Less guaranteed loans purchased by:				
Student Loan Marketing Association <sup>3</sup>	Net change	-3,132	-5,402	-4,442
	Outstandings	34,259	28,857	24,415
Federal National Mortgage Association	Net change	1,168		
	Outstandings	26,614	26,614	26,614
Other	Net change	-1,219		
	Outstandings	15,659	15,659	15,659
Total GSE lending (net)	New transactions	443,984	545,546	513,148
	Net change	107,931	200,900	155,466
	Outstandings	1,714,386	1,915,286	2,070,752
<b>BORROWING</b>				
Student Loan Marketing Association	Net change	-5,022	-7,588	-6,060
	Outstandings	40,230	32,642	26,582
Federal National Mortgage Association	Net change	61,039	153,824	105,088
	Outstandings	924,945	1,078,769	1,183,857
Federal Home Loan Mortgage Corporation	Net change	11,802	29,506	51,203
	Outstandings	630,066	659,572	710,775
Farm Credit System:				
Banks for cooperatives	Net change	-269	13	77
	Outstandings	2,067	2,080	2,157
Farm credit banks	Net change	1,647	1,354	1,300
	Outstandings	43,588	44,942	46,242
Agricultural credit banks	Net change	523	494	890
	Outstandings	16,469	16,963	17,853
Federal Agricultural Mortgage Corporation	Net change	967	409	662
	Outstandings	1,699	2,108	2,770
Federal home loan banks	Net change	41,012	15,165	15,247
	Outstandings	284,545	299,710	314,957
The Financing Corporation <sup>3</sup>	Net change	2	1	1
	Outstandings	8,144	8,145	8,146
Resolution Funding Corporation <sup>3</sup>	Net change	-2	-3	-2
	Outstandings	30,072	30,069	30,067
Subtotal, borrowing (gross)	Net change	111,699	193,175	168,406
	Outstandings	1,981,825	2,175,000	2,343,406
Less borrowing from other GSEs	Net change	354		
	Outstandings	51,159	51,159	51,159
Less purchase of Federal debt securities:	Net change	800	451	627
	Outstandings	9,008	9,459	10,086
Less borrowing to purchase guaranteed loans by:				
Student Loan Marketing Association <sup>4</sup>	Net change	-3,132	-5,402	-4,442

**Table 8-10. LENDING AND BORROWING BY GOVERNMENT-SPONSORED ENTERPRISES (GSEs)<sup>1</sup>—Continued**  
(In millions of dollars)

Enterprise		1997 actual	Estimate	
			1998	1999
Federal National Mortgage Association .....	Outstandings .....	34,259	28,857	24,415
	Net change .....	1,168	.....	.....
Other .....	Outstandings .....	26,614	26,614	26,614
	Net change .....	-1,219	.....	.....
Total GSE borrowing (net) .....	Outstandings .....	15,659	15,659	15,659
	Net change .....	113,728	198,126	172,221
	Outstandings .....	1,845,126	2,043,252	2,215,473

<sup>1</sup>The estimates of borrowing and lending were developed by the GSEs based on certain assumptions but are subject to periodic review and revision and do not represent official 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.

<sup>2</sup>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 1997 was \$136 billion.

<sup>3</sup>The change in debt outstanding is due solely to the amortization of discounts and premiums. No sale or redemption of debt securities is estimated to occur in 1998 or 1999.

<sup>4</sup>All SLMA loans acquired are guaranteed by the Federal Government and therefore also counted as guaranteed loans.





## 9. AID TO STATE AND LOCAL GOVERNMENTS <sup>1</sup>

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 \$234.2 billion in 1997 and are estimated to increase to \$250.9 billion in 1998 and \$271.3 billion in 1999.

Grant outlays for payments for individuals, such as Medicaid, are estimated to be 61 percent of total grants in 1999; for physical capital investment, 16 percent; and for all other purposes, largely education, training, and social services, 22 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 \$70.5 billion in 1998 and \$73.2 billion in 1999. 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 provi-

sions, 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	1997 actual	Estimate	
		1998	1999
Department of Agriculture .....	17.9	19.1	19.3
Department of Commerce .....	0.5	0.5	0.5
Department of Education .....	16.5	16.9	19.8
Department of Energy .....	0.2	0.2	0.2
Department of Health and Human Services .....	130.7	140.9	152.0
Department of Housing and Urban Development .....	22.3	24.2	24.5
Department of the Interior .....	2.0	2.2	2.0
Department of Justice .....	2.7	3.2	4.5
Department of Labor .....	7.0	8.0	8.8
Department of Transportation .....	26.8	27.7	28.4
Department of the Treasury .....	0.4	0.4	3.8
Department of Veterans Affairs .....	0.3	0.3	0.3
Environmental Protection Agency .....	2.9	2.7	3.1
Federal Emergency Management Agency .....	2.2	2.8	2.6
Other agencies .....	1.7	1.8	1.5
<b>Total .....</b>	<b>234.2</b>	<b>250.9</b>	<b>271.3</b>

Table 9-1 shows the distribution of grants by agency. Grant outlays for the Department of Health and Human Services are estimated to be \$152.0 billion in 1999, 56 percent of total grants, much more than 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 successfully implement welfare reform, new initiatives to improve educational facilities, and set new standards for educational achievement. Additional in-

<sup>1</sup>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.

formation 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 \$107.7 billion in 1999. To promote program integrity in Medicaid, the Administration is considering an incentive project that encourages States to measure errors and fraud in State Medicaid programs and develop performance measures. These projects would help States identify problem areas in their Medicaid programs, target program integrity resources more effectively, and measure the success of their efforts to reduce errors and combat fraud.

As part of the new Children's Health Insurance Program that was enacted in the Balanced Budget Act of 1997, the budget proposes to allow school and child care center staff to enroll children into Medicaid temporarily on the presumption that they are eligible. This proposal also would enable Medicaid to cover the costs related to providing this temporary coverage, rather than force States to cover the costs from their CHIP allotment. In addition, the budget proposes to expand the use of a special \$500 million Medicaid fund, now aimed at outreach for children losing welfare, to fund outreach to all children. Finally, the budget would also enable states to provide Medicaid and CHIP assistance to legal immigrant children who entered the United States after the President signed the 1996 welfare law.

*Other Health.*—The new Children's Health Insurance Program that was enacted in the Balanced Budget Act of 1997 will help extend health insurance coverage to as many as 5 million uninsured children. The budget includes \$1.8 billion in outlays for grants to States to provide health insurance coverage to eligible low-income children and \$34 million in increased funding for Puerto Rico and the other four territories. Because States have the option to expand children's health insurance coverage through the State grant program, through Medicaid or through a combination of the two, the Medicaid outlays described above include \$1.2 billion for CHIP expenditures.

The Budget also assumes that a portion of receipts from tobacco legislation would support the kind of activities recommended by States' Attorneys General and supported by the President, such as grants to states, cessation programs, assistance to farmers and other state public health programs. Funding for these activities is shown in the general government function.

*Education.*—This Budget includes \$7.9 billion in outlays for Title I of the Elementary and Secondary Education Act to help school provide educational services to over 10 million children in poor communities. Title I provides funds to raise the educational achievement of disadvantaged children. The Budget requests an additional \$3.8 billion over five years to fund Head Start. More than 26,000 regular Head Start slots and 10,000 Early Start slots would be added in 1999 to the roughly 830,000 low-income children who will be served by Head Start in 1998.

*Training.*—The Budget proposes \$1.5 billion to fund the dislocated worker assistance program to provide re-adjustment services, job search assistance, training, and other services to help an estimated 686,000 dislocated workers find new jobs as quickly as possible.

*Welfare-to-work.*—To help reach the Temporary Assistance for Needy Families (TANF) employment goal for welfare recipients, the Budget includes \$3.0 billion in additional targeted funds over 2 years (1998 and 1999) to provide formula and competitive grants to States and local communities in order to give long-term welfare recipients the job placement services, transitional employment, and job retention and support services they need to achieve economic self-sufficiency.

*Transportation.*—The Budget includes more than \$28.3 billion in outlays for transportation grants to States and local governments for 1999. Of this amount grants to maintain and improve surface transportation infrastructure include more than \$22.6 billion in outlays for highways and \$3.8 billion in outlays for mass transit. In addition \$1.6 billion in outlays are proposed for grants to improve the Nation's airports.

*Housing.*—The Budget proposes a second round of funding for Empowerment Zones and Enterprise Communities to stimulate the public-private partnerships needed for large scale job creation. The first round has 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.

*Rural Development.*—The Administration proposes to give States, localities, and Tribes more flexibility in how they use the Department of Agriculture's 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 \$2.9 billion in loans and grants for RCAP, 4 percent more than in 1998, and the full flexibility that the 1996 Farm Bill envisioned.

*Environment.*—The budget proposes \$775 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, \$1.1 billion in capitalization grants are proposed for Clean Water SRFs to help municipalities reduce beach closure and keep waterways safe and clean.

*General Government.*—Federal revenue generated from national forests and other public lands has been shared with States and local governments since the

early 1920's. In some parts of the country, declining or unstable revenue has resulted in varying levels of funds for needed local government programs such as roads and schools. The Budget includes proposals in the Department of Agriculture Forest Service and De-

partment of the Interior to provide stable, guaranteed payments to States and counties that are not directly tied to current revenue generated from public lands, such as from timber sales.

### 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, commerce and housing credit 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 reflected 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 and transportation with combined proposed estimated grant outlays of \$246.5 billion or 91 percent of estimated total grant outlays in 1999.

Section B of the table shows the distribution of grants divided into mandatory and discretionary spending, the major categories in the Budget Enforcement Act (BEA).

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. They are not subject to the annual appropriations process. Outlays for mandatory grant programs are esti-

mated to be \$164.2 billion in 1999. The three largest mandatory grant programs are Medicaid, with proposed outlays of \$107.7 billion in 1999, Temporary Assistance to Needy Families, \$15.9 billion in 1999, and grants for the Food Stamp and Child nutrition programs, with combined outlays of \$12.7 billion in 1999.

The funding level for discretionary grant programs is subject to approval by Congress annually through appropriations acts. Outlays for discretionary grant programs are estimated to be \$108.3 billion in 1999. The three largest discretionary grant programs are Federal-aid for highways (\$20.4 billion in 1999), education for the disadvantaged (\$7.9 billion in 1999), and Head Start and other children and family services programs (\$5.5 billion in 1999). 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.<sup>2</sup> 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. They are projected to remain at a little more than 60 percent of the total for the next several years.

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 \$95.6 billion in 1997, increasing to an estimated \$107.7 billion in 1999. 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

<sup>2</sup> 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.

**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	1996	1997	1998	1999	2000	2001	2002	2003
<b>A. Distribution of grants by function:</b>																
Natural resources and environment .....	0.1	0.2	0.4	2.4	5.4	4.1	3.7	4.1	3.9	4.1	4.2	4.1	4.4	4.4	4.2	4.1
Agriculture .....	0.2	0.5	0.6	0.4	0.6	2.4	1.3	0.8	0.6	0.6	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	26.0	26.8	27.7	28.4	28.7	28.8	29.0	29.1
Community and regional development .....	0.1	0.6	1.8	2.8	6.5	5.2	5.0	7.2	7.9	8.2	9.2	9.0	8.5	7.6	6.7	5.9
Education, training, employment, and social services .....	0.5	1.1	6.4	12.1	21.9	17.8	23.4	34.1	34.0	34.7	36.2	40.0	42.7	43.1	43.7	44.3
Health .....	0.2	0.6	3.8	8.8	15.8	24.5	43.9	93.6	97.7	99.0	105.4	113.7	120.9	129.7	139.0	149.8
Income security .....	2.6	3.5	5.8	9.4	18.5	27.2	35.2	55.1	53.4	55.0	61.2	64.4	67.4	68.9	70.1	71.2
General government .....	0.2	0.2	0.5	7.1	8.6	6.8	2.3	2.2	2.1	2.2	2.3	5.4	5.8	6.4	6.7	7.1
Justice .....	0.0	0.0	0.0	0.7	0.5	0.1	0.6	1.2	1.5	2.8	3.3	4.8	4.5	4.5	4.1	3.6
Other .....	0.0	0.1	0.1	0.2	0.7	0.8	0.8	0.8	0.8	0.7	0.7	0.8	0.8	0.9	0.8	0.9
<b>Total .....</b>	<b>7.0</b>	<b>10.9</b>	<b>24.1</b>	<b>49.8</b>	<b>91.4</b>	<b>105.9</b>	<b>135.3</b>	<b>225.0</b>	<b>227.8</b>	<b>234.2</b>	<b>250.9</b>	<b>271.3</b>	<b>284.3</b>	<b>295.1</b>	<b>304.9</b>	<b>316.6</b>
<b>B. Distribution of Grants by major BEA Category:</b>																
Discretionary .....	NA	2.9	10.1	21.0	53.2	55.5	63.4	94.0	94.0	96.2	101.8	107.0	109.4	109.9	108.0	106.5
Mandatory .....	NA	8.0	13.9	28.8	38.1	50.4	72.0	131.0	133.9	138.0	149.1	164.2	174.8	185.2	196.9	210.1
<b>Total .....</b>	<b>7.0</b>	<b>10.9</b>	<b>24.1</b>	<b>49.8</b>	<b>91.4</b>	<b>105.9</b>	<b>135.3</b>	<b>225.0</b>	<b>227.8</b>	<b>234.2</b>	<b>250.9</b>	<b>271.3</b>	<b>284.3</b>	<b>295.1</b>	<b>304.9</b>	<b>316.6</b>
<b>C. Composition:</b>																
<b>Current dollars:</b>																
Payments for individuals <sup>1</sup> .....	2.5	3.7	8.7	16.8	32.6	49.3	75.7	141.2	142.8	144.2	156.8	166.0	176.1	188.1	198.9	211.2
Physical capital <sup>1</sup> .....	3.3	5.0	7.1	10.9	22.6	24.9	27.2	39.6	40.4	41.5	44.1	44.4	45.3	45.0	43.8	43.2
Other grants .....	1.2	2.2	8.3	22.2	36.2	31.6	32.5	44.2	44.7	48.5	50.1	60.9	62.9	62.0	62.2	62.2
<b>Total .....</b>	<b>7.0</b>	<b>10.9</b>	<b>24.1</b>	<b>49.8</b>	<b>91.4</b>	<b>105.9</b>	<b>135.3</b>	<b>225.0</b>	<b>227.8</b>	<b>234.2</b>	<b>250.9</b>	<b>271.3</b>	<b>284.3</b>	<b>295.1</b>	<b>304.9</b>	<b>316.6</b>
<b>Percentage of total grants:</b>																
Payments for individuals <sup>1</sup> .....	35%	34%	36%	34%	36%	47%	56%	63%	63%	62%	62%	61%	62%	64%	65%	67%
Physical capital <sup>1</sup> .....	47%	46%	29%	22%	25%	24%	20%	18%	18%	18%	18%	16%	16%	15%	14%	14%
Other grants .....	17%	20%	34%	45%	40%	30%	24%	20%	20%	21%	20%	22%	22%	21%	20%	20%
<b>Total .....</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Constant (FY 1992) dollars:</b>																
Payments for individuals <sup>1</sup> .....	10.7	15.1	30.0	43.0	56.7	65.2	81.9	130.6	129.1	127.0	135.2	140.1	145.3	151.8	156.9	162.9
Physical capital <sup>1</sup> .....	15.0	21.3	23.8	22.3	33.6	29.5	28.0	36.7	36.5	36.6	38.1	37.4	37.3	36.2	34.3	33.0
Other grants .....	7.6	11.9	33.1	61.3	65.4	40.9	34.9	40.9	39.9	42.2	42.7	50.7	51.2	49.2	48.1	47.0
<b>Total .....</b>	<b>33.4</b>	<b>48.2</b>	<b>86.9</b>	<b>126.6</b>	<b>155.7</b>	<b>135.6</b>	<b>144.7</b>	<b>208.2</b>	<b>205.5</b>	<b>205.8</b>	<b>215.9</b>	<b>228.3</b>	<b>233.8</b>	<b>237.1</b>	<b>239.4</b>	<b>242.9</b>
<b>D. Total grants as a percent of:</b>																
<b>Federal outlays:</b>																
Total .....	8%	9%	12%	15%	15%	11%	11%	15%	15%	15%	15%	16%	16%	16%	16%	16%
Domestic programs <sup>2</sup> .....	18%	18%	23%	22%	22%	18%	17%	22%	21%	21%	21%	22%	22%	22%	22%	22%
State and local expenditures .....	19%	20%	24%	27%	31%	25%	21%	25%	24%	24%	N/A	N/A	N/A	N/A	N/A	N/A
Gross domestic product .....	1%	2%	2%	3%	3%	3%	2%	3%	3%	3%	3%	3%	3%	3%	3%	3%
<b>E. As a share of total State and local capital spending:</b>																
Federal capital grants .....	25%	26%	26%	26%	36%	31%	23%	27%	26%	25%	N/A	N/A	N/A	N/A	N/A	N/A
State and local source financing .....	75%	74%	74%	74%	64%	69%	77%	73%	74%	75%	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total .....</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

N/A = Not available.

<sup>1</sup>0.5 percent or less.

<sup>1</sup>Grants that are both payments for individuals and capital investment are shown under capital investment.

<sup>2</sup>Excludes national defense, international affairs, net interest, and undistributed offsetting receipts

for construction of the Interstate Highway System. The relative share of these outlays has declined, as payments for individuals have grown. In 1999, grants for physical capital are estimated to be 16 percent of total grants.

The other grants are primarily for education, training, employment, and social services. These grants in-

creased to 45 percent of total grants by 1975, and are projected to be 22 percent of total grants in 1999.

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 \$228.3 billion in 1999, an average annual increase of 5.2 percent. Grants for payments to individ-

uals increase from \$81.9 billion in 1990 to an estimated \$140.1 billion in 1999, an average annual increase of 6.1 percent; grants for physical capital increase from \$28.0 billion in 1990 to an estimated \$37.4 billion in 1999, an average annual increase of 3.3 percent, and other grants increased from \$34.9 billion in 1990 to an estimated \$50.7 billion in 1999, an average annual increase of 4.8 percent.

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 1999. Grants as a percentage of domestic spending are estimated to be 22 percent in 1999.

As a percentage of total State and local expenditures, grants have increased from 21 percent in 1990 to 24 percent in 1997.

Section E shows the relative contribution of physical capital grants in assisting States and localities with capital spending. Federal capital grants have increased slightly from 23 percent of State and local spending in 1990 to 25 percent in 1997.

### 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 18, "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 governments. 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)

Category, Function, Agency and Program	Budget Authority			Outlays		
	1997 Actual	1998 Estimate	1999 Estimate	1997 Actual	1998 Estimate	1999 Estimate
<b>Discretionary</b>						
<b>Energy:</b>						
Department of Energy:						
Energy Programs:						
Energy conservation .....	150	155	191	168	160	165
<b>Total, energy</b> .....	<b>150</b>	<b>155</b>	<b>191</b>	<b>168</b>	<b>160</b>	<b>165</b>
<b>Natural resources and environment:</b>						
Department of Agriculture:						
Natural Resources Conservation Service:						
Resource conservation and development .....				2	1	1
Watershed and flood prevention operations .....	265	47	49	174	279	68
Forest Service:						
State and private forestry .....	90	94	79	101	100	78
Department of Commerce:						
National Oceanic and Atmospheric Administration:						
Operations, research, and facilities .....	7	3	3	2	2	2
Coastal zone management fund .....	4	4		5	8	
Department of the Interior:						
Office of Surface Mining Reclamation and Enforcement:						
Regulation and technology .....	51	50	51	51	50	51
Abandoned mine reclamation fund .....	164	164	167	182	167	148
Bureau of Reclamation:						
Bureau of reclamation loan subsidy .....	13	12	12	10	20	11
United States Fish and Wildlife Service:						
Cooperative endangered species conservation fund .....	14	14	17	9	11	14
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 .....			2	2	3	2
Land acquisition and State assistance .....				20	20	9
Historic preservation fund .....	37	41	101	40	45	62
Environmental Protection Agency:						
Environmental Protection Agency:						
State and Tribal Assistance Grants .....	2,910	3,213	2,903	2,719	2,553	2,781
Hazardous substance superfund .....	143	131	335	135	140	227
Leaking underground storage tank trust fund .....	51	56	61	53	55	59
<b>Total, natural resources and environment</b> .....	<b>3,752</b>	<b>3,832</b>	<b>3,783</b>	<b>3,508</b>	<b>3,457</b>	<b>3,516</b>
<b>Agriculture:</b>						
Department of Agriculture:						
Departmental Administration:						
Outreach for socially disadvantaged farmers .....	1	3	10	2	5	10
Cooperative State Research, Education, and Extension Service:						
Extension activities .....	426	423	419	420	420	420
Research and education activities .....	222	222	216	207	223	227
Integrated research, education, and extension competitive grants program .....			4			2
Agricultural Marketing Service:						
Payments to States and possessions .....	1	1	1	1	1	1
Farm Service Agency:						
State mediation grants .....	2	2	4	3	2	3
<b>Total, agriculture</b> .....	<b>652</b>	<b>651</b>	<b>654</b>	<b>633</b>	<b>651</b>	<b>663</b>
<b>Commerce and housing credit:</b>						
Department of Commerce:						
National Institute of Standards and Technology:						
Industrial technology services .....	6	6	7	4	4	4
<b>Total, commerce and housing credit</b> .....	<b>6</b>	<b>6</b>	<b>7</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>Transportation:</b>						
Department of Transportation:						
Coast Guard:						
Port safety development .....	5			5		

**Table 9-3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued**  
(in millions of dollars)

Category, Function, Agency and Program	Budget Authority			Outlays		
	1997 Actual	1998 Estimate	1999 Estimate	1997 Actual	1998 Estimate	1999 Estimate
Boat safety .....	35	35		26	30	18
Federal Aviation Administration:						
Grants-in-aid for airports (Airport and airway trust fund) .....	1,460	1,700	1,700	1,489	1,554	1,636
Federal Highway Administration:						
Orange County (CA) toll road demonstration project subsidy .....				1	1	1
State infrastructure banks .....	150			2	84	32
Appalachian development highway system .....		300			81	123
Highway-related safety grants .....				9	4	2
Motor carrier safety program .....	79	85	100	78	80	89
Transportation infrastructure credit enhancement program .....			100			75
Federal-aid highways .....	19,455	21,262	21,257	18,422	19,533	20,393
State infrastructure banks (Highway trust fund) .....			150			30
Miscellaneous appropriations .....				178	123	108
Miscellaneous highway trust funds .....				56	64	53
National Highway Traffic Safety Administration:						
Highway traffic safety grants .....	162	180	227	142	171	199
Federal Railroad Administration:						
Emergency railroad rehabilitation and repair .....	19				8	8
Direct loan financing program .....	59			21	21	18
Local rail freight assistance .....				7	4	4
Alaska railroad rehabilitation .....	10	10		8	6	6
Railroad research and development .....	1	3	1	1	1	1
Conrail commuter transition assistance .....				2	2	11
Federal Transit Administration:						
Research, training, and human resources .....				5	3	2
Interstate transfer grants-transit .....				18	19	5
Washington metropolitan area transit authority .....	200	200		214	202	152
Formula grants .....	2,149	2,500		2,199	2,054	1,710
Transit planning and research .....	55	61		53	50	63
Major capital investments (Highway trust fund, mass transit account) .....	1,898	2,000	876	2,002	1,738	1,698
Washington metropolitan area transit authority (Highway trust fund, mass transit account) ..			50			1
Formula programs (Highway trust fund, mass transit account) .....			3,709			185
Miscellaneous expired accounts .....				8	2	1
Research and Special Programs Administration:						
Pipeline safety .....	13	14	15	12	13	14
<b>Total, Transportation .....</b>	<b>25,750</b>	<b>28,350</b>	<b>28,185</b>	<b>24,958</b>	<b>25,848</b>	<b>26,638</b>
<b>Community and regional development:</b>						
Department of Agriculture:						
Rural Development:						
Rural community advancement program .....	654	644	706	627	645	640
Rural Utilities Service:						
Distance learning and medical link subsidy .....	9	13	15	3	22	25
Rural Housing Service:						
Rural community fire protection grants .....	1	2		2	2	1
Rural Business—Cooperative Service:						
Rural cooperative development grants .....	3	3	6	2	4	6
Forest Service:						
Southeast Alaska economic disaster fund .....				47	13	13
Department of Commerce:						
Economic Development Administration:						
Economic development assistance programs .....	404	340	368	400	417	401
Department of Housing and Urban Development:						
Community Planning and Development:						
Community development block grants .....	4,854	4,924	4,725	4,517	4,989	4,959
Urban development action grants .....	-4			30	50	30
Economic development initiative .....			400			8
Supplemental assistance for facilities to assist the homeless .....				2	2	
Community development loan guarantees subsidy .....	32	30	30	3	16	19
Brownfields redevelopment .....		25	50		1	10
Urban empowerment zones .....		5				2
Homeownership zones .....			25			1
Office of Lead Hazard Control:						
Lead hazard reduction .....			85			1

**Table 9-3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued**  
(in millions of dollars)

Category, Function, Agency and Program	Budget Authority			Outlays		
	1997 Actual	1998 Estimate	1999 Estimate	1997 Actual	1998 Estimate	1999 Estimate
Department of the Interior:						
Bureau of Indian Affairs:						
Operation of Indian programs .....	151	119	131	110	117	112
Indian guaranteed loan subsidy .....	37	5	5	33	5	5
Federal Emergency Management Agency:						
Federal Emergency Management Agency:						
Emergency management planning and assistance .....	133	159	119	108	144	138
Disaster relief .....	3,696	256	246	2,041	2,602	2,376
Pre-disaster mitigation .....			45			22
Appalachian Regional Commission:						
Appalachian Regional Commission:						
Appalachian regional commission .....	154	164	60	236	159	176
Delta region economic development program .....			24			2
<b>Total, community and regional development .....</b>	<b>10,124</b>	<b>6,689</b>	<b>7,040</b>	<b>8,161</b>	<b>9,188</b>	<b>8,947</b>
<b>Education, training, employment, and social services:</b>						
Department of Commerce:						
National Telecommunications and Information Administration:						
Public telecommunications facilities and digital broadcast applications program .....	13	19	14	17	21	21
Information infrastructure grants .....	21	20	22	28	27	25
Department of Education:						
Office of Elementary and Secondary Education:						
America Reads Challenge .....			260			14
Indian education .....	58	60	65	51	52	65
Impact aid .....	730	805	686	651	1,001	716
Chicago litigation settlement .....					5	2
Education Reform .....	677	1,100	1,090	427	648	1,095
Education for the disadvantaged .....	7,772	7,852	8,469	7,187	6,231	7,923
School improvement programs .....	1,323	1,427	1,345	1,187	1,282	1,362
Office of Bilingual Education and Minority Languages Affairs:						
Bilingual and immigrant education .....	254	324	332	171	268	318
Office of Special Education and Rehabilitative Services:						
Special education .....	3,784	4,560	4,590	3,067	3,584	4,075
American printing house for the blind .....	7	7	7	7	8	7
Office of Vocational and Adult Education:						
Vocational and adult education .....	1,458	1,478	1,501	1,375	1,306	1,467
Office of Postsecondary Education:						
Student financial assistance .....	50	25		43	50	20
Higher education .....	33	55	39	32	34	49
Office of Educational Research and Improvement:						
Title I—Education research, statistics, and improvement .....	204	45	205	44	159	67
Department of Health and Human Services:						
Administration for Children and Families:						
Children and families services programs .....	5,087	5,408	5,676	4,876	5,233	5,519
Administration on Aging:						
Aging services programs .....	832	865	871	828	851	860
Department of the Interior:						
Bureau of Indian Affairs:						
Operation of Indian programs .....	79	90	106	90	80	84
Department of Labor:						
Employment and Training Administration:						
Training and employment services .....	3,513	3,647	3,809	3,324	3,643	3,440
Community service employment for older Americans .....	102	97	97	88	100	97
State unemployment insurance and employment service operations .....	200	203	192	105	233	180
Unemployment trust fund .....	980	981	982	1,032	981	974
Corporation for National and Community Service:						
Corporation for National and Community Service:						
Domestic volunteer service programs, Operating expenses .....	135	162	175	143	152	168
National and community service programs, operating expenses .....	72	77	90	65	55	81
Corporation for Public Broadcasting:						
Corporation for Public Broadcasting:						
Corporation for public broadcasting .....	87	83	83	87	83	83
National Endowment for the Arts:						
National Endowment for the Arts:						
National endowment for the arts: Grants and administration .....	28	32	47	28	34	33



**Table 9-3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued**  
(in millions of dollars)

Category, Function, Agency and Program	Budget Authority			Outlays		
	1997 Actual	1998 Estimate	1999 Estimate	1997 Actual	1998 Estimate	1999 Estimate
Institute of Museum and Library Services:						
Institute of Museum and Library Services:						
Office of Museum Services: Grants and administration .....	6	5	6	6	8	5
Office of Library Services: Grants and administration .....	128	129	131	132	171	129
<b>Total, education, training, employment, and social services .....</b>	<b>27,633</b>	<b>29,556</b>	<b>30,890</b>	<b>25,091</b>	<b>26,300</b>	<b>28,879</b>
<b>Health:</b>						
Department of Agriculture:						
Food Safety and Inspection Service:						
Salaries and expenses .....	42	43	42	42	43	42
Department of Health and Human Services:						
Health Resources and Services Administration:						
Health Resources and Services .....	1,682	1,762	1,793	1,080	1,132	1,151
Centers for Disease Control and Prevention:						
Disease control, research, and training .....	678	666	674	596	643	666
Substance Abuse and Mental Health Services Administration:						
Substance abuse and mental health services .....	2,195	2,197	2,280	1,622	2,164	2,193
Department of Labor:						
Occupational Safety and Health Administration:						
Salaries and expenses .....	77	78	81	76	77	80
Mine Safety and Health Administration:						
Salaries and expenses .....	6	6	6	6	6	6
<b>Total, health .....</b>	<b>4,680</b>	<b>4,752</b>	<b>4,876</b>	<b>3,422</b>	<b>4,065</b>	<b>4,138</b>
<b>Income security:</b>						
Department of Agriculture:						
Food and Nutrition Service:						
Commodity assistance program .....	307	282	317	319	290	315
Special supplemental nutrition program for women, infants, and children (WIC) .....	3,803	3,921	4,078	3,863	3,946	4,049
Department of Health and Human Services:						
Administration for Children and Families:						
Low income home energy assistance .....	1,215	1,000	1,100	1,221	1,074	1,077
Refugee and entrant assistance .....	380	377	369	277	363	361
Payments to States for the child care and development block grant .....	19	1,003	1,183	909	980	1,068
Department of Housing and Urban Development:						
Public and Indian Housing Programs:						
Public housing operating fund .....		2,900	2,818	1,530	3,090	2,861
Annual contributions for assisted housing .....	-3,725			12,142	4,263	1,854
Drug elimination grants for low-income housing .....	290	310	310	291	288	273
Revitalization of severely distressed public housing (HOPE VI) .....	550	550	550	205	405	524
Public housing capital fund .....		2,500	2,550		3,810	3,511
Preserving existing housing investment .....	5,753			1,483		
Native American housing block grant .....		600	600		81	240
Section 8 reserve preservation account .....		-550			350	2,176
Housing certificate fund .....	2,768	6,191	4,874	51	3,550	4,428
Welfare-to-work housing vouchers .....			283			27
Community Planning and Development:						
Home loan guarantee subsidy .....			11			3
Emergency shelter grants program .....				4	2	
Supportive housing program .....		-6		159	146	112
Homeless assistance grants .....	823	823	1,150	319	609	798
Shelter plus care .....		-4		58	47	49
Home investment partnership program .....	1,400	1,500	1,883	1,211	1,559	1,525
Youthbuild program .....			45	32	8	5
Innovative homeless initiatives demonstration program .....				21	17	16
Housing opportunities for persons with AIDS .....	196	204	225	130	168	176
Housing Programs:						
Congregate services .....				7	7	7
Section 8 moderate rehabilitation, single room occupancy .....				25	58	56
Homeownership and opportunity for people everywhere grants (HOPE grants) .....				49	51	42
Housing for special populations .....		839			650	759
Department of Labor:						
Employment and Training Administration:						
Unemployment trust fund .....	2,345	2,485	2,590	2,293	2,421	2,638

**Table 9-3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued**  
(in millions of dollars)

Category, Function, Agency and Program	Budget Authority			Outlays		
	1997 Actual	1998 Estimate	1999 Estimate	1997 Actual	1998 Estimate	1999 Estimate
Federal Emergency Management Agency: Federal Emergency Management Agency: Emergency food and shelter program .....	100	100	100	100	100	100
<b>Total, income security .....</b>	<b>16,194</b>	<b>25,025</b>	<b>25,036</b>	<b>26,699</b>	<b>28,333</b>	<b>29,050</b>
<b>Veterans benefits and services:</b>						
Department of Veterans Affairs: Veterans Health Administration: Medical care .....	230	241	271	230	241	271
Construction: Grants for construction of State extended care facilities .....	47	80	37	41	47	52
Grants for the construction of State veterans cemeteries .....	1	10	10	6	2	5
<b>Total, veterans benefits and services .....</b>	<b>278</b>	<b>331</b>	<b>318</b>	<b>277</b>	<b>290</b>	<b>328</b>
<b>Administration of justice:</b>						
Department of Health and Human Services: Administration for Children and Families: Violent crime reduction programs .....	17	72	84	10	32	62
Department of Housing and Urban Development: Fair Housing and Equal Opportunity: Fair housing activities .....	30	30	52	28	22	29
Department of Justice: Office of Justice Programs: Justice assistance .....	66	104	82	217	82	85
State and local law enforcement assistance .....	331	504		257	242	497
Juvenile crime control and prevention programs .....	145	211	260	74	182	244
Violent crime reduction programs .....	2,036	2,382	2,409	1,172	1,164	1,909
Community oriented policing services .....	1,420	1,430	1,420	616	838	1,241
Violent Crime Reduction Trust Fund: Violent crime reduction trust fund .....						
District of Columbia Offender Supervision Defender and Courts Se: District of Columbia Offender Supervision Defender and Courts Se: Salaries and expenses .....			59			47
Equal Employment Opportunity Commission: Equal Employment Opportunity Commission: Salaries and expenses .....	28	28	29	25	25	14
Ounce of Prevention Council: Ounce of Prevention Council: Ounce of prevention council .....	1			1		
State Justice Institute: State Justice Institute: State Justice Institute: Salaries and expenses .....	6	7	6	6	7	8
<b>Total, administration of justice .....</b>	<b>4,080</b>	<b>4,768</b>	<b>4,401</b>	<b>2,406</b>	<b>2,594</b>	<b>4,136</b>
<b>General government:</b>						
Department of the Interior: Bureau of Land Management: Payments in lieu of taxes .....	114	120	120	114	120	120
Insular Affairs: Trust Territory of the Pacific Islands .....				6	10	10
District of Columbia: District of Columbia: Federal payment to the District of Columbia .....	719			719		
Federal payment for Management Reform .....		8			8	
Payment to the District of Columbia Corrections Trustee, Operations .....		169	185		169	185
Payment to the District of Columbia Corrections Trustee for correctional facilities, construction, and repair .....		302			302	
Federal support for economic development and management reforms in the District .....		190	100		190	100
Federal payment to the District of Columbia Criminal Justice System .....		151			151	
Federal payment for Medicare Coordinated Care Demonstration Project .....		3				
Federal Payment to the District of Columbia Courts .....			142			142
<b>Total, general government .....</b>	<b>833</b>	<b>943</b>	<b>547</b>	<b>839</b>	<b>950</b>	<b>557</b>

**Table 9-3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued**  
(in millions of dollars)

Category, Function, Agency and Program	Budget Authority			Outlays		
	1997 Actual	1998 Estimate	1999 Estimate	1997 Actual	1998 Estimate	1999 Estimate
<b>Total, discretionary</b> .....	<b>94,132</b>	<b>105,058</b>	<b>105,928</b>	<b>96,166</b>	<b>101,840</b>	<b>107,021</b>
<b>Mandatory</b>						
<b>Energy:</b>						
Tennessee Valley Authority:						
Tennessee Valley Authority:						
Tennessee Valley Authority fund .....	272	264	303	272	264	303
<b>Total, energy</b> .....	<b>272</b>	<b>264</b>	<b>303</b>	<b>272</b>	<b>264</b>	<b>303</b>
<b>Natural resources and environment:</b>						
Department of the Interior:						
Bureau of Land Management:						
Miscellaneous permanent payment accounts .....	123	76	74	123	77	74
Minerals Management Service:						
National forests fund, payment to States .....	4	3	3	4	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 .....	203	189	199	220	227	211
Sport fish restoration .....	316	321	286	230	290	297
National Park Service:						
Miscellaneous permanent appropriations .....						
Departmental Management:						
Everglades watershed protection .....				35	165	
Everglades restoration account .....			1			1
<b>Total, natural resources and environment</b> .....	<b>647</b>	<b>590</b>	<b>564</b>	<b>613</b>	<b>763</b>	<b>587</b>
<b>Agriculture:</b>						
Department of Agriculture:						
Office of the Secretary:						
Fund for rural America .....	36		50		14	16
Farm Service Agency:						
Commodity credit corporation fund .....	1	37	50	1	37	50
<b>Total, agriculture</b> .....	<b>37</b>	<b>37</b>	<b>100</b>	<b>1</b>	<b>51</b>	<b>66</b>
<b>Commerce and housing credit:</b>						
Department of Commerce:						
National Oceanic and Atmospheric Administration:						
Promote and develop fishery products and research pertaining to American fisheries .....		4	3	5	7	3
<b>Total, commerce and housing credit</b> .....		<b>4</b>	<b>3</b>	<b>5</b>	<b>7</b>	<b>3</b>
<b>Transportation:</b>						
Department of Transportation:						
Federal Highway Administration:						
Federal-aid highways .....	1,847	890	774	1,882	1,890	1,707
Research and Special Programs Administration:						
Emergency preparedness grants .....	6	7	13	6	6	8
<b>Total, Transportation</b> .....	<b>1,853</b>	<b>897</b>	<b>787</b>	<b>1,888</b>	<b>1,896</b>	<b>1,715</b>
<b>Community and regional development:</b>						
Department of Agriculture:						
Rural Development:						
Rural empowerment zones/enterprise community grants .....			20			
Department of Housing and Urban Development:						
Community Planning and Development:						
Urban empowerment zones .....			150			3
<b>Total, community and regional development</b> .....			<b>170</b>			<b>3</b>
<b>Education, training, employment, and social services:</b>						
Department of Education:						
Office of Elementary and Secondary Education:						
Class size reduction and teacher financing .....			1,100			55

**Table 9-3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued**  
(in millions of dollars)

Category, Function, Agency and Program	Budget Authority			Outlays		
	1997 Actual	1998 Estimate	1999 Estimate	1997 Actual	1998 Estimate	1999 Estimate
Office of Special Education and Rehabilitative Services:						
Rehabilitation services and disability research .....	2,254	2,327	2,379	2,243	2,269	2,536
Office of Vocational and Adult Education:						
Vocational and adult education .....	7			7	6	2
Department of Health and Human Services:						
Administration for Children and Families:						
State legalization impact assistance grants .....				-5		
Job opportunities and basic skills training program .....	1,000			445	152	6
Family preservation and support .....	240	255	275	216	236	252
Social services block grant .....	2,500	2,299	1,909	2,571	2,443	2,049
Payments to states for foster care and adoption assistance .....	4,445	4,311	5,142	4,047	4,224	4,803
Department of Labor:						
Employment and Training Administration:						
Welfare to work jobs .....		1,488	1,488		466	1,299
Federal unemployment benefits and allowances .....	114	119	182	120	106	133
<b>Total, education, training, employment, and social services</b> .....	<b>10,560</b>	<b>10,799</b>	<b>12,475</b>	<b>9,644</b>	<b>9,902</b>	<b>11,135</b>
<b>Health:</b>						
Department of Health and Human Services:						
Health Care Financing Administration:						
Program management .....			20			20
Grants to States for Medicaid .....	101,212	99,591	102,184	95,552	100,960	107,707
State children's health insurance fund .....		4,235	4,249		379	1,868
<b>Total, health</b> .....	<b>101,212</b>	<b>103,826</b>	<b>106,453</b>	<b>95,552</b>	<b>101,339</b>	<b>109,595</b>
<b>Income security:</b>						
Department of Agriculture:						
Agricultural Marketing Service:						
Funds for strengthening markets, income, and supply (section 32) .....	407	496	450	534	463	417
Food and Nutrition Service:						
Food stamp program .....	3,318	3,553	3,698	3,122	3,673	3,659
Child nutrition programs .....	8,529	7,968	9,099	8,141	8,664	8,937
Department of Health and Human Services:						
Administration for Children and Families:						
Family support payments to states .....	6,958	607	2,641	5,345	4,376	3,168
Contingency fund .....		20	28		14	23
Child care entitlement to States .....	1,967	2,071	3,922	1,398	1,835	3,226
Temporary assistance for needy families .....	13,411	16,700	16,998	9,726	13,802	15,933
Children's research and technical assistance .....			8			1
<b>Total, income security</b> .....	<b>34,590</b>	<b>31,415</b>	<b>36,844</b>	<b>28,266</b>	<b>32,827</b>	<b>35,364</b>
<b>Administration of justice:</b>						
Department of Justice:						
Legal Activities and U.S. Marshals:						
Assets forfeiture fund .....	189	196	206	163	192	202
Office of Justice Programs:						
Crime victims fund .....	525	361	180	223	453	363
Department of the Treasury:						
Departmental Offices:						
Department of the Treasury forfeiture fund .....	60	60	60	53	54	54
<b>Total, administration of justice</b> .....	<b>774</b>	<b>617</b>	<b>446</b>	<b>439</b>	<b>699</b>	<b>619</b>
<b>General government:</b>						
Department of Agriculture:						
Forest Service:						
Payments to states northern spotted owl guarantee, Forest Service .....	135	130	270	135	130	270
Forest Service permanent appropriations .....	125	111	7	125	111	7
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 .....	565	586	607	565	586	607

**Table 9-3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued**  
(in millions of dollars)

Category, Function, Agency and Program	Budget Authority			Outlays		
	1997 Actual	1998 Estimate	1999 Estimate	1997 Actual	1998 Estimate	1999 Estimate
United States Fish and Wildlife Service:						
National wildlife refuge fund .....	20	20	20	20	20	20
Insular Affairs:						
Assistance to territories .....	65	68	66	67	69	67
Payments to the United States territories, fiscal assistance .....	81	89	98	81	89	98
Department of the Treasury:						
Bureau of Alcohol, Tobacco and Firearms:						
Internal revenue collections for Puerto Rico .....	205	210	235	205	210	235
United States Customs Service:						
Miscellaneous permanent appropriations .....	107	110	111	107	110	111
Allowances:						
Miscellaneous activities to be authorized in tobacco legislation .....			3,425			3,425
Corps of Engineers:						
Corps of Engineers:						
Permanent appropriations .....	6	6	6	6	6	6
<b>Total, general government .....</b>	<b>1,312</b>	<b>1,333</b>	<b>4,848</b>	<b>1,314</b>	<b>1,334</b>	<b>4,849</b>
<b>Total, mandatory .....</b>	<b>151,257</b>	<b>149,782</b>	<b>162,993</b>	<b>137,994</b>	<b>149,082</b>	<b>164,239</b>
<b>Total, grants .....</b>	<b>245,389</b>	<b>254,840</b>	<b>268,921</b>	<b>234,160</b>	<b>250,922</b>	<b>271,260</b>



## 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 is called the 1993 base—the estimate of FTEs for 1993 made in January of that year. Between base 1993 and FY 1999, the Act requires a cut of 272,900 FTEs. The 1999 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 base	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	1,835,400	-320,500	117%
1998 est. ....	1,922,300	1,837,400	-317,800	116%
1999 est. ....	1,882,300	1,824,200	-331,100	121%

Table 10-1 provides agency-wide totals from the 1993 base through 1999.

Allocations of FTE resources by agency are made based upon Presidential priorities and other factors. Thus, while most of the agencies in Table 10-1 show FTE reductions between 1993 and 1999, several agencies, such as the Department of Commerce and the Department of Justice, show an increase in FTEs.

### Total Federal Employment Levels

The tables that follow show total Federal employment in all branches of Government, including 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 1999	
		1993	1994	1995	1996	1997	1998	1999	FTE's	Percent
<b>Cabinet agencies:</b>										
Agriculture <sup>1</sup> .....	115.6	114.4	109.8	103.8	100.7	98.5	99.0	97.1	-18.6	-16.1%
Commerce .....	36.7	36.1	36.0	35.3	33.8	32.6	38.3	44.2	7.4	20.2%
Defense-military functions .....	931.3	931.8	868.3	821.7	778.9	745.8	731.0	708.5	-222.8	-23.9%
Education .....	5.0	4.9	4.8	4.8	4.7	4.5	4.6	4.6	-0.4	-8.0%
Energy .....	20.6	20.3	19.8	19.7	19.1	17.3	17.1	16.6	-4.0	-19.3%
Health and Human Services <sup>1</sup> .....	65.0	66.1	62.9	59.3	57.2	57.6	58.5	59.8	-5.1	-7.9%
Social Security Administration .....	65.4	64.8	64.5	64.6	64.0	65.2	65.7	63.9	-1.5	-2.3%
Housing and Urban Development .....	13.6	13.3	13.1	12.1	11.4	11.0	10.4	10.0	-3.6	-26.7%
Interior .....	79.3	78.1	76.3	72.0	66.7	65.7	67.6	69.1	-10.2	-12.9%
Justice .....	99.4	95.4	95.3	97.9	103.8	111.0	119.8	125.4	26.0	26.1%
Labor .....	18.3	18.0	17.5	16.8	16.0	15.9	16.7	17.0	-1.3	-7.2%
State .....	26.0	25.6	25.2	23.9	22.9	22.4	22.9	23.2	-2.8	-10.9%
Transportation .....	70.3	69.1	66.4	63.2	62.4	62.5	64.9	65.9	-4.5	-6.3%
Treasury .....	166.1	161.1	157.3	157.5	151.1	145.5	146.0	147.9	-18.2	-10.9%
Veterans Affairs <sup>1</sup> .....	232.4	234.2	233.1	228.5	221.9	211.5	206.0	203.9	-28.5	-12.3%
<b>Other agencies—excluding Postal Service:</b>										
Agency for International Development <sup>1</sup> .....	4.4	4.1	3.9	3.6	3.4	2.8	2.9	2.8	-1.5	-35.1%
Corps of Engineers .....	29.2	28.4	27.9	27.7	27.1	26.0	26.1	25.6	-3.6	-12.3%
Environmental Protection Agency .....	18.6	17.9	17.6	17.5	17.2	17.0	18.0	18.4	-0.2	-1.1%
Equal Employment Opportunity Commission .....	2.9	2.8	2.8	2.8	2.7	2.6	2.6	2.7	-0.1	-3.8%
Federal Emergency Management Agency .....	2.7	4.0	4.9	4.6	4.7	5.1	4.7	4.7	1.9	70.2%
FDIC/RTC .....	21.6	21.9	20.0	15.7	11.8	8.7	8.5	7.7	-13.9	-64.3%
General Services Administration .....	20.6	20.2	19.5	17.0	15.7	14.5	14.1	14.0	-6.6	-32.2%
National Aeronautics and Space Administration .....	25.7	24.9	23.9	22.4	21.1	20.1	19.6	18.7	-7.0	-27.3%
National Archives and Records Administration .....	2.8	2.6	2.6	2.4	2.5	2.5	2.5	2.6	-0.2	-6.5%
National Labor Relations Board .....	2.1	2.1	2.1	2.0	1.9	1.9	1.9	1.9	-0.2	-10.7%
National Science Foundation .....	1.3	1.2	1.2	1.2	1.3	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	3.0	-0.4	-13.0%
Office of Personnel Management .....	6.2	5.9	5.3	4.2	3.4	2.8	3.0	3.0	-3.2	-51.6%
Panama Canal Commission .....	8.7	8.5	8.5	8.8	9.0	9.5	10.0	10.0	1.3	14.8%
Peace Corps .....	1.3	1.2	1.2	1.2	1.1	1.1	1.1	1.3	0.0	1.7%
Railroad Retirement Board .....	2.0	1.8	1.7	1.6	1.5	1.4	1.3	1.2	-0.6	-34.8%
Securities and Exchange Commission .....	2.7	2.7	2.7	2.7	2.8	2.8	2.8	2.8	0.1	3.2%
Small Business Administration .....	4.0	5.6	6.3	5.7	4.7	4.5	4.7	4.9	0.9	22.8%
Smithsonian Institution .....	5.9	5.5	5.4	5.3	5.1	5.0	5.2	5.3	-0.6	-9.6%
Tennessee Valley Authority .....	19.1	17.3	18.6	16.6	16.0	14.9	14.4	13.8	-5.4	-28.1%
United States Information Agency .....	8.7	8.3	8.1	7.7	7.0	6.6	6.7	6.7	-1.9	-22.4%
All other small agencies .....	16.1	15.4	15.0	15.1	14.1	13.9	14.6	14.7	-1.4	-9.0%
<b>Total, Executive Branch civilian employment</b> .....	<b>2,155.2</b>	<b>2,138.8</b>	<b>2,052.7</b>	<b>1,970.2</b>	<b>1,891.7</b>	<b>1,834.7</b>	<b>1,837.4</b>	<b>1,824.2</b>	<b>-331.1</b>	<b>-15.4%</b>
Reduction from 1993 Base .....		-16.4	-102.5	-185.0	-263.5	-320.5	-317.8	-331.1		
Subtotal, Defense .....	931.3	931.8	868.3	821.7	778.9	745.8	731.0	708.5	-222.8	-23.9%
Subtotal, Non-Defense .....	1,223.9	1,207.1	1,184.4	1,148.4	1,112.8	1,088.9	1,106.4	1,115.6	-108.3	-8.8%
<b>Status of Federal Civilian Employment Relative to the Federal Workforce Restructuring Act<sup>2</sup></b>										
Total, Executive Branch Employment .....			2,052.7	1,970.2	1,891.7	1,834.7	1,837.4	1,824.2		
Less: FTEs exempt from FWRA .....			5.7	5.7	7.6	7.4	5.4	5.5		
Total, Executive Branch subject to FWRA Ceiling .....			2,047.0	1,964.4	1,884.1	1,827.3	1,832.0	1,818.7		
FWRA Ceiling .....			2,084.6	2,043.3	2,003.3	1,963.3	1,922.3	1,882.3		
Executive Branch Employment Relative to FWRA Ceiling .....			-37.6	-78.9	-119.2	-136.1	-90.3	-63.6		

<sup>1</sup>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 342 exemptions; Veterans Affairs has 3,020 exemptions and AID has 10 exemptions.

<sup>2</sup>FTE limitations 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: 1995 to 1997	
	1995	1996	1997	Positions	Percent
Executive branch civilian employment:					
All agencies except Postal Service and Postal Rate Commission:					
Full-time permanent .....	1,768,006	1,707,974	1,651,599	-116,447	-6.6%
Other than full-time permanent <sup>1</sup> .....	244,463	225,957	220,232	-24,231	-9.9%
Subtotal .....	2,012,469	1,933,931	1,871,791	-140,678	-7.0%
Postal Service: <sup>2</sup>					
Full-time permanent .....	647,269	652,855	648,684	1,415	0.2%
Other than full-time permanent .....	198,179	199,478	204,666	6,487	3.3%
Subtotal .....	845,448	852,333	853,350	7,902	0.9%
Subtotal, Executive branch civilian employment .....	2,857,917	2,786,264	2,725,141	-132,776	-4.6%
Military personnel on active duty: <sup>3</sup>					
Department of Defense .....	1,518,224	1,471,722	1,438,562	-79,662	-5.2%
Department of Transportation (Coast Guard) .....	36,731	35,243	35,137	-1,594	-4.3%
Subtotal, military personnel .....	1,554,955	1,506,965	1,473,699	-81,256	-5.2%
Subtotal, Executive Branch .....	4,412,872	4,293,229	4,198,840	-214,032	-4.9%
Legislative branch:					
Full-time permanent .....	14,603	13,288	12,696	-1,907	-13.1%
Other than full-time permanent .....	18,764	18,259	18,659	-105	-0.6%
Subtotal, Legislative Branch .....	33,367	31,547	31,355	-2,012	-6.0%
Judicial Branch:					
Full-time permanent .....	26,555	26,879	27,567	1,012	3.8%
Other than full-time permanent .....	2,438	2,702	3,074	636	26.1%
Subtotal, Judicial Branch .....	28,993	29,581	30,641	1,648	5.7%
<b>Grand total .....</b>	<b>4,475,322</b>	<b>4,354,357</b>	<b>4,260,836</b>	<b>-214,396</b>	<b>-4.8%</b>
<b>ADDENDUM</b>					
Executive branch civilian personnel (excluding Postal Service):					
DOD-Military functions <sup>4</sup>	802,141	768,098	723,032	-79,109	-9.9%
All other executive branch .....	1,210,328	1,165,833	1,148,759	-61,569	-5.1%
<b>Total<sup>5</sup> .....</b>	<b>2,012,469</b>	<b>1,933,931</b>	<b>1,871,791</b>	<b>-140,678</b>	<b>-7.0%</b>

<sup>1</sup> Includes Summer Aides, Stay-in-school, Junior Fellowship, Worker-Trainee Opportunity Program, formerly exempt from employment controls.

<sup>2</sup> Includes Postal Rate Commission.

<sup>3</sup> Excludes reserve components.

<sup>4</sup> Excludes Defense Intelligence Agency.

<sup>5</sup> Includes disadvantaged youth programs.

**Table 10-3. TOTAL FEDERAL EMPLOYMENT**  
(As measured by Full-Time Equivalents)

Description	1997 actual	Estimate		Change: 1997 to 1999	
		1998	1999	FTE's	Percent
<b>Executive branch civilian personnel:</b>					
All agencies except Postal Service and Defense .....	1,088,945	1,106,409	1,115,611	26,666	2.4%
Defense-Military functions (civilians) .....	745,750	731,025	708,542	-37,208	-5.0%
Subtotal, excluding Postal Service .....	1,834,695	1,837,434	1,824,153	-10,542	-0.6%
Postal Service <sup>1</sup> .....	826,178	837,754	844,297	18,199	2.2%
Subtotal, Executive Branch civilian personnel .....	2,660,873	2,675,188	2,668,450	7,577	0.3%
<b>Executive branch uniformed personnel:<sup>2</sup></b>					
Department of Defense .....	1,454,854	1,427,233	1,402,846	-52,008	-3.6%
Department of Transportation (Coast Guard) .....	34,988	35,455	35,538	550	1.6%
Subtotal, uniformed military personnel .....	1,489,842	1,462,688	1,438,384	-51,458	-3.5%
Subtotal, Executive Branch .....	4,150,713	4,137,876	4,106,834	-43,879	-1.1%
Legislative Branch: <sup>3</sup> Total FTE .....	31,420	31,356	31,492	72	0.2%
Judicial branch: Total FTE .....	29,001	32,452	33,459	4,458	15.4%
<b>Grand total</b> .....	<b>4,211,136</b>	<b>4,201,684</b>	<b>4,171,785</b>	<b>-39,351</b>	<b>-0.9%</b>

<sup>1</sup>Includes Postal Rate Commission.

<sup>2</sup>Military personnel on active duty. Excludes reserve

<sup>3</sup>Actual 1997 FTE data not available for legislative branch.

TABLE 10-4. PERSONNEL COMPENSATION AND BENEFITS

(In millions of dollars)

Description	1997 actual	Estimate		Change: 1997 to 1999	
		1998	1999	Dollars	Percent
<b>Civilian personnel costs:</b>					
Executive Branch (excluding Postal Service):					
Direct compensation:					
DOD—military functions .....	31,705	32,578	32,256	551	1.7%
All other executive branch .....	53,307	55,757	57,728	4,421	8.3%
Subtotal, direct compensation .....	85,012	88,335	89,984	4,972	5.8%
Personnel benefits:					
DOD—military functions .....	7,017	6,869	6,842	-175	-2.5%
All other executive branch <sup>1</sup> .....	20,603	21,688	22,545	1,942	9.4%
Subtotal, personnel benefits .....	27,620	28,557	29,387	1,767	6.4%
Subtotal, executive branch .....	112,632	116,892	119,371	6,739	6.0%
Postal Service:					
Direct compensation .....	33,965	34,910	36,359	2,394	7.0%
Personnel benefits .....	8,978	9,601	9,922	944	10.5%
Subtotal .....	42,943	44,511	46,281	3,338	7.8%
Legislative Branch: <sup>2</sup>					
Direct compensation .....	1,244	1,273	1,350	106	8.5%
Personnel benefits .....	295	281	303	8	2.7%
Subtotal .....	1,539	1,554	1,653	114	7.4%
Judicial Branch:					
Direct compensation .....	1,507	1,773	1,875	368	24.4%
Personnel benefits .....	371	424	455	84	22.6%
Subtotal .....	1,878	2,197	2,330	452	24.1%
Total, civilian personnel costs .....	158,992	165,154	169,635	10,643	6.7%
Military personnel costs:					
DOD—Military Functions:					
Direct compensation .....	49,304	50,360	50,951	1,647	3.3%
Personnel benefits .....	18,151	16,843	16,949	-1,202	-6.6%
Subtotal .....	67,455	67,203	67,900	445	0.7%
All other executive branch, uniformed personnel:					
Direct compensation .....	1,146	1,169	1,220	74	6.5%
Personnel benefits .....	111	117	121	10	9.0%
Subtotal .....	1,257	1,286	1,341	84	6.7%
Total, military personnel costs <sup>3</sup> .....	68,712	68,489	69,241	529	0.8%
<b>Grand total, personnel costs .....</b>	<b>227,704</b>	<b>233,643</b>	<b>238,876</b>	<b>11,172</b>	<b>4.9%</b>
<b>ADDENDUM</b>					
Former Civilian Personnel:					
Retired pay for former personnel .....	42,366	44,126	46,052	3,686	8.7%
Government payment for Annuitants:					
Employee health benefits .....	3,934	4,147	4,632	698	17.7%
Employee life insurance .....	28	32	35	7	25.0%
Total Former Civilian Personnel .....	46,328	48,305	50,719	4,391	9.5%
Former Military personnel:					
Retired pay for former personnel .....	559	595	625	66	11.8%

<sup>1</sup> 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 \$8,085 million in 1997 and are estimated to be \$8,367 million in 1998 and \$8,682 million in 1999.

<sup>2</sup> Excludes members and officers of the Senate.

<sup>3</sup> 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 are extending their collaborative endeavors in order to improve the overall performance and efficiency of the Federal statistical system. In May 1997, the ICSP unveiled FedStats ([www.fedstats.gov](http://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. FedStats has been enthusiastically received both by Web watchers and by more than half a million users of Federal statistical information.

In July 1997, the Federal Interagency Forum on Child and Family Statistics issued *America's Children: Key National Indicators of Well-Being*, presenting in a single document 25 critical indicators concerning children's behavior, social environment, economic security, education, and health. The report represents a successful collaboration among the various Federal agencies that report regularly on aspects of children's lives. Additional new collaborative initiatives are addressing needs to improve integration of employer-provided health benefits and other nonwage compensation data and to identify statistical data requirements stemming from recent changes in welfare and health policy.

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, increasingly threaten the relevance and accuracy of our Nation's key statistics. The 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 four proposals set forth in the Administration's budget. In particular, these initiatives would:

- provide 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 (see highlights for the Bureau of Economic Analysis and the Bureau of the Census);
- modernize 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 (see the NAICS discussions in the highlights for the Bureau of Labor Statistics and the Bureau of the Census);
- improve 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 (see the CPI discussion in the highlights for the Bureau of Labor Statistics); and
- provide 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 1999 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 from BEA's Mid-Decade 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) support local law enforcement agencies' increased participation in the collection and reporting of hate crime statistics; (2) restore funding for the annual collection and reporting of detailed data from State and local governments on employment and expenditures for criminal justice purposes; and (3) provide for continued collection of police use-of-force statistics from local law enforcement agencies.

*Bureau of Labor Statistics:* Funding is requested to: (1) continue revision of the Consumer Price Index (CPI) by releasing the revised housing sample with data for January 1999, and completing the revision in 2000; (2) initiate improvements in the CPI revision process that would make it possible to revise the CPI 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) replace the Standard Industrial Classification (SIC) with the new North American Industry Classification System (NAICS) by continuing the recoding of each workplace in BLS' establishment list using the new classification; and (4) develop monthly national data on the number of job vacancies and labor turnover.

*Bureau of the Census:* Funding is requested to: (1) undertake final preparatory activities for the conduct of the 2000 Census including developing a comprehensive address list, establishing the required field infrastructure, printing questionnaires, and developing and manufacturing hardware and software to produce a more accurate and less costly decennial count; (2) review, edit, and disseminate the data collected for the 1997 Economic Censuses and the Census of Governments; (3) further the development and testing of the Continuous Measurement program, which would provide nationally comparable and consistent community-based data on an annual basis and permit elimination of the decennial census long form in 2010; (4) implement NAICS in current economic surveys to complement the work already undertaken for the 1997 quinquennial economic censuses; (5) improve the qual-

ity of construction, government, and service sector data used in Gross Domestic Product estimates; (6) perform research and support activities related to improving the measurement of income and poverty; (7) standardize the reporting of international trade data; and (8) begin transition to decentralized funding of the decennial revision of all monthly, quarterly, and annual household survey samples to conform to the anticipated redistribution of population that will be measured in the 2000 Census.

*Bureau of Transportation Statistics:* Funding is requested to: (1) maintain the core statistical programs of BTS, including the American Travel Survey, the Commodity Flow Survey, and the Transborder Surface Freight program; (2) 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; (3) extend efforts to provide technical assistance to State and local authorities; (4) initiate data collections and analyses related to international transportation; and (5) lead the Department of Transportation's development of more relevant and timely transportation system performance indicators.

*Economic Research Service:* Funding is requested to: (1) prepare estimates of the benefits of food safety, (2) support the analytical needs of small farmers, niche marketers, and others adversely affected by an industrializing agricultural sector; and (3) assess the effects of electric utility deregulation on rural communities. The decrease in ERS total funding reflects the proposal to reverse the 1998 transfer of funds (\$18.5 million) for the evaluation of domestic food assistance programs from the Food and Nutrition Service.

*Energy Information Administration:* Funding is requested to: (1) collect and analyze energy efficiency and renewable energy data; (2) perform energy end-use consumption surveys; (3) compile integrated energy end-use data; (4) model mid-term energy demand; (5) analyze greenhouse gas data; and (6) analyze carbon management policies and industry voluntary activities in support of the Climate Change Technology Initiative.

*National Agricultural Statistics Service:* Funding is requested to: (1) develop the statistical infrastructure needed to expand the agricultural pesticide use surveys to the horticulture/greenhouse industries; (2) lay the groundwork for the year 2000 decennial Agricultural Economics and Land Ownership Survey, which provides the only comprehensive data on agricultural land ownership, financing, and inputs by farm operators and landlords for each State; and (3) perform the first extensive census of aquaculture to provide consistent national and State level detailed data about aquacultural production. 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) follow up on the 1992 National Adult Literacy Survey and enhance fast response post-secondary and vocational education surveys to collect performance indicator data; (2) support periodic data collections for the National Postsecondary Student Aid Survey, the Schools and Staffing Survey, and the National Household Education Survey; (3) enhance the coverage and quality for the kindergarten cohort and the coverage of the year 2000 birth cohort in the Early Childhood Longitudinal Survey; (4) institute the State and school district option for the 1999 Third International Mathematics and Science Study Replication at grade 8; (5) produce a crosscutting special report and analysis of education in the year 2000; (6) develop a special financial accounting handbook for school system use; (7) perform special fast response statistical surveys on critical

educational issues; and (8) fund initiatives in the National Assessment of Educational Progress (NAEP) that will enrich coverage of private schools and minority students, field test new items for the NAEP assessments, support implementation of the new NAEP Annual Assessment Schedule, increase support to selected schools to foster NAEP participation, develop the new NAEP market basket 2000 prototype, and implement the NAEP redesign including new technical requirements.

*National Center for Health Statistics:* Funding is requested to maintain at 1998 levels support for NCHS' core data systems, including the Vital Statistics System, Personal Interview Surveys, Health Care Surveys, and the National Health and Nutrition Examination Survey. NCHS is currently reexamining the content, sample size, and periodicity of a number of its data systems.

Table 11-1. 1997-1999 BUDGET AUTHORITY FOR PRINCIPAL STATISTICAL AGENCIES

(In millions of dollars)

	1997 actual	1998 enacted	1999 request
Bureau of Economic Analysis .....	40.6	42.3	48.4
Bureau of Justice Statistics .....	21.4	21.5	27.0
Bureau of Labor Statistics .....	360.8	380.5	398.9
Bureau of the Census .....	351.2	693.1	1,187.9
Periodic Censuses and Programs .....	216.2	555.8	1,027.8
Salaries and Expenses .....	135.0	137.3	160.1
Bureau of Transportation Statistics .....	24.7	<sup>1</sup> 25.0	31.0
Economic Research Service .....	53.1	<sup>2</sup> 71.6	55.8
Energy Information Administration .....	66.1	66.8	70.5
National Agricultural Statistics Service <sup>3</sup> .....	100.2	118.0	107.2
National Center for Education Statistics .....	79.8	91.0	104.0
Statistics .....	50.0	59.0	68.0
Assessment .....	29.8	32.0	36.0
National Center for Health Statistics .....	86.0	86.0	86.0
PHS Evaluation Funds .....	48.4	59.2	86.0
Budget Authority .....	37.6	26.8	.....

<sup>1</sup> Annualization of congressionally authorized \$12.5 million for first six months of 1998, pending reauthorization of the Intermodal Surface Transportation Efficiency Act (ISTEA).

<sup>2</sup> Increase reflects the transfer of \$18.5 million for the evaluation of domestic food assistance programs from the Food and Nutrition Service.

<sup>3</sup> Includes funds for the periodic Census of Agriculture of \$17.5, \$36.3, and \$23.7 (millions) in 1997, 1998, and 1999, respectively.





## 12. CIVIL RIGHTS ENFORCEMENT FUNDING

Federal civil rights enforcement agencies are responsible for strengthening Federal guarantees of equal opportunity and enforcing our laws against discrimination. To eliminate discrimination requires both a proactive effort to promote equal opportunity and effective mechanisms for enforcement. Adequate funding is essential to meaningful enforcement of legal protections afforded all Americans. The 1999 Budget provides the resources necessary to support vigorous enforcement of those Federal civil rights laws.

Since the Civil Rights Act of 1964 was signed 34 years ago, numerous Federal laws have been put in place that prohibit discrimination in the areas of housing, employment, educational opportunities, public accommodations, voting, and programs receiving Federal financial assistance. Nevertheless, discrimination remains a real and widespread problem. For example, recent cases provide evidence of the breadth of the employment discrimination problem. These cases revealed companies that race-coded their job applications and segregated minorities into low profile and low paying jobs. Other companies terminated workers because of age or disability, without offering reasonable accommodations. Patterns of gender discrimination or of sexual harassment are similarly egregious examples of the need for vigorous enforcement of employment discrimination laws.

Housing discrimination also remains pervasive and real. Recent testing in the Washington, D.C. area housing markets showed that blacks and Hispanics faced substantial discrimination when they tried to buy or rent a home. The studies showed that blacks and Hispanics were discriminated against 36 percent of the time they tried to buy a home, and 42 percent of the time they tried to rent a home. These results are disturbing and unacceptable 30 years after the passage of the Fair Housing Act of 1968. Housing discrimination not only affects a family's economic well-being, but it is frequently the cause of other forms of disadvantage, such as limited job opportunities and increased segregation in schools.

The problems of discrimination are not limited to issues of employment or housing. The proportion of complaints based on disability continues to exceed 50 percent of all educational discrimination complaints received by the Department of Education. Furthermore, over 5,000 investigations annually reflect that the problem of fighting discrimination in our schools remains an important national issue.

As real and pervasive as illegal discrimination appears to be, changing demographic patterns and an American population that is growing increasingly diverse will require even more vigilance in preventing discrimination and enforcing civil rights laws against

discrimination. A renewed commitment to strong and effective enforcement will help ensure that economic opportunities and progress reach all segments of a diverse American population. For Federal civil rights enforcement agencies, in addition to increased resources, this renewed commitment includes:

- Greater emphasis on prevention and non-litigation remedies to achieve the objectives of Federal civil rights laws;
- Use of additional tools to increase compliance, including the expansion of Alternative Dispute Resolution (ADR) programs;
- Increased use of technology for better management of agency resources and tracking of case-loads;
- Improved statistical methods for measurement and analysis;
- Encouraging the role of the States through increased partnerships in addressing the problems of discrimination; and
- Enhanced coordination by the Department of Justice in addressing Federal civil rights enforcement efforts.

The 1999 Budget proposes \$602 million for civil rights enforcement agencies, \$86 million or 17 percent greater than the 1998 enacted level of \$516 million, as shown in Table 12-1. Programs and issues in the principal civil rights enforcement agencies, and the U.S. Commission on Civil Rights, are discussed below.

### Enforcing Civil Rights Laws in Employment

The exclusion of people from employment opportunities remains a significant problem facing the workforce today. Approximately 80,000 complaints of employment discrimination are filed annually with the Equal Employment Opportunity Commission (EEOC). Increased statutory responsibilities, including the Americans with Disabilities Act of 1990 and the Civil Rights Act of 1991, have increased the number of complaints that are brought each year. Currently, over 20 percent of all complaints brought before the EEOC are based on disability, while Title VII complaints, based on race, color, religion, gender and national origin, total 60 percent of all complaints filed. An additional 60,000 discrimination complaints are also filed with State Fair Employment Practices Agencies. Moreover, increased awareness of and attention to employment-based discrimination significantly affects the filing of charges with the EEOC.

The EEOC is charged with promoting equal opportunity through administrative and judicial enforcement of Federal civil rights laws and through education and technical assistance. Established by Title VII of the Civil Rights Act of 1964, the EEOC enforces the prin-

**Table 12-1. CIVIL RIGHTS ENFORCEMENT FUNDING**  
(Budget authority, in millions of dollars)<sup>1</sup>

	1997 Actual	Estimate	
		1998	1999
Equal Employment Opportunity Commission .....	240	242	279
Department of Housing and Urban Development, Fair Housing Activities .....	30	30	52
Department of Justice, Civil Rights Division .....	62	65	72
Department of Labor, Office of Federal Contract Compliance Programs .....	59	62	68
Department of Education, Office for Civil Rights .....	55	62	68
Department of Health and Human Services, Office of Civil Rights <sup>2</sup> .....	20	20	21
Department of Agriculture, Civil Rights Programs .....	10	15	19
U.S. Commission on Civil Rights .....	9	9	11
Department of Transportation, Office of Civil Rights .....	6	6	7
Department of Labor, Civil Rights Center .....	5	5	5
<b>Total</b> .....	<b>496</b>	<b>516</b>	<b>602</b>

<sup>1</sup>Numbers may not add due to rounding.

<sup>2</sup>Includes Medicare Trust Fund transfers.

cial Federal statutes prohibiting employment discrimination, including: Title VII of the Civil Rights Act of 1964 as amended; the Age Discrimination in Employment Act (ADEA) of 1967 as amended; the Equal Pay Act (EPA) of 1963; Title I of the Americans with Disabilities Act of 1990 (ADA); and Section 501 of the Rehabilitation Act of 1973, as amended. Taken as a whole, these laws protect workers from discrimination based on race, color, religion, gender, national origin, age, and disability.

In recent years, Congress provided EEOC with only marginal increases that have been insufficient to support upgrades to technology and investment in alternative methods of enforcing the law. At the same time, increased enforcement responsibilities have resulted in a 47 percent rise in private sector complaints received by the agency during the first half of the decade, from 62,000 in 1990 to 91,000 in 1994. Consequently, the backlog of private sector complaints at the EEOC rose from 73,124 charges at the end of 1993 (the highest level of the previous 10 years), to an all-time high of 111,000 in 1995.

Over the past three years, the EEOC has addressed Congressional concerns about the pending backlog and the lack of alternative dispute resolution methods by making a fundamental shift in its approach to its business. Among the most significant changes are: the development of national and local priority issues; the implementation of a targeted and prioritized charge processing system for private sector cases; and encouraging the use of settlement at all stages of processing, including the use of mediation. Two years after implementing the priority charge handling procedures, EEOC has reduced its charge inventory 40 percent—from 111,000 pending charges at the end of the third quarter of 1995 (just prior to implementation) to 64,000 pending charges at the end of 1997. However, under EEOC's new charge prioritization system, it is now faced with a more complex caseload that is approximately 70 percent category "B" charges (those with potential merit requiring extensive investigation). Without additional resources to continue procedural reforms, implement greater use of mediation, and invest in technology, the

Commission is unlikely to make further progress toward its goal of reducing the average time it takes to resolve private sector complaints from over 9.4 months to 6 months by the end of 2000.

Finally, the budget proposes \$13 million for an enhanced mediation program that would double the number of complaints eligible for EEOC's alternative dispute resolution program in 1999. Voluntary mediation is an effective method of complaint resolution that can be used in enforcement efforts. EEOC currently uses some of its trained investigators to mediate, but this diverts scarce investigative resources from cases that do not lend themselves to mediation. While volunteers have also been used since the program's inception in 1996, EEOC will need to use more experienced and credible mediators in the future. Through the use of contract mediators, EEOC would encourage employer participation by addressing employers' concerns about perceived bias of EEOC staff.

Discrimination by Federal contractors is the subject of a separate enforcement effort conducted by the Department of Labor's Office of Federal Contract Compliance Programs (OFCCP). OFCCP is responsible for ensuring nondiscrimination in employment based on race, sex, religion, color, national origin, disability or veteran status by more than 200,000 Federal contractors and subcontractors with a total workforce of approximately 22 million people. It assures that Federal contractors and subcontractors take affirmative action in hiring and the advancement of minorities and women under the authority of Executive Orders 11246 and 11375. It also enforces the affirmative action and nondiscrimination provisions of the Rehabilitation Act of 1973 and, as an agent of the Equal Employment Opportunity Commission, the Americans With Disabilities Act of 1990. It ensures that contractors comply with the provisions of the Vietnam Era Veterans Readjustment Assistance Act of 1974 providing affirmative action by Federal contractors to employ, and advance in employment, special disabled and Vietnam era veterans.

The 1999 Budget includes funds to continue OFCCP's Fair Enforcement Initiative which began in 1998. The Fair Enforcement Initiative includes a streamlined

tiered compliance review process which reduces contractor burden while enabling the agency to target the most serious violations. The tiered review process also will enable OFCCP to reach more of the contractor universe, resulting in a 10 percent increase in 1999 in the number of compliance reviews conducted. In addition, through the completion of various regulatory changes, OFCCP will reduce contractor burden by at least 30 percent. OFCCP will modernize its computer systems in order to streamline internal procedures permitting the agency, for example, to accept electronically submitted reports from contractors. The Fair Enforcement Initiative, which includes technical compliance assistance, will increase the effectiveness and efficiency of the agency while addressing the persistent problem of systemic discrimination in the workplace.

The Department of Labor (DOL) also operates numerous employment and training programs that seek to enhance the skills and abilities of the nation's workforce. To ensure that these programs are administered in a non-discriminatory manner, the Civil Rights Center (CRC) at the Department of Labor is responsible for enforcing the Federal statutes and regulations that prohibit discrimination in all DOL financial assistance programs and prohibit discrimination on the basis of disability by certain public entities and in activities conducted by DOL. CRC employs a proactive approach towards reducing discrimination, by promoting voluntary compliance with existing non-discrimination laws through education and technical assistance to mitigate the number of complaint filings. To further reduce complaint workload, CRC plans to expand the number of technical assistance visits made to the States to ensure voluntary compliance. The CRC also intends to encourage the States to promote the use of alternative dispute resolution in complaint processing programs at the state level. Methods of Administration (MOA) agreements which are signed by the States as a condition of receiving employment and training funds have also been an effective tool in assisting States in addressing discrimination by ensuring that uniform systems are in place to enforce applicable nondiscrimination laws.

### **Combating Housing Discrimination and Promoting Fair Housing Activities**

Despite 30 years of laws and regulations prohibiting housing discrimination, fair housing audits continue to show high indices of discrimination, and mortgage lenders reject minority applicants at higher rates than white applicants. Builders continue to construct housing inaccessible to disabled persons in violation of the Fair Housing Act.

The Department of Housing and Urban Development (HUD), along with the Civil Rights Division at the Department of Justice, has overall responsibility for the promotion of fair housing and enforcement of the Fair Housing Act of 1968, as amended, which prohibits discrimination on the basis of race, color, gender, religion, national origin, disability or familial status in the sale

or rental, provision of brokerage services, or financing of housing. The Office of Fair Housing and Equal Opportunity (FHEO) administers two grant programs: the Fair Housing Assistance Program (FHAP), which provides financial assistance to supplement enforcement activities of States and localities which have passed laws substantially equivalent to Federal fair housing laws; and the Fair Housing Initiatives Program (FHIP), which is a competitive grant program that provides funding to private fair housing groups to carry out activities that assist in enforcement and furthering compliance with the Fair Housing Act. These fair housing activities are designed to ensure citizens the freedom and dignity of choosing where to live.

At the State and local government level, agencies with laws equivalent to the Federal Fair Housing Act are estimated to increase from 78 in 1997 to 85 in 1999. 1999 funding for the FHAP program is proposed at \$23 million, an \$8 million increase over the 1998 level, to support additional State and local fair housing organizations that will meet the needs of currently underserved populations and will be used for joint investigations and enforcement activities.

The 1999 Budget also proposes \$10 million for a targeted, audit-based enforcement initiative that would raise the Nation's and communities' awareness of the extent of discrimination through focused and publicly released audit results and subsequent enforcement actions. Paired testing, in which otherwise identical white and minority testers approach realtors or landlords, is a particularly effective method of detecting housing discrimination. This initiative provides for non-profit housing organizations to undertake audit-based fair housing enforcement in 20 areas nationwide to develop local indices of discrimination, to identify and pursue violations of fair housing laws, and to promote new community fair housing enforcement initiatives. The Administration believes that this systematic and focused strategy, replicated across the country, could substantially aid in detecting and reducing levels of housing discrimination. The 1999 budget also includes a \$4 million increase in flexible funding for fair housing initiatives, to strengthen Secretary Cuomo's "One America" initiative, including his pledge to double the number of enforcement actions taken by HUD on discrimination complaints. In total, the 1999 Budget proposes \$52 million for fair housing activities to enable HUD to meet its goals of reducing discrimination and ensuring equal opportunity in housing.

### **Enforcing Civil Rights in Education and Health Programs**

Although much progress fighting discrimination in our schools has been made in the past three decades, the reality of discrimination—sometimes flagrant—remains. Investigations of over 5,000 cases annually by the Department of Education's Office for Civil Rights reveal that discriminatory tracking and assessment practices continue, to the detriment of hundreds of thousands of minority, limited English proficient, dis-

abled, and female students. Additionally, instances of racial and sexual harassment continue as pervasive problems that must be addressed.

The Office for Civil Rights (OCR) at the Department of Education is charged with ensuring equal access to education and promoting educational excellence throughout the Nation through vigorous enforcement of civil rights laws and regulations. These laws are: Title VI of the Civil Rights Act of 1964 (prohibiting race, color and national origin discrimination); Title IX of the Education Amendments of 1972 (prohibiting sex discrimination); Section 504 of the Rehabilitation Act of 1972 (prohibiting disability discrimination); Age Discrimination Act of 1975; and Title II of the Americans with Disabilities Act of 1990 (prohibiting disability discrimination in State and local government services). Also, OCR enforces civil rights provisions in Title V, Part A, of the Elementary and Secondary Education Act (the Magnet Schools Assistance program), and provides technical assistance to Federal award recipients and beneficiaries, the public and other organizations in an attempt to obtain voluntary compliance with civil rights laws.

OCR focuses on a range of issues: discrimination against minorities in special education and remedial courses; discrimination against minorities in math and science and other advanced placement courses; disability discrimination; access to programs for limited English proficient (LEP) students; racial and sexual harassment; discrimination in the use of tests and assessments; discrimination in higher education admissions and the appropriate use of affirmative action; gender equity in athletics; and higher education and elementary and secondary school desegregation. On average, OCR receives and resolves over 5,000 discrimination complaints annually with over 50 percent relating to claims of disability discrimination. In addition, OCR devotes over 40 percent of its resources to proactive compliance reviews of technical assistance efforts. OCR selects its compliance reviews based on field assessments (from its 12 enforcement offices) of the greatest problems of unredressed discrimination. Currently, the greatest percentage of compliance reviews are in the area of race discrimination.

With its increased funding levels in 1998, OCR will hire additional attorneys, reducing its current attorney/case ratio in order to improve the effectiveness and efficiency of its complaint resolutions and its compliance reviews and to expand its technical assistance efforts. OCR's 1999 budget, an increase of \$6.5 million over 1998, will enable it to maintain its increased staffing level, as well as to fund technology improvements and complete the Elementary and Secondary Education School Survey. It will also allow OCR to pursue its goal of building collaborative relationships with parents, students, and educators—focusing on preventing discrimination rather than just remedying it—and building partnerships with States to address statewide compliance with civil rights laws and regulations. A key element of its enforcement strategy involves educat-

ing the public about its rights and responsibilities and creating linkages among recipients, beneficiaries, and community groups for the purpose of achieving the shared goal of civil rights compliance. For example, OCR has invested significant time and effort to include parental involvement in monitoring agreements reached with recipients. These approaches require a significant investment in time and resources to provide the necessary technical assistance.

Federal health care and social services programs are the responsibility of the Department of Health and Human Services' Office of Civil Rights (OCR). The OCR enforces compliance with Civil Rights statutes to ensure that people have equal access to and do not face discrimination in HHS programs, particularly in the areas of managed care, quality of health care, interethnic adoption, services to limited English proficient persons, and welfare reform. OCR investigates complaints, undertakes pre- and post-grant reviews, and provides outreach and technical assistance. The Civil Rights statutes OCR enforces include Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, Title II of the Americans with Disabilities Act of 1990, Title VI and XVI of the Public Health Service Act, parts of the Omnibus Reconciliation Act of 1981 related to non-discrimination within block grant programs, the Multiethnic Placement Act of 1994, and the Small Business Protection Act of 1996 (interethnic adoption provisions).

Over the past few years, HHS' OCR has focused more of its resources on non-complaint activities and increased use of alternative methods to resolve complaints faster. With additional funding in 1999, OCR will undertake an increased number of compliance reviews in priority program areas to ensure that discrimination is not occurring within HHS-funded programs and provide more technical assistance and outreach.

### **Government-wide Civil Rights Enforcement and Other Monitoring**

The Department of Justice, Civil Rights Division, serves as the chief civil rights enforcement agency of the Federal government. It has primary responsibility for Federal civil rights litigation and is charged with coordinating Federal civil rights policy. The Division enforces a number of laws providing civil and criminal protections from discrimination on the basis of race, color, religion, gender, national origin, disability, age, familial status, citizenship status, marital status, and source of income, in such areas as employment, voting, education, public accommodations, housing, lending, and programs receiving Federal assistance.

The Attorney General has delegated to the Civil Rights Division primary litigation authority for enforcement of the Civil Rights Act of 1964, the Voting Rights Act of 1965, the Fair Housing Act, the Equal Credit Opportunity Act, the Americans with Disabilities Act, the Freedom of Access to Clinic Entrances Act, and a number of criminal and civil statutes, including laws prohibiting police misconduct. The Division also en-

forces Federal constitutional and statutory rights in institutions covered by the Civil Rights of Institutionalized Persons Act. The Division has instituted a successful mediation program in its Disability Rights Section (one area where the Division handles initial complaints, rather than referrals from other government agencies).

The increased funding proposed in the 1999 Budget will allow the Civil Rights Division to significantly expand investigations and prosecutions of hate crimes and police brutality and misconduct, including pattern and practice cases, as well as violations of the Americans with Disabilities Act. The Budget includes a \$1 million increase to enhance the Division's coordination of Federal civil rights enforcement, and \$1.5 million for improvements in information technology, trial preparation, and courtroom presentations.

Finally, the U.S. Commission on Civil Rights has a broad ranging mandate to monitor and report on the status of civil rights' protections in the United States. As an independent, bipartisan agency of the Federal Government, the Commission strives to keep the President, the Congress, and the public informed about civil rights issues that deserve concentrated attention, and to appraise Federal laws and policies with respect to discrimination or denial of protection of the laws because of race, color, religion, gender, age, disability, or national origin, or in the administration of justice. In doing so, it continually reminds all Americans why vigorous civil rights enforcement is in our national interest.

To meet these responsibilities, the agency evaluates Federal civil rights enforcement programs; investigates

and studies allegations of discrimination; maintains a network of regional offices and State Advisory Committees that give the Commission a local presence in communities across the country; and educates the public about civil rights. The additional resources being requested for 1999 will allow the Commission on Civil Rights to address more fully today's critical, and still evolving, civil rights problems, including police brutality, hate crimes, and disability rights issues. At the same time, the Commission has taken important steps toward improving the efficiency and effectiveness of its operations. These improvements will help to ensure that the 1999 resources are more effective in advancing civil rights in the United States.

Finally, civil rights programs at the U.S. Department of Agriculture (USDA) are responsible for ensuring that all USDA customers and employees are treated fairly and equitably, with dignity and respect. The 1999 Budget increases funding for USDA centrally funded civil rights programs from \$15 million to \$19 million. Funding above 1998 has been added to human resources management, outreach to under-represented customers, increased involvement of small and disadvantaged businesses in USDA programs, conflict resolution activities, and in the processing and adjudication of complaints brought by customers and employees. USDA will continue to reduce the backlog of civil rights complaints with a goal of reducing the average time it takes to resolve complaints, from the current estimate of over one year, to within 180 days.



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## FEDERAL BORROWING AND DEBT

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### 13. FEDERAL BORROWING AND DEBT

Debt is the largest legally binding obligation of the Federal Government. At the end of 1997 the Government owed \$3,771 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 \$5,370 billion. This year the Government is estimated to pay around \$249 billion of interest to the public on its debt.

Although the present deficit is continuing to increase the amount of Federal debt held by the public, the Omnibus Budget Reconciliation Act of 1993 and the strong economic expansion have reduced the size of the deficit for five consecutive years, from \$290 billion in 1992 to \$22 billion in 1997. Due to a favorable economic outlook and the Balanced Budget Act of 1997, the Ad-

ministration estimates that the budget will be balanced in 1999. The small budget deficits and the surpluses beginning in 1999 will significantly decrease the debt held by the public as a percentage of the Nation's gross domestic product (GDP). Despite the fact that the budget runs a small surplus in 1999, borrowing from the public is estimated to be \$10 billion because of other factors besides the deficit that affect borrowing requirements. By 2001, however, debt repayment will begin as the surplus grows.

#### Trends in Federal Debt

Federal debt held by the public has increased five-fold since 1980, as shown in Table 13-1. In 1980 it was \$709.8 billion; by the end of 1997 it stood at \$3,771.1 billion. The data in this table are supplemented for earlier years by Tables 7.1-7.3 in *Historical*

Table 13-1. 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 percentage of:		Interest on debt held by the public as a percentage of: <sup>3</sup>	
	Current dollars	FY 1992 dollars <sup>1</sup>	GDP	Credit market debt <sup>2</sup>	Total outlays	GDP
1950	219.0	1,210.1	80.1	55.3	11.4	1.8
1955	226.6	1,097.4	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	1,197.4	26.1	18.5	10.6	2.3
1981	785.3	1,206.0	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	1,551.4	33.1	21.9	13.8	3.3
1984	1,300.5	1,716.6	34.1	22.1	15.7	3.5
1985	1,499.9	1,913.9	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	2,389.9	41.4	22.3	16.2	3.5
1989	2,189.9	2,448.4	40.9	22.0	16.5	3.5
1990	2,410.7	2,588.0	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	25.6	15.5	3.5
1993	3,247.5	3,163.9	50.2	26.5	14.9	3.2
1994	3,432.1	3,265.0	50.1	26.6	14.4	3.1
1995	3,603.4	3,342.0	50.1	26.5	15.8	3.3
1996	3,733.0	3,384.1	49.6	26.1	15.8	3.3
1997	3,771.1	3,345.0	47.3	25.2	15.7	3.1
1998 estimate	3,796.8	3,305.0	45.5	.....	15.0	3.0
1999 estimate	3,807.3	3,249.1	43.8	.....	14.3	2.9
2000 estimate	3,811.7	3,186.0	42.1	.....	13.6	2.7
2001 estimate	3,798.3	3,106.5	40.2	.....	13.1	2.5
2002 estimate	3,722.1	2,978.6	37.7	.....	12.6	2.4
2003 estimate	3,652.1	2,859.7	35.3	.....	11.7	2.2

<sup>1</sup>Debt in current dollars deflated by the GDP chain-type price index with fiscal year 1992 equal to 100.

<sup>2</sup>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.

<sup>3</sup>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 received by other Government accounts (revolving funds and special funds).

*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 has been decelerating more recently, and in 1997 it increased only 1.0 percent, the smallest rate since 1974. The amount outstanding has been declining since 1994 relative to both GDP and total credit market debt. Table 13-1 shows that debt as a percentage of GDP is estimated to decline significantly more in the next few years, falling from 47.3 percent in 1997 to 35.3 percent in 2003. 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 inflation for the foreseeable future.<sup>1</sup> Interest outlays on the debt held by the public are estimated to decline substantially relative to both total outlays and GDP over the next few years.

<sup>1</sup> Chapter 1 of this volume, "Economic Assumptions," reviews recent economic developments and explains the economic assumptions for this budget.

## 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."<sup>2</sup>

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.<sup>3</sup> Federal borrowing thereby competes with the borrowing of other sectors for financial resources in the credit market and affects interest rates. Borrowing from the public moreover 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.<sup>4</sup>

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 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 it. Public policy

<sup>2</sup>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 13-3 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.

<sup>3</sup>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 18 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.

<sup>4</sup>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 a new type of instrument, inflation-protected securities. The recorded value of these securities includes a periodic adjustment for inflation.

**Table 13-2. FEDERAL GOVERNMENT FINANCING AND DEBT<sup>1</sup>**  
(In billions of dollars)

	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Financing:</b>							
Surplus or deficit (-) .....	-21.9	-10.0	9.5	8.5	28.2	89.7	82.8
(On-budget) .....	-103.3	-106.3	-95.7	-104.9	-94.1	-44.6	-62.8
(Off-budget) .....	81.4	96.3	105.3	113.5	122.3	134.4	145.5
Means of financing other than borrowing from the public:							
Changes in: <sup>2</sup>							
Treasury operating cash balance .....	0.6	3.6	.....	.....	.....	.....	.....
Checks outstanding, etc. <sup>3</sup> .....	4.0	-2.2	-4.5	.....	.....	.....	.....
Deposit fund balances .....	-0.4	-1.6	-*	.....	.....	.....	.....
Seigniorage on coins .....	0.5	0.4	0.7	0.7	0.7	0.7	0.7
Less: Net financing disbursements:							
Direct loan financing accounts .....	-21.0	-15.0	-15.4	-13.2	-15.4	-14.1	-13.4
Guaranteed loan financing accounts .....	0.1	-0.9	-0.7	-0.5	-0.1	-0.1	-0.1
Total, means of financing other than borrowing from the public .....	-16.2	-15.7	-20.0	-13.0	-14.8	-13.5	-12.8
Total, requirement for borrowing from the public .....	-38.2	-25.7	-10.5	-4.4	13.4	76.2	70.0
Change in debt held by the public .....	38.2	25.7	10.5	4.4	-13.4	-76.2	-70.0
<b>Debt Outstanding, End of Year:</b>							
Gross Federal debt:							
Debt issued by Treasury .....	5,336.5	5,514.5	5,710.1	5,888.7	6,052.9	6,178.8	6,313.4
Debt issued by other agencies .....	33.2	29.1	28.0	27.1	26.0	24.9	22.8
Total, gross Federal debt .....	5,369.7	5,543.6	5,738.1	5,915.7	6,078.9	6,203.7	6,336.2
Held by:							
Government accounts .....	1,598.6	1,746.8	1,930.8	2,104.0	2,280.6	2,481.6	2,684.1
The public .....	3,771.1	3,796.8	3,807.3	3,811.7	3,798.3	3,722.1	3,652.1
Federal Reserve Banks .....	424.5	.....	.....	.....	.....	.....	.....
Other .....	3,346.6	.....	.....	.....	.....	.....	.....
<b>Debt Subject to Statutory Limitation, End of Year:</b>							
Debt issued by Treasury .....	5,336.5	5,514.5	5,710.1	5,888.7	6,052.9	6,178.8	6,313.4
Less: Treasury debt not subject to limitation <sup>4</sup> .....	-15.5	-15.5	-15.5	-15.5	-15.5	-15.5	-15.5
Agency debt subject to limitation .....	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Adjustment for discount and premium <sup>5</sup> .....	6.6	6.6	6.6	6.6	6.6	6.6	6.6
Total, debt subject to statutory limitation <sup>6</sup> .....	5,327.6	5,505.6	5,701.2	5,879.8	6,044.0	6,169.9	6,304.5

\* \$50 million or less.

<sup>1</sup> 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).

<sup>2</sup> 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 would also have a positive sign.

<sup>3</sup> 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.

<sup>4</sup> Consists primarily of Federal Financing Bank debt.

<sup>5</sup> 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.

<sup>6</sup> The statutory debt limit is \$5,950 billion.

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. 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.<sup>5</sup> 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

<sup>5</sup> A summary of actuarial estimates for many of these 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. Extensive actuarial analysis of the social security and medicare programs are published in the annual reports of the boards of trustees of these funds.

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."<sup>6</sup> 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*.<sup>7</sup>

### Borrowing and Government Deficits

Table 13-2 summarizes Federal borrowing and debt from 1997 through 2003. In 1997 the borrowing from the public was \$38.2 billion, and Federal debt held by the public increased to \$3,771.1 billion. The issuance of debt to Government accounts was \$149.6 billion, and gross Federal debt increased to \$5,369.7 billion. In 1999, despite the fact that the budget runs a small surplus, borrowing from the public is estimated to be \$10.5 billion. This is because of other factors besides the deficit that affect borrowing requirements. By 2001, however, debt repayment will begin as the surplus grows.

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 13-2 shows the relationship between borrowing from the public and the Federal surplus or deficit. The total surplus or deficit of the Federal Government includes not only the on-budget surplus or deficit but 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.<sup>8</sup> Since social security had a large surplus in 1997 and is estimated to continue having large surpluses over the next few years, the off-budget surplus reduces the requirement for Treasury to borrow from the public by a substantial amount.

The Government's need to borrow from the public, or its ability to repay debt, depends on the size of the 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 13-2, these other factors—

which are formally called "means of financing other than borrowing from the public"—can either increase or decrease the Government's borrowing requirements. (An increase in the borrowing requirement is indicated by a negative sign, like the deficit; a decrease is indicated by a positive sign, like the surplus.) In 1997 the deficit was \$21.9 billion and the other financing requirements were \$16.2 billion, so the Government had to borrow \$38.2 billion from the public. In 1999 the surplus is estimated to be \$9.5 billion and the other financing requirements are estimated to be \$20.0 billion, which will result in the Government borrowing \$10.5 billion from the public. In 2001 and later years, the estimated surplus is larger than the other financing requirements, which will enable the Government to repay some of the debt held by the public.

When the deficit or surplus is large, it is usually a good approximation to say that "the deficit is financed by borrowing from the public" or that "the surplus is used to repay debt held by the public." Over the last 10 years, the cumulative deficit was \$1,840 billion and the increase in debt held by the public was \$1,882 billion—nearly equal amounts. When the deficit or surplus is small, however, as in 1997 through 2001, the other factors that affect borrowing may account for a large 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 deficit or surplus 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.<sup>9</sup> 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 requirements for borrowing from the public in the same way as the deficit or surplus.

The net financing disbursements are partly due to intragovernmental transactions with budgetary accounts (the receipt of subsidy payment and the receipt

<sup>6</sup>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.

<sup>7</sup>The *Consolidated Financial Statements* are published annually by the Financial Management Service, Department of the Treasury.

<sup>8</sup>For further explanation of the off-budget Federal entities, see chapter 21, "Off-Budget Federal Entities and Non-Budgetary Activities."

<sup>9</sup>The Federal Credit Reform Act of 1990 (sec. 505(b)) requires that the financing accounts be non-budgetary. As explained in chapter 21, "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 24 of this volume, "Budget System and Concepts and Glossary," and the other references cited in chapter 21.

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 affects the surplus or deficit and the net financing disbursements in equal amounts but with opposite signs, so there is no combined effect on Federal borrowing from the public. 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.

The financing accounts initially either increased or decreased borrowing requirements by a very small amount, but beginning in 1995 the effect began to get large. They added \$4.1 billion to borrowing requirements in 1995, \$11.7 billion in 1996, and \$20.9 billion in 1997, and they are estimated to add about \$14–16 billion every year over the budget horizon. 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. Federal borrowing requirements are reduced when the loans are repaid. The temporary, very large net financing disbursements in

1997 were due to the direct loans made to finance the sales of various portions of the radio spectrum.

**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 1997. In 1999, for example, the total trust fund surplus is estimated to be \$171.0 billion, and Government accounts are estimated to invest \$184.1 billion in Federal securities. The difference is because some other accounts 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 13–4.

### Agency Debt

Several Federal agencies, shown in Table 13–3, sell debt securities to the public and to other Government accounts. During 1997, agencies repaid \$1.4 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 from the public is the Tennessee Valley Authority, which had \$24.2 billion of securities outstanding at the end of 1997, or 93 percent of all agency debt held by the public. TVA debt was primarily sold to finance capital expenditures and to refund other is-

Table 13–3. AGENCY DEBT

(In millions of dollars)

	Borrowing or repayment (-) of debt			Debt end of 1999 estimate
	1997 actual	1998 estimate	1999 estimate	
<b>Borrowing from the public:</b>				
Housing and Urban Development:				
Federal Housing Administration .....	-14	—*	.....	68
Interior .....	.....	.....	.....	13
Small Business Administration:				
Participation certificates: Section 505 development company .....	.....	.....	.....	7
Architect of the Capitol .....	-2	-2	-2	175
Farm Credit System Financial Assistance Corporation .....	.....	.....	.....	1,261
Federal Communications Commission:				
Universal Service Fund <sup>1</sup> .....	-4	.....	.....	.....
Federal Deposit Insurance Corporation:				
FSLIC Resolution Fund .....	-32	-95	.....	.....
National Archives .....	-4	-5	-5	276
Tennessee Valley Authority .....	-1,297	-848	-965	22,373
<b>Total, borrowing from the public .....</b>	<b>-1,352</b>	<b>-950</b>	<b>-972</b>	<b>24,174</b>
<b>Borrowing from other funds:</b>				
Postal Service Fund <sup>2</sup> .....	-508	-3,181	-83	634
Tennessee Valley Authority <sup>2</sup> .....	.....	.....	.....	3,200
<b>Total, borrowing from other funds .....</b>	<b>-508</b>	<b>-3,181</b>	<b>-83</b>	<b>3,834</b>
<b>Total, agency borrowing .....</b>	<b>-1,861</b>	<b>-4,130</b>	<b>-1,055</b>	<b>28,008</b>

\* \$50 million or less.

<sup>1</sup> The Universal Service fund borrowed \$4 million in 1996 and repaid the full amount in 1997. This transaction was not previously classified as agency borrowing.

<sup>2</sup> 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.

sues of its existing debt. TVA debt held by other funds was primarily issued for the same reason.

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 notes are therefore classified as agency debt. The borrowing by FHA and other agencies that have engaged in similar transactions is thus inherent in the way that their programs operate.<sup>10</sup>

The Universal Service fund has borrowed temporarily to meet operating needs. Under the Telecommunications Act of 1996, carriers that provide interstate telecommunications services are required to contribute funds, as prescribed by the Federal Communications Commission (FCC), to the preservation and advancement of universal service. The contributions are used to provide services eligible for universal service support as prescribed by the FCC. During 1996, \$4 million more was spent than collected, so the Universal Service fund borrowed \$4 million to pay the difference. It repaid this amount in 1997 and does not estimate future borrowing. These amounts were not previously recorded in the budget, but the debt in 1996 and the borrowing in 1996 and 1997 have been retroactively revised to include them.

Some types of lease-purchase contracts are equivalent to direct Federal construction financed by Federal borrowing. Several 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 classified as Federal outlays, and the borrowing was classified as Federal agency borrowing from the public. The securities used to finance the construction of the building for the Architect of the Capitol were zero-coupon certificates, for which the sales price was about one-fourth of par value. As an exception to the normal treatment of agency debt, but like Treasury zero-coupon bonds, the value of these certificates is measured as the sales price plus the amortized discount. The interest is accrued as an outlay.

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 1998 or 1999. 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 two 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 13-2, are included in Table 13-3 as amounts that agencies borrowed from other funds, and are included in Table 13-4 as agency debt held by Government accounts. Including 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.<sup>11</sup>

<sup>10</sup>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.

<sup>11</sup>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.

### 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, an expanding economy, and the creation of the military retirement trust fund, annual investment has risen greatly since then. It was \$149.6 billion in 1997, as shown in Table 13-4, and it is estimated to rise to \$184.1 billion in 1999. The holdings of Federal securities by Government accounts grow to \$1,930.8 billion by the end of 1999, or 34 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 total amount each year: \$285.5 billion during 1997-99, which constitutes 59 percent of the total estimated investment by Government accounts.

In addition to these two funds, the largest current investor is the civil service retirement and disability trust fund. It accounts for 19 percent of the total investment by Government accounts during 1997-99, and the military retirement trust fund accounts for 4 percent. Altogether, the investment of social security and these two retirement funds comprises 83 percent of the investment by all Government accounts during this period. At the end of 1999, they are estimated to own 75 percent of the total debt held by Government accounts. The hospital insurance trust fund, which invested heavily in the past, disinvested in 1997 and is estimated to disinvest lesser amounts in 1998 and 1999.

*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.

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 13-4 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 13-2 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 \$68 million at the end of 1997. 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 (including its debt to the FFB, the Treasury, and other Government accounts).

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 treatment 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 13-2. The amount is relatively small: \$6.6 billion at the end of 1997 compared to the total discount (less premium) of \$76.6 billion on all Treasury securities.

*Methods of changing the debt limit.*—The statutory debt limit has frequently been changed. Since

**Table 13-4. DEBT HELD BY GOVERNMENT ACCOUNTS<sup>1</sup>**  
(In millions of dollars)

Description	Investment or disinvestment (-)			Holdings end of 1999 estimate
	1997 actual	1998 estimate	1999 estimate	
<b>Investment in Treasury debt:</b>				
Energy: Nuclear waste disposal fund .....	938	805	938	7,992
Health and Human Services:				
Federal old-age and survivors insurance trust fund <sup>2</sup> .....	68,041	85,623	93,392	746,460
Federal disability insurance trust fund <sup>2</sup> .....	13,462	12,281	12,719	88,562
Federal hospital insurance trust fund .....	-9,184	-5,631	-3,095	107,895
Federal supplementary medical insurance trust fund .....	7,289	5,040	540	40,044
Housing and Urban Development:				
Federal Housing Administration mutual mortgage fund .....	5,737	2,100	2,564	18,131
Other HUD .....	621	-65	348	5,841
Interior:				
Outer Continental Shelf deposit funds .....	122	-1,616	-10	70
Abandoned Mine Reclamation fund .....	128	149	127	1,831
Labor:				
Unemployment trust fund .....	8,031	8,783	7,750	78,456
Pension Benefit Guaranty Corporation .....	1,227	1,285	1,247	10,292
State: Foreign Service retirement and disability trust fund .....	582	613	639	10,230
Transportation:				
Highway trust fund .....	1,157	1,172	14,808	38,321
Airport and airway trust fund .....	-1,322	2,988	4,866	14,214
Oil spill liability trust fund .....	-18	-26	255	1,397
Treasury: Exchange stabilization fund .....	3,607	-4,342	5,889	17,007
Veterans Affairs:				
National service life insurance trust fund .....	16	-88	-171	11,764
Other trust funds .....	19	-7	1	1,732
Federal funds .....	-8	-15	-16	532
Defense-Civil: Military retirement trust fund .....	9,134	5,911	6,301	138,234
Environmental Protection Agency:				
Hazardous substance trust fund .....	-498	-478	1,299	6,698
Leaking underground storage tank trust fund .....	*	94	213	1,407
International Assistance Programs:				
Overseas Private Investment Corporation .....	249	118	183	2,837
Office of Personnel Management:				
Civil Service retirement and disability trust fund <sup>3</sup> .....	28,961	32,649	29,253	476,306
Employees life insurance fund .....	1,077	1,100	1,145	20,283
Employees health benefits fund .....	-1,396	-102	-55	6,630
Federal Deposit Insurance Corporation:				
Bank Insurance fund .....	4,143	2,017	945	29,291
FSLIC Resolution fund .....	1,112	227	208	2,241
Savings Association Insurance fund .....	4,589	256	321	9,842
National Credit Union Administration: Share insurance fund .....	188	166	201	4,039
Postal Service fund <sup>2</sup> .....	*	-360	.....	500
Railroad Retirement Board trust funds .....	2,117	186	176	19,601
Tennessee Valley Authority .....	-951	.....	.....	.....
Other Federal funds .....	1,470	77	516	7,151
Other trust funds .....	817	485	642	8,164
Unrealized discount <sup>1</sup> .....	-1,357	.....	.....	-7,000
<b>Total, investment in Treasury debt .....</b>	<b>150,101</b>	<b>151,395</b>	<b>184,139</b>	<b>1,926,995</b>
<b>Investment in agency debt:</b>				
Office of Personnel Management:				
Civil Service retirement and disability trust fund <sup>3</sup> .....	-508	-3,181	-83	3,834
<b>Total, investment in agency debt .....</b>	<b>-508</b>	<b>-3,181</b>	<b>-83</b>	<b>3,834</b>
<b>Total, investment in Federal debt<sup>1</sup> .....</b>	<b>149,593</b>	<b>148,214</b>	<b>184,056</b>	<b>1,930,829</b>
<b>MEMORANDUM</b>				
Investment by Federal funds (on-budget) .....	23,051	2,778	13,471	117,027
Investment by Federal funds (off-budget) .....	*	-360	.....	500
Investment by trust funds (on-budget) .....	46,274	49,507	64,484	985,210
Investment by trust funds (off-budget) .....	81,503	97,905	106,111	835,022
Investment by deposit funds <sup>4</sup> .....	122	-1,616	-10	70
Unrealized discount <sup>1</sup> .....	-1,357	.....	.....	-7,000

\* \$50 million or less.

<sup>1</sup> 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.

<sup>2</sup> Off-budget Federal entity.

<sup>3</sup> 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.

<sup>4</sup> Only those deposit funds classified as Government accounts.



1960, Congress has passed 68 separate acts to raise the limit, extend the duration of a temporary increase, or revise the definition.

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 Reconciliation 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 13–2, 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.<sup>12</sup>

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 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. 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 13–5 derives the change in debt subject to limit. In 1999 the Federal funds deficit is estimated to be \$161.5 billion, and other factors increase the requirement to borrow subject to limit by \$34.1 billion. The largest other factor 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 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 \$195.6 billion, which is \$185.1 billion more than the increase in debt held by the public.

The budget deficit or surplus equals the sum of the Federal funds deficit or surplus and the trust fund deficit or surplus. The trust fund surplus is currently large, as it has been for a number of years, and is estimated to grow through 2003. The Federal funds, in contrast, as shown in Table 13–5, continue to have a deficit of more than \$100 billion every year over this period. Mainly because of the Federal funds deficit, the increase in debt subject to limit is more than the increase in debt held by the public during 1997–2000, as can be seen by comparing the annual increase in debt sub-

<sup>12</sup> For further discussion of the trust funds and Federal funds groups, see chapter 17, "Trust Funds and Federal Funds."

**Table 13-5. FEDERAL FUNDS FINANCING AND CHANGE IN DEBT SUBJECT TO STATUTORY LIMIT**  
(In billions of dollars)

Description	1997 actual	Estimate					
		1998	1999	2000	2001	2002	2003
Federal funds surplus or deficit (-)	-147.9	-158.7	-161.5	-164.6	-148.4	-111.3	-119.7
(On-budget)	-148.0	-156.9	-160.6	-162.2	-147.9	-112.1	-121.4
(Off-budget)	*	-1.7	-0.8	-2.4	-0.5	0.8	1.7
Means of financing other than borrowing:							
Change in: <sup>1</sup>							
Treasury operating cash balance	0.6	3.6	.....	.....	.....	.....	.....
Checks outstanding, etc. <sup>2</sup>	2.2	-0.9	-4.1	.....	.....	.....	.....
Deposit fund balances <sup>3</sup>	-0.4	-1.6	-*	.....	.....	.....	.....
Seigniorage on coins	0.5	0.4	0.7	0.7	0.7	0.7	0.7
Less: Net financing disbursements:							
Direct loan financing accounts	-21.0	-15.0	-15.4	-13.2	-15.4	-14.1	-13.4
Guaranteed loan financing accounts	0.1	-0.9	-0.7	-0.5	-0.1	-0.1	-0.1
Total, means of financing other than borrowing	-18.0	-14.4	-19.6	-13.0	-14.8	-13.5	-12.8
Decrease or increase (-) in Federal debt held by Federal funds and deposit funds <sup>4</sup>	-23.2	-0.8	-13.5	.....	.....	.....	.....
Increase or decrease (-) in Federal debt not subject to limit	-1.9	-4.1	-1.1	-0.9	-1.1	-1.1	-2.1
Total, requirement for Federal funds borrowing subject to debt limit	-190.9	-178.0	-195.6	-178.5	-164.3	-125.9	-134.6
Adjustment for change in discount or premium <sup>5</sup>	-0.5	.....	.....	.....	.....	.....	.....
Increase in debt subject to limit	190.4	178.0	195.6	178.5	164.3	125.9	134.6
<b>ADDENDUM</b>							
Debt subject to statutory limit <sup>6</sup>	5,327.6	5,505.6	5,701.2	5,879.8	6,044.0	6,169.9	6,304.5

\*\$50 million or less.

<sup>1</sup>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.

<sup>2</sup>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.

<sup>3</sup>Does not include investment in Federal debt securities by deposit funds classified as part of the public.

<sup>4</sup>Only those deposit funds classified as Government accounts.

<sup>5</sup>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.

<sup>6</sup>The statutory debt limit is \$5,950 billion.

ject to limit in Table 13-5 with the annual increase in debt held by the public in Table 13-2; and the debt subject to limit continues to increase during 2001-2003, even though the budget is in surplus and some debt held by the public is being repaid. In 2003, for example, when the budget has an \$82.8 billion surplus and the debt held by the public decreases by \$70.0 billion, the debt subject to limit increases by \$134.6 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 13-6, 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 primarily 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 1997 foreign holdings of Treasury debt were \$1,282 billion, which was 34 percent of the total debt held by the public. Foreign central banks owned 48 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 held by foreigners grew greatly over this period, the proportion they own did not change much from 1972 until 1995. In 1995 and 1996, however, foreign holdings increased by nearly \$200 billion each year, which was more than the total Federal borrowing from the public. In 1997 foreign holdings increased by \$252 billion, which was much more than the total borrowing from the public of \$38 billion.<sup>13</sup> As a result, the Federal debt held by individuals and institutions within the United States decreased in absolute amount over the last three years, especially in 1997, when it decreased by \$214 billion; and the percentage of Federal debt held by foreign residents grew from 19 percent at the end of 1994 to 34 percent at the end of 1997.

Foreign holdings of Federal debt are almost one-fourth 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.

<sup>13</sup>The amounts reported by the Bureau of Economic Analysis, Department of Commerce, were different, but similarly large, due to a different method of valuing the securities.

**Table 13–6. 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 <sup>1</sup>	Percent- age foreign	Total <sup>2</sup>	Foreign <sup>1</sup>	Percent- age foreign	Total <sup>3</sup>	Foreign <sup>4</sup>	Percent- age foreign
1965	260.8	12.3	4.7	3.9	0.3	6.4	9.6	0.5	4.9
1966	263.7	11.6	4.4	2.9	-0.7	n.a.	10.1	0.5	5.1
1967	266.6	11.4	4.3	2.9	-0.2	n.a.	11.1	0.6	5.1
1968	289.5	10.7	3.7	22.9	-0.7	n.a.	11.9	0.7	5.6
1969	278.1	10.3	3.7	-1.3	-0.4	n.a.	13.5	0.7	5.3
1970	283.2	14.0	5.0	3.5	3.8	107.2	15.4	0.8	5.5
1971	303.0	31.8	10.5	19.8	17.8	89.8	16.2	1.3	7.9
1972	322.4	49.2	15.2	19.3	17.3	89.5	16.8	2.4	14.2
1973	340.9	59.4	17.4	18.5	10.3	55.3	18.7	3.2	17.2
1974	343.7	56.8	16.5	2.8	-2.6	n.a.	22.7	4.1	17.9
1975	394.7	66.0	16.7	51.0	9.2	18.0	25.0	4.5	18.2
1976	477.4	69.8	14.6	82.2	3.8	4.6	29.3	4.4	15.1
TQ	495.5	74.6	15.1	18.1	4.9	26.9	7.8	1.2	14.9
1977	549.1	95.5	17.4	53.6	20.9	39.0	33.8	5.1	15.0
1978	607.1	121.0	19.9	58.0	25.4	43.5	40.2	7.9	19.5
1979 <sup>5</sup>	640.3	120.3	18.8	33.2	-0.7	n.a.	49.9	10.7	21.5
1980	709.8	121.7	17.1	69.5	1.4	2.0	62.8	11.0	17.5
1981	785.3	130.7	16.6	75.5	9.0	12.0	81.7	16.4	20.1
1982	919.8	140.6	15.3	134.4	9.9	7.4	101.2	18.7	18.5
1983	1,131.6	160.1	14.1	211.8	19.5	9.2	111.6	19.2	17.2
1984	1,300.5	175.5	13.5	168.9	15.4	9.1	133.5	20.3	15.2
1985 <sup>5</sup>	1,499.9	222.9	14.9	199.4	47.4	n.a.	152.9	23.0	15.1
1986	1,736.7	265.5	15.3	236.8	42.7	18.0	159.3	24.2	15.2
1987	1,888.7	279.5	14.8	152.0	14.0	9.2	160.4	25.7	16.0
1988	2,050.8	345.9	16.9	162.1	66.4	40.9	172.3	29.9	17.4
1989	2,189.9	394.9	18.0	139.1	49.0	35.2	189.0	37.1	19.6
1990 <sup>5</sup>	2,410.7	440.3	18.3	220.8	45.4	n.a.	202.4	40.3	19.9
1991	2,688.1	477.3	17.8	277.4	37.0	13.3	214.8	42.0	19.5
1992	2,998.8	535.2	17.8	310.7	57.9	18.6	214.5	40.5	18.9
1993	3,247.5	591.3	18.2	247.4	56.1	22.7	210.2	41.1	19.6
1994	3,432.1	655.8	19.1	184.6	64.5	34.8	210.6	44.5	21.1
1995	3,603.4	848.4	23.5	171.3	192.6	112.4	239.2	58.3	24.4
1996	3,733.0	1,030.1	27.6	129.6	181.7	140.2	246.6	67.7	27.4
1997	3,771.0	1,282.5	34.0	38.2	252.4	561.0	250.8	87.3	34.8

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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 other interest on public debt received by Government accounts (revolving funds and special funds).

<sup>4</sup> 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.

<sup>5</sup> Benchmark revisions reduced the estimated foreign holdings of Federal debt as of December 1978 and increased the estimated foreign holdings as of December 1984 and December 1989. 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, and 1989 reflects the benchmark revision as well as the net purchases of Federal debt securities.

n.a. = Not applicable due to negative numbers or benchmark revision.

### 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 13–7 brings together the totals of Federal and federally assisted borrowing and lending and shows the 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 1998 and 1999 were developed by the GSEs based on certain assumptions but 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. Since 1992, the Federal borrowing participation rate has declined, reaching 33 percent in

1997, despite large guaranteed borrowing in some years. The Federal lending participation rate has been smaller and more stable over time than the borrowing participation rate, primarily because in most years Federal direct loans have been much smaller than Federal borrowing.

**Table 13-7. FEDERAL AND FEDERALLY ASSISTED PARTICIPATION IN THE CREDIT MARKET**

(Dollar amounts in billions)

	Actual												Estimates	
	1965	1970	1975	1980	1985	1990	1992	1993	1994	1995	1996	1997	1998	1999
Total net borrowing in credit market <sup>1</sup> .....	66.7	88.0	169.2	336.8	823.3	716.0	525.1	576.4	600.1	709.0	701.0	631.7	.....	.....
Federal borrowing from the public .....	3.9	3.5	51.0	69.5	199.4	220.8	310.7	247.4	184.7	171.3	129.6	38.2	25.7	10.5
Guaranteed borrowing .....	5.0	7.8	8.6	31.6	21.6	40.7	19.7	-2.0	38.7	26.2	89.9	57.8	88.1	85.4
Government-sponsored enterprise borrowing <sup>2</sup> .....	1.2	4.9	5.3	21.4	57.9	115.4	150.8	169.3	121.1	125.7	141.5	112.8	198.1	172.2
Total, Federal and federally assisted borrowing .....	10.1	16.2	65.0	122.5	278.9	376.9	481.2	414.7	344.5	323.2	361.1	208.7	311.9	268.1
<b>Federal borrowing participation rate (percent) .....</b>	<b>15.1</b>	<b>18.4</b>	<b>38.2</b>	<b>36.4</b>	<b>33.9</b>	<b>52.6</b>	<b>91.6</b>	<b>71.9</b>	<b>57.4</b>	<b>45.6</b>	<b>51.5</b>	<b>33.0</b>	.....	.....
Total net lending in credit market <sup>1</sup> .....	66.7	88.0	169.2	336.8	823.3	716.0	525.1	576.4	600.1	709.0	701.0	631.7	.....	.....
Direct loans .....	2.0	3.0	12.7	24.2	28.0	2.8	7.0	-1.7	-0.8	1.6	4.0	12.8	5.5	6.9
Guaranteed loans .....	5.0	7.8	8.6	31.6	21.6	40.7	19.7	-2.0	38.7	26.2	89.9	57.8	88.1	85.4
Government-sponsored enterprise loans <sup>2</sup> .....	1.4	5.2	5.5	24.1	60.7	90.0	145.2	162.3	125.3	68.2	161.2	107.9	200.9	155.5
Total, Federal and federally assisted lending .....	8.3	15.9	26.9	79.9	110.3	133.5	171.9	158.6	163.2	90.4	255.1	178.4	294.5	247.7
<b>Federal lending participation rate (percent) .....</b>	<b>12.4</b>	<b>18.1</b>	<b>15.9</b>	<b>23.7</b>	<b>13.4</b>	<b>18.9</b>	<b>32.7</b>	<b>27.5</b>	<b>27.2</b>	<b>12.8</b>	<b>36.4</b>	<b>28.2</b>	.....	.....

<sup>1</sup>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.

<sup>2</sup>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.

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**BUDGET ENFORCEMENT ACT  
PREVIEW REPORT**

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## 14. PREVIEW REPORT

The Budget Enforcement Act (BEA) of 1997, which was enacted as part of the Balanced Budget Act (BBA) of 1997, extended and modified the enforcement requirements of the Budget Enforcement Act of 1990. The BEA of 1997 established new limits, or “caps,” for discretionary spending through 2002. It also eliminated existing pay-as-you-go balances and extended the 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 BEA requires that OMB issue a report on the impact of each piece of legislation seven days after enactment of a bill. 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 first session 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, and by the Budget Enforcement Act of 1997, identify accounts with discretionary resources. The BEA of 1997 limits budget authority and outlays available for discretionary programs each year through 2002. For 1998 and 1999, the BEA of 1997 establishes three separate categories of discretionary spending: defense, non-defense (excluding violent crime reduction spending), and violent crime reduction spending. For 2000, the law divides discretionary spending into two categories: violent crime reduction spending and all other discretionary spending. For 2001 and 2002, there is a single category for all discretionary spending. 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.

The Administration is proposing that the Congress include in the 1999 Budget Resolution a total of \$75.5 billion in 1999 for three deficit neutral “Reserve Fund” mechanisms for the: Research Fund for America, Environmental Resources Fund for America, and Transportation Fund for America. This proposal is discussed in the “Funds for America” section of this report.

*Adjustments to discretionary limits.*—The BEA permits certain adjustments to the discretionary limits—also known as caps. On November 24, 1997, the Office of Management and Budget submitted the Final Sequestration Report for 1998 required by the BEA. This 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. Before enactment of the BEA of 1997, section 251(b)(1) authorized adjustments for changes in inflation estimates from those in the House Conference Report on the 1994 Budget Resolution. The BEA of 1997 no longer provides for such an adjustment. Table 14–1 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 1998 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.

After consultation with the Congress and the Congressional Budget Office, OMB has also reclassified the Corps of Engineers’ Formerly Utilized Sites Remedial Action Program (FUSRAP) from the energy function to the national defense function. The non-defense discretionary spending limits have been adjusted downward, and the defense discretionary spending limits have been adjusted upward to accommodate this classification change.

Another cap adjustment for changes in concepts and definitions is for the redefinition of obligation limitations for certain transportation programs as discretionary budget authority. This conceptual change is explained in the “Transportation Obligation Limitations Defined as Discretionary Budget Authority” section of this report.

Table 14–2 shows the impact on the discretionary spending limits of the adjustments being made in this Preview Report.

Table 14-1. HISTORICAL SUMMARY OF CHANGES TO DISCRETIONARY SPENDING LIMITS

(In billions of dollars)

		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>TOTAL DISCRETIONARY</b>													
Statutory Caps as set in OBRA 1990 and OBRA 1993	BA	491.7	503.4	511.5	510.8	517.7	519.1	528.1	530.6	N/A	N/A	N/A	N/A
	OL	514.4	524.9	534.0	534.8	540.8	547.3	547.3	547.9	N/A	N/A	N/A	N/A
Adjustments for changes in concepts and definitions	BA	.....	7.7	8.2	8.2	8.8	-0.6	-0.4	3.1	N/A	N/A	N/A	N/A
	OL	.....	1.0	2.4	2.3	3.0	-0.5	-2.6	-2.8	N/A	N/A	N/A	N/A
Adjustments for changes in inflation	BA	.....	-0.5	-5.1	-9.5	-11.8	3.0	2.6	*	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
Adjustments for credit reestimates, IRS funding, debt forgiveness, IMF, and CDRs	BA	0.2	0.2	13.0	0.6	0.7	0.1	0.2	0.1	N/A	N/A	N/A	N/A
	OL	0.3	0.3	0.8	0.8	0.9	0.1	0.3	0.1	N/A	N/A	N/A	N/A
Adjustments for emergency requirements	BA	0.9	8.3	4.6	12.2	7.7	5.1	1.6	.....	N/A	N/A	N/A	N/A
	OL	1.1	1.8	5.4	9.0	10.1	6.4	5.4	1.7	N/A	N/A	N/A	N/A
Adjustment pursuant to Sec. 2003 of P.L. 104-19 <sup>1</sup>	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
Adjustments for 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	.....	.....	.....	.....	.....	.....	.....	.....	N/A	N/A	N/A	N/A
	OL	2.6	1.7	0.5	1.0	.....	.....	.....	.....	N/A	N/A	N/A	N/A
Subtotal, adjustments excluding Desert Shield/Desert Storm	BA	1.1	19.2	23.6	14.3	-6.7	7.5	4.0	3.1	N/A	N/A	N/A	N/A
	OL	3.9	5.9	8.8	10.0	6.8	5.5	3.7	-1.5	N/A	N/A	N/A	N/A
Adjustments for 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
Total adjustments	BA	45.4	33.2	24.2	14.3	-6.7	7.5	4.0	3.1	N/A	N/A	N/A	N/A
	OL	37.2	20.8	16.4	12.8	7.8	5.5	3.7	-1.5	N/A	N/A	N/A	N/A
Spending limits as of 2/6/97 <sup>2</sup>	BA	537.1	536.6	535.7	525.1	511.0	526.7	532.0	533.8	N/A	N/A	N/A	N/A
	OL	551.6	545.7	550.4	547.6	548.6	552.7	551.0	546.4	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
Statutory Caps as set in 1997 Bipartisan Budget Agreement <sup>3</sup>	BA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	526.9	533.0	537.2	542.0	551.1
	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	553.3	559.3	564.3	564.4	560.8
Adjustments for changes in concepts and definitions	BA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	.....	28.1	28.7	29.3	29.9
	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	.....	-0.3	-0.4	-0.5	-0.5
Adjustments for emergency requirements	BA	N/A	N/A	N/A	N/A	N/A	N/A	7.7	0.3	.....	.....	.....	.....
	OL	N/A	N/A	N/A	N/A	N/A	N/A	2.7	2.6	1.8	0.8	0.1	*
Adjustments for CDRs, Arrearages, EITC	BA	N/A	N/A	N/A	N/A	N/A	N/A	.....	0.9	.....	.....	.....	.....
	OL	N/A	N/A	N/A	N/A	N/A	N/A	.....	0.5	0.1	0.1	0.1	0.1
Adjustments for special allowances:													
Outlays	BA	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	.....	1.2	.....	.....	.....	.....
Preview Report spending limits <sup>3</sup>	BA	537.1	536.6	535.7	525.1	511.0	526.7	539.7	528.0	561.1	565.9	571.3	581.0
	OL	551.6	545.7	550.4	547.6	548.6	552.7	553.7	557.6	560.9	564.7	564.1	560.3

\* Less than \$50 million.

<sup>1</sup>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 amount of the estimated reductions in new budget authority and outlays for discretionary programs resulting from the provisions of the bill, other than emergency appropriations.

<sup>2</sup>Reflects combined General Purpose Discretionary and Violent Crime Reduction spending limits.

<sup>3</sup>Reflects combined Defense Discretionary, Non-defense Discretionary (Excluding Crime), and Violent Crime Reduction spending limits.



Table 14-2. DISCRETIONARY SPENDING LIMITS

(In millions of dollars)

		1998	1999	2000	2001	2002
<b>NON-DEFENSE DISCRETIONARY SPENDING, EXCLUDING VIOLENT CRIME REDUCTION SPENDING<sup>1</sup></b>						
End-of Session Sequestration Report Non-Defense Discretionary Spending Limits (Excluding Violent Crime Reduction) .....	BA	253,500	255,699	257,326	255,785	256,964
	OL	285,680	289,678	290,527	287,914	283,249
Adjustments:						
Changes in Concepts and Definitions:						
Statutory and Other Shifts Between Categories .....	BA	.....	-249	-270	-283	-293
	OL	.....	-333	-470	-552	-591
Conversion of Discretionary Transportation Department Obligation Limitations to Discretionary Budget Authority <sup>2</sup> .....	BA	(27,732)	28,287	28,881	29,516	30,165
	OL	.....	.....	.....	.....	.....
Contingent Emergency Appropriations Released .....	BA	6	.....	.....	.....	.....
	OL	6	.....	.....	.....	.....
Reestimate of Multilateral Development Bank (MDB) Arrears .....	BA	.....	.....	.....	.....	.....
	OL	.....	-48	.....	.....	.....
Subtotal, Adjustments for the Preview Report .....	BA	6	28,038	28,611	29,233	29,872
	OL	6	-381	-470	-552	-591
Preview Report Non-Defense Discretionary Spending Limits (Excluding Violent Crime Reduction) .....	BA	253,506	283,737	285,937	285,018	286,836
	OL	285,686	289,297	290,057	287,362	282,658
Anticipated Other Adjustments:						
Line Item Veto Cancellations .....	BA	-49	-1	-1	-1	.....
	OL	-19	-22	-5	-4	-2
Budget Proposals:						
Repeal of Sec. 642 of the 1998 Treasury and General Government Appropriations bill (CSRS/FERS "Open Season") .....	BA	.....	110	125	133	140
	OL	.....	110	125	133	140
Contingent Emergency Spending Contained in the 1999 Budget .....	BA	.....	(2,660)	.....	.....	.....
	OL	.....	.....	.....	.....	.....
EITC Tax Compliance Initiative .....	BA	.....	143	144	145	146
	OL	.....	143	144	145	146
Continuing Disability Reviews (CDRs) .....	BA	.....	355	405	405	405
	OL	.....	327	401	405	405
MDB Arrearage Payments .....	BA	.....	502	.....	.....	.....
	OL	.....	35	51	70	86
Adoption Incentive Payments .....	BA	.....	20	20	20	20
	OL	.....	2	15	20	20
Supplemental Security Income (SSI) Non-disability Redeterminations of Eligibility .....	BA	.....	50	.....	.....	.....
	OL	.....	46	4	.....	.....
Transfer within NDD to Funds for America:						
Research Fund for America <sup>2</sup> .....	BA	(-27,907)	-27,054	-26,026	-26,335	-23,080
	OL	(-26,439)	-23,780	-24,554	-25,099	-21,586
Environmental Resources Fund for America <sup>2</sup> .....	BA	(-6,647)	-5,897	-5,608	-5,644	-5,582
	OL	(-5,301)	-4,725	-5,735	-5,807	-5,671
Transportation Fund for America <sup>2</sup> .....	BA	(-36,140)	-36,739	-35,620	-36,139	-36,671
	OL	(-33,499)	-34,819	-34,290	-35,093	-35,940
Emergency Discretionary Funding from Designated Offsets .....	BA	.....	2,424	.....	.....	.....
	OL	.....	2,424	.....	.....	.....
Subtotal, Budget Proposals .....	BA	-49	-66,087	-66,561	-67,416	-64,622
	OL	-19	-60,259	-63,844	-65,230	-62,402
Preview Report Non-defense Discretionary Spending (Excluding Violent Crime Reduction), Including Further Adjustments .....	BA	253,457	217,650	219,376	217,602	222,214
	OL	285,667	229,038	226,213	222,132	220,256
<b>VIOLENT CRIME REDUCTION SPENDING<sup>1</sup></b>						
End-of Session Sequestration Report Violent Crime Reduction Spending Limits .....	BA	5,500	5,800	4,500	4,400	4,500
	OL	4,833	4,953	5,554	5,981	4,530
Adjustments:						
No Adjustments .....	BA	.....	.....	.....	.....	.....
	OL	.....	.....	.....	.....	.....

**Table 14-2. DISCRETIONARY SPENDING LIMITS—Continued**  
(In millions of dollars)

		1998	1999	2000	2001	2002
<b>Preview Report Violent Crime Reduction Spending Limits</b> .....	<b>BA</b>	<b>5,500</b>	<b>5,800</b>	<b>4,500</b>	<b>4,400</b>	<b>4,500</b>
	<b>OL</b>	<b>4,833</b>	<b>4,953</b>	<b>5,554</b>	<b>5,981</b>	<b>4,530</b>
<b>DEFENSE DISCRETIONARY SPENDING<sup>1</sup></b>						
End-of Session Defense Discretionary Spending Limits .....	BA	269,000	271,500	275,367	281,847	289,610
	OL	267,124	266,566	269,011	270,670	273,100
Adjustments:						
Changes in Concepts and Definitions:						
Statutory and Other Shifts Between Categories .....	BA		70	62	61	59
	OL		69	61	60	58
Subtotal, Adjustments for the Preview Report .....	BA		70	62	61	59
	OL		69	61	60	58
<b>Preview Report Defense Discretionary Spending Limits</b> .....	<b>BA</b>	<b>269,000</b>	<b>271,570</b>	<b>275,429</b>	<b>281,908</b>	<b>289,669</b>
	<b>OL</b>	<b>267,124</b>	<b>266,635</b>	<b>269,072</b>	<b>270,730</b>	<b>273,158</b>
Anticipated Other Adjustments:						
Line Item Veto Cancellations .....	BA	-431				
	OL	-95	-153	-94	-51	-18
Budget Proposals:						
Repeal of Sec. 642 of the 1998 Treasury and General Government Appropriations bill (CSRS/FERS "Open Season") .....	BA		73	84	88	93
	OL		73	84	88	93
Subtotal, Anticipated Other Adjustments and Adjustments for 1999 Budget Proposals .....	BA	-431	73	84	88	93
	OL	-95	-80	-10	37	75
<b>Preview Report Defense Discretionary Spending Limits, Including Further Adjustments</b> .....	<b>BA</b>	<b>268,569</b>	<b>271,643</b>	<b>275,513</b>	<b>281,996</b>	<b>289,762</b>
	<b>OL</b>	<b>267,029</b>	<b>266,555</b>	<b>269,062</b>	<b>270,767</b>	<b>273,233</b>
<b>RESEARCH FUND FOR AMERICA</b>						
<b>Research Fund for America Spending<sup>2</sup></b> .....	<b>BA</b>	<b>(27,907)</b>	<b>31,102</b>	<b>32,222</b>	<b>33,715</b>	<b>35,523</b>
	<b>OL</b>	<b>(26,439)</b>	<b>27,828</b>	<b>30,750</b>	<b>32,479</b>	<b>34,029</b>
Designated Offsets .....	BA		-4,048	-6,196	-7,380	-12,443
	OL		-4,048	-6,196	-7,380	-12,443
Transfer within NDD to Research Fund for America (non-add, included above) .....	BA	(-27,907)	(-27,054)	(-26,026)	(-26,335)	(-23,080)
	OL	(-26,439)	(-23,780)	(-24,554)	(-25,099)	(-21,586)
Net Impact on Deficit/Surplus .....	BA					
	OL					
<b>ENVIRONMENTAL RESOURCES FUND FOR AMERICA</b>						
<b>Environmental Resources Fund for America Spending<sup>2</sup></b> .....	<b>BA</b>	<b>(6,722)</b>	<b>7,672</b>	<b>7,015</b>	<b>7,054</b>	<b>7,003</b>
	<b>OL</b>	<b>(5,376)</b>	<b>6,500</b>	<b>7,142</b>	<b>7,217</b>	<b>7,092</b>
Designated Offsets .....	BA	(-75)	-1,775	-1,407	-1,410	-1,421
	OL	(-75)	-1,775	-1,407	-1,410	-1,421
Transfer within NDD to Environmental Resources Fund for America (non-add, included above) .....	BA	(-6,647)	(-5,897)	(-5,608)	(-5,644)	(-5,582)
	OL	(-5,301)	(-4,725)	(-5,735)	(-5,807)	(-5,671)
Net Impact on Deficit/Surplus .....	BA					
	OL					
<b>TRANSPORTATION FUND FOR AMERICA</b>						
<b>Transportation Fund for America Spending<sup>2</sup></b> .....	<b>BA</b>	<b>(36,140)</b>	<b>36,739</b>	<b>37,320</b>	<b>37,839</b>	<b>38,371</b>
	<b>OL</b>	<b>(33,499)</b>	<b>34,819</b>	<b>35,990</b>	<b>36,793</b>	<b>37,640</b>
Designated Offsets .....	BA			-1,700	-1,700	-1,700
	OL			-1,700	-1,700	-1,700
Transfer within NDD to Transportation Fund for America (non-add, included above) ....	BA	(-36,140)	(-36,739)	(-35,620)	(-36,139)	(-36,671)
	OL	(-33,499)	(-34,819)	(-34,290)	(-35,093)	(-35,940)
Net Impact on Deficit/Surplus .....	BA					
	OL					

Table 14-2. DISCRETIONARY SPENDING LIMITS—Continued

(In millions of dollars)

		1998	1999	2000	2001	2002
<b>TOTAL DISCRETIONARY SPENDING<sup>1</sup></b>						
Preview Report Total Discretionary Spending, Including Funds for America .....	BA	527,526	570,606	575,946	582,606	597,373
	OL	557,529	569,693	574,711	575,369	576,780
Designated Offsets for:						
Funds for America .....	BA		-5,823	-9,303	-10,490	-15,564
	OL		-5,823	-9,303	-10,490	-15,564
Emergency Discretionary .....	BA		-2,424			
	OL		-2,424			
Proposed Adjustments .....	BA	480	-1,252	-777	-790	-804
	OL	114	-561	-725	-806	-870
Preview Report Total Discretionary Spending Limits .....	BA	528,006	561,107	565,866	571,326	581,005
	OL	557,643	560,885	564,683	564,073	560,346

NOTE: Detail may not add to total due to rounding.

<sup>1</sup>Amounts in Table 14-2 are split by spending category for comparability purposes. The Balanced Budget Agreement of 1997 included: separate spending limits for Non-Defense Discretionary (Excluding Violent Crime Reduction) Spending, Violent Crime Reduction 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.

<sup>2</sup>1998 adjustment displayed for comparability purposes (non-add).

#### *Adjustments to the Limits That Would be Made Under Existing Adjustment Authority:*

- **Line Item Veto Cancellations.**—Pursuant to Section 1024(b) of the Line Item Veto Act, P.L. 104-130, the discretionary spending caps must be reduced by the amount of any cancellation of discretionary budget authority and outlays that is not disapproved by the Congress. The caps must be adjusted in the sequester report following ten calendar days (excluding Sundays) after the expiration of the time period (30 days when the Congress is in session) for expedited congressional consideration of a bill to overturn a veto. The estimates in Table 14-2 represents line item veto cancellation of items in the 1998 appropriations bills, assuming that no disapproval bills are enacted into law.
- **Repeal of Sec. 642 of the 1998 Treasury and General Government Appropriations Act.**—Section 642 provided for an “Open Season” in which Federal employees could switch from the Civil Service Retirement System (CSRS) to the Federal Employees Retirement System (FERS). The budget proposes to repeal the provision. (The provision was canceled under the Line Item Veto Act, but reinstated by Court Order.) OMB estimates the provision would result in reductions in receipts from employee contributions to the Civil Service Retirement and Disability Fund (CSRDF). Because this requirement was enacted in an appropriations act, the provision results in a change to the discretionary caps to reflect the loss of receipts. The proposed repeal of the provision would eliminate the reduction in the cap.
- **Contingent Emergency Appropriations.**—The budget contains requests for appropriations for the Federal Emergency Management Agency’s Disaster relief program, Health and Human Services’ Low-Income Home Energy Assistance Program, and the Agriculture Department’s Wildland fire-

fighting program. Language is included in the budget requesting that the Congress designate these appropriations as “emergency requirements.” The funds could only be obligated if the President were to submit a subsequent formal budget request that included the President’s “emergency designation,” hence, the name “contingent emergency appropriation.”

- **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 EITC overpayments. The 1998 Treasury and General Government bill provided \$138 million for this initiative.
- **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. 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 1998 Labor, Health and Human Services, Education and Related Agencies appropriations bill provided \$290 million for CDRs.
- **Allowance for Multilateral Development Bank International 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 \$460 million was provided for international arrearage payments in the 1998 appropriations bills.
- **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.

*Other Adjustments:*

- *Supplemental Security Income (SSI) Non-disability Redeterminations of Eligibility.*—The budget proposes a cap adjustment of \$50 million in 1999 only to conduct approximately 268,000 additional non-disability redeterminations of eligibility in the Supplemental Security Income program. This effort would result in estimated program savings of \$97 million in 1999 and \$216 million from 1999 to 2003.

- *Funds for America Proposals.*—The budget includes funding for three new funds - the Research Fund for America, the Environmental Resources Fund for America and the Transportation Fund for America. This proposal is discussed in more detail in the “Budget Policy Reforms” section of this report.

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 14-3 compares the President's discretionary proposals to the proposed caps for 1998 through 2002. The estimates for 1998 are based on BEA scoring of enacted appropriations bills and have been adjusted for a subsequent emergency release.

**Table 14-3. BUDGET PROPOSALS**

(in millions of dollars)

		1998	1999	2000	2001	2002
<b>Defense Discretionary Spending<sup>1</sup></b>						
Estimated Limits	BA	269,000	271,643	N/A	N/A	N/A
	OL	267,124	266,555	N/A	N/A	N/A
President's Proposals <sup>2</sup>	BA	268,491	271,643	N/A	N/A	N/A
	OL	262,391	266,555	N/A	N/A	N/A
President's Proposals Compared to the Limits	BA	-509		N/A	N/A	N/A
	OL	-4,733		N/A	N/A	N/A
<b>Non-defense Discretionary Spending, Excluding Violent Crime Reduction Spending<sup>1</sup></b>						
Estimated Limits	BA	253,506	217,650	N/A	N/A	N/A
	OL	285,686	229,038	N/A	N/A	N/A
President's Proposals <sup>2</sup>	BA	252,124	217,650	N/A	N/A	N/A
	OL	284,833	225,582	N/A	N/A	N/A
President's Proposals Compared to the Limits	BA	-1,382		N/A	N/A	N/A
	OL	-853	-3,456	N/A	N/A	N/A
<b>Research Fund for America</b>						
Research Fund for America Spending <sup>3</sup>	BA	(27,907)	31,102	32,222	33,715	35,523
	OL	(26,439)	27,828	30,750	32,479	34,029
Designated Offsets (non-add)	BA		(-4,048)	(-6,196)	(-7,380)	(-12,443)
	OL		(-4,048)	(-6,196)	(-7,380)	(-12,443)
Transfer within NDD to Research Fund for America (non-add)	BA	(-27,907)	(-27,054)	(-26,026)	(-26,335)	(-23,080)
	OL	(-26,439)	(-23,780)	(-24,554)	(-25,099)	(-21,586)
Net Impact on Deficit/Surplus	BA					
	OL					
<b>Environmental Resources Fund for America</b>						
Environmental Resources Fund for America Spending <sup>3</sup>	BA	(6,722)	7,672	7,015	7,054	7,003
	OL	(5,376)	6,500	7,142	7,217	7,092
Designated Offsets (non-add)	BA	(-75)	(-1,775)	(-1,407)	(-1,410)	(-1,421)
	OL	(-75)	(-1,775)	(-1,407)	(-1,410)	(-1,421)
Transfer within NDD to Environmental Resources Fund for America (non-add)	BA	(-6,647)	(-5,897)	(-5,608)	(-5,644)	(-5,582)
	OL	(-5,301)	(-4,725)	(-5,735)	(-5,807)	(-5,671)
Net Impact on Deficit/Surplus	BA					
	OL					
<b>Transportation Fund for America</b>						
Transportation Fund for America Spending <sup>3</sup>	BA	(36,140)	36,739	37,320	37,839	38,371
	OL	(33,499)	34,819	35,990	36,793	37,640
Designated Offsets (non-add)	BA			(-1,700)	(-1,700)	(-1,700)
	OL			(-1,700)	(-1,700)	(-1,700)
Transfer within NDD to Transportation Fund for America (non-add)	BA	(-36,140)	(-36,739)	(-35,620)	(-36,139)	(-36,671)
	OL	(-33,499)	(-34,819)	(-34,290)	(-35,093)	(-35,940)
Net Impact on Deficit/Surplus	BA					
	OL					

**Table 14-3. BUDGET PROPOSALS—Continued**  
(in millions of dollars)

		1998	1999	2000	2001	2002
<b>Violent Crime Reduction Spending<sup>1</sup></b>						
Estimated Limits .....	BA	5,500	5,800	4,500	N/A	N/A
	OL	4,833	4,953	5,554	N/A	N/A
President's Proposals .....	BA	5,500	5,800	4,500	N/A	N/A
	OL	4,833	4,953	4,895	N/A	N/A
President's Proposals Compared to the Limits .....	BA	.....	.....	.....	N/A	N/A
	OL	.....	.....	-659	N/A	N/A
<b>Discretionary Spending, Excluding Violent Crime Reduction Spending<sup>1</sup></b>						
Estimated Limits .....	BA	N/A	N/A	494,889	N/A	N/A
	OL	N/A	N/A	495,275	N/A	N/A
President's Proposals .....	BA	N/A	N/A	493,981	N/A	N/A
	OL	N/A	N/A	495,062	N/A	N/A
President's Proposals Compared to the Limits .....	BA	N/A	N/A	-908	N/A	N/A
	OL	N/A	N/A	-213	N/A	N/A
<b>Total Discretionary Spending, Excluding Funds for America<sup>1</sup></b>						
Estimated Limits .....	BA	N/A	N/A	N/A	503,998	516,476
	OL	N/A	N/A	N/A	498,880	498,019
President's Proposals .....	BA	N/A	N/A	N/A	503,878	507,683
	OL	N/A	N/A	N/A	498,658	498,019
President's Proposals Compared to the Limits .....	BA	N/A	N/A	N/A	-120	-8,793
	OL	N/A	N/A	N/A	-222	.....
<b>Total Discretionary Spending—All Categories</b>						
Estimated Limits Plus Funds for America Spending .....	BA	528,006	570,606	575,946	582,606	597,373
	OL	557,643	569,693	574,711	575,369	576,780
President's Proposals <sup>4</sup> .....	BA	526,115	570,606	575,038	582,486	588,580
	OL	552,057	566,237	573,839	575,147	576,780
President's Proposals Compared to the Limits Plus Funds for America Spending .....	BA	-1,891	.....	-908	-120	-8,793
	OL	-5,586	-3,456	-872	-222	.....
<b>MEMORANDUM:</b>						
<b>Total Non-defense Discretionary Spending</b>						
Estimated Limits Plus Funds for America Spending .....	BA	259,006	298,963	298,989	297,820	309,283
	OL	290,519	303,138	305,008	304,599	303,646
President's Proposals .....	BA	257,624	298,963	298,081	297,700	300,490
	OL	289,666	299,682	304,136	304,377	303,646
President's Proposals Compared to the Limits Plus Funds for America Spending .....	BA	-1,382	.....	-908	-120	-8,793
	OL	-853	-3,456	-872	-222	.....

<sup>1</sup>The Balanced 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 in 2001 and 2002.

<sup>2</sup>Includes \$3,250 million in budget authority and outlays as an allowance for emergencies, including unforeseen defense and non-defense costs, natural disasters, and unanticipated non-emergency expenses of the year 2000 computer conversion.

<sup>3</sup>1998 adjustment displayed for comparability purposes (non-add).

<sup>4</sup>1999 budget authority and outlays exclude mandatory offsets of \$2,424 thousand.

**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 1998 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 between OMB and CBO discretionary limits.*—Section 254(d)(5) of the BEA requires an explanation of differences between OMB and CBO estimates for the discretionary spending limits. Table 14–4 compares OMB and CBO limits for 1998 through 2002. This table excludes Presidential proposals.

CBO and OMB also differed in their estimates of the effect of discretionary changes made to mandatory accounts in 1998 appropriations bills, and thus, the effect of those changes in the 1999 discretionary spending caps. The largest difference in this category is due to the difference between OMB and CBO scoring for the CSRS/FERS “open season” provision that was contained in the 1998 Treasury and General Government appropriations bill.

In addition, CBO did not include the functional reclassification of the FUSRAP program in their report. CBO has indicated that it will make this adjustment at a later date. Finally, CBO did not make an adjustment for the conversion of Transportation Department obligation limitations to discretionary budget authority. OMB adjusted the 1999 through 2002 caps upward for this conceptual change.

### **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 budget authority provided by law other than appropriations acts, entitlement authority, and the food stamp program. Social Security and the Postal Service are not subject to pay-as-you-go enforcement. Legislation specifically designated as an emergency requirement and legislation fully funding the Government’s commitment to protect insured deposits are also exempt from pay-as-you-go enforcement.

The BEA of 1997 requires that direct spending and receipts legislation should not increase the deficit in the current year, the budget year, and the following four fiscal years. If legislation does increase the deficit for the budget year, and if it is not fully offset by other legislative savings, the increase must be offset by sequestration of non-exempt direct spending programs. For this Preview Report, the pay-as-you-go calculation to determine if a sequester is required for FY 1999 also includes the FY 1998 deficit impacts of legislation for which the pay-as-you-go report was issued after OMB’s Final Sequester Report was issued in November.

*Sequester determinations.*—Within seven days after enactment of direct spending or receipts legislation, OMB is required to submit a report to Congress estimating the change in outlays or receipts for each fiscal year through 2003 resulting from that legislation. The estimates must use the economic and technical assumptions underlying the most recent President’s budget. These OMB estimates are used to determine whether the pay-as-you-go requirements have been met.

The cumulative nature of the pay-as-you-go process requires maintaining a “scorecard” that shows, beginning with the 102nd Congress, the deficit impact of enacted direct spending and receipts legislation and required pay-as-you-go sequesters, if any. This Report shows how these past actions affect the upcoming fiscal year.

As of December 31, 1997, OMB had issued 437 reports on legislation affecting direct spending and receipts. Most of these (82 percent) either had no effect on the deficit or changed it by less than \$10 million in each year. Less than ten percent of the pay-as-you-go legislation had a deficit impact greater than \$50 million in any one year.

Table 14–5 shows OMB and CBO estimates for legislation enacted through December 16, 1997. The sum of the 1998 impact of pay-as-you-go legislation scored after OMB’s Final Sequester Report and the 1999 impact of all legislation enacted since the balances were eliminated is savings of \$142 million. Therefore, no sequester is projected at this time.

Table 14-4. COMPARISON OF OMB AND CBO DISCRETIONARY SPENDING LIMITS

(In millions of dollars)

	1998	1999	2000	2001	2002
<b>Non-defense Discretionary, Excluding Violent Crime Reduction</b>					
CBO Preview Report limits:					
BA .....	253,506	255,704	N/A	N/A	N/A
OL .....	285,686	289,594	N/A	N/A	N/A
OMB Preview Report limits:					
BA .....	253,506	283,737	N/A	N/A	N/A
OL .....	285,686	289,297	N/A	N/A	N/A
Difference:					
BA .....		28,033	N/A	N/A	N/A
OL .....		-297	N/A	N/A	N/A
<b>Violent Crime Reduction</b>					
CBO Preview Report limits:					
BA .....	5,500	5,800	4,500	N/A	N/A
OL .....	4,833	4,953	5,554	N/A	N/A
OMB Preview Report limits:					
BA .....	5,500	5,800	4,500	N/A	N/A
OL .....	4,833	4,953	5,554	N/A	N/A
Difference:					
BA .....				N/A	N/A
OL .....				N/A	N/A
<b>Defense Discretionary</b>					
CBO Preview Report limits:					
BA .....	269,000	271,502	N/A	N/A	N/A
OL .....	267,124	266,568	N/A	N/A	N/A
OMB Preview Report limits:					
BA .....	269,000	271,570	N/A	N/A	N/A
OL .....	267,124	266,635	N/A	N/A	N/A
Difference:					
BA .....		68	N/A	N/A	N/A
OL .....		67	N/A	N/A	N/A
<b>Discretionary Spending, Excluding Violent Crime Reduction Spending</b>					
CBO Preview Report limits:					
BA .....	N/A	N/A	532,656	N/A	N/A
OL .....	N/A	N/A	559,240	N/A	N/A
OMB Preview Report limits:					
BA .....	N/A	N/A	561,366	N/A	N/A
OL .....	N/A	N/A	559,129	N/A	N/A
Difference:					
BA .....	N/A	N/A	28,710	N/A	N/A
OL .....	N/A	N/A	-111	N/A	N/A
<b>Total Discretionary Spending</b>					
CBO Preview Report limits:					
BA .....	528,006	533,006	537,156	541,989	551,023
OL .....	557,643	561,115	564,794	564,198	560,479
OMB Preview Report limits:					
BA .....	528,006	561,107	565,866	571,326	581,005
OL .....	557,643	560,885	564,683	564,073	560,346
Difference:					
BA .....		28,101	28,710	29,337	29,982
OL .....		-230	-111	-125	-133

**Table 14-5. DEFICIT IMPACT OF PAY-AS-YOU-GO LEGISLATION ENACTED AS OF DECEMBER 16, 1997**  
(In millions of dollars)

Report Number	Act Number	Act Title	1998	1999	2000	2001	2002	2003
<b>Legislation enacted in the 1st session—105th Congress (reflected in Final Sequester Report):</b>								
		Enacted after the BBA and included in Final Sequester Report:						
		OMB estimate .....	(-11)	6	6	3	1	NA
		CBO estimate .....	(-7)	41	43	40	39	NA
<b>Legislation enacted in the 1st session—Reports issued after 11/21/97 (not reflected in Final Report):</b>								
417	P.L. 105-85 H.R. 1119	National Defense Authorization Act for Fiscal Year 1998:						
		OMB estimate .....	-156	3	10	15	-4	-24
		CBO estimate .....	-159	9	17	19	-13	-35
418	P.L. 105-89 H.R. 867	Adoption and Safe Families Act of 1997:						
		OMB estimate .....	-1		3	11	40	76
		CBO estimate .....	-1					7
419	P.L. 105-92 H.R. 1377	Savings are Vital to Everyone's Retirement (SAVER) Act of 1997:						
		OMB estimate .....						
		CBO estimate .....						
420	P.L. 105-96 H.R. 1787	Asian Elephant Conservation Act of 1997:						
		OMB estimate .....		*	*	*	*	*
		CBO estimate .....						
421	P.L. 105-98 H.R. 2367	Veterans' Compensation Rate Amendments of 1997:						
		OMB estimate .....						
		CBO estimate .....						
422	P.L. 105-101 S. 813	Veterans' Cemetery Protection Act of 1997:						
		OMB estimate .....	*	*	*	*	*	*
		CBO estimate .....						
423	P.L. 105-103 H.R. 2813	Congressional Medal of Honor to Robert R. Ingram:						
		OMB estimate .....	*	*	*	*	*	*
		CBO estimate .....						
424	P.L. 105-104 H.J.R. 91	Apalachicola-Chattahoochee-Flint River Basin Compact:						
		OMB estimate .....						
		CBO estimate .....						
425	P.L. 105-105 H.J.R. 92	Alabama-Coosa-Tallapoosa River Basin Compact:						
		OMB estimate .....						
		CBO estimate .....						
426	P.L. 105-111 H.R. 1090	Revisions of Veterans Benefits Decisions Based on Clear and Unmistakable Error:						
		OMB estimate .....	*	*	*	*	*	*
		CBO estimate .....						
427	P.L. 105-114 S. 714	Veterans' Benefits Act of 1997:						
		OMB estimate .....						
		CBO estimate .....	1	1	1			
NA	P.L. 105-115 S. 830	Food and Drug Administration Modernization Act of 1997:						
		OMB estimate .....	OMB does not consider this bill to be subject to pay-as-you-go.					
		CBO estimate .....		12	33	54	28	7
428	P.L. 105-116 S. 923	To Prohibit Interment or Memorial in Certain Veterans Cemeteries:						
		OMB estimate .....	-*	-*	-*	-*	-*	-*
		CBO estimate .....						
429	P.L. 105-124 S. 1228	50 States Commemorative Coin Program Act:						
		OMB estimate .....	1	-3	-1	-3	-4	-4
		CBO estimate .....	1	-5	-2	-4	-5	-5
NA	P.L. 105-127 S. 1417	Hispanic Cultural Center Act of 1997:						
		OMB estimate .....	OMB does not consider this bill to be subject to pay-as-you-go.					
		CBO estimate .....		6	6	1		
430	P.L. 105-130 S. 1519	Surface Transportation Extension Act of 1997:						
		OMB estimate .....		-1	-7	-18	-30	-45
		CBO estimate .....		-2	-8	-19	-33	-47
431	P.L. 105-132 S. 156	Lower Brule Sioux Tribe Infrastructure Development Trust Fund Act of 1997:						
		OMB estimate .....			1	2	3	3
		CBO estimate .....			1	2	3	3
432	P.L. 105-135 S. 1139	Small Business Reauthorization Act of 1997:						
		OMB estimate .....	3	4	4	4	4	3
		CBO estimate .....	2	4	4	3	3	2
433	P.L. 105-136 S. 1193	Aviation Insurance Reauthorization Act:						
		OMB estimate .....		*	*	*	*	*
		CBO estimate .....						



**Table 14-5. DEFICIT IMPACT OF PAY-AS-YOU-GO LEGISLATION ENACTED AS OF DECEMBER 16, 1997—Continued**  
(In millions of dollars)

Report Number	Act Number	Act Title	1998	1999	2000	2001	2002	2003
434	P.L. 105-144 H.R. 2979	Acquisition of Property for the Library of Congress:						
		OMB estimate .....	-2	2				
		CBO estimate .....	-2	2				
435	P.L. 105-146 H.R. 1658	Atlantic Striped Bass Conservation Act:						
		OMB estimate .....	*	*	*	*	*	*
		CBO estimate .....						
436	P.L. 105-147 H.R. 2265	No Electronic Theft (NET) Act:						
		OMB estimate .....	*	*	*	*	*	*
		CBO estimate .....						
437	P.L. 105-150 H.R. 3034	Authorization to Use Customs User Fees to Provide Inspectors in Florida:						
		OMB estimate .....	2					
		CBO estimate .....	2					
		<b>Subtotal, reports issued after 11/21/97:</b>						
		OMB estimate .....	-153	5	10	11	9	9
		CBO estimate .....	-156	27	52	56	-17	-68
		<b>Total, new balances (excluding Final Sequester Report FY 1998 amount):</b>						
		OMB estimate .....	-153	11	16	14	10	9
		CBO estimate .....	-156	68	95	96	22	-68
		<b>MEMORANDUM</b>						
		OMB estimate of balances available for 1999 .....		-142				

NA = Not available.  
\* Less than \$500,000.

**Funds for America**

The budget proposes three deficit neutral Funds for America—the Research Fund for America, the Environmental Resources Fund for America, and the Transportation Fund for America—designed to ensure adequate funding for the high priority programs covered by the Funds. The Funds accommodate a total of \$75.5 billion in budget authority and \$69.7 billion in outlays in 1999. Similar amounts are proposed for each of the outyears through 2002. The Funds include both base levels of funding that are currently included in the nondefense discretionary spending category and increases to be offset by reductions in mandatory spending and increases in revenue. The increase and the accompanying offset in 1999 is \$5.8 billion. Sections II and V of the Budget volume discuss the Funds and the programs covered by them in detail.

Under the Administration’s proposal, the increase in spending is paid for by the enactment of sufficient savings in the form of mandatory spending reductions and revenue increases. The Administration is proposing legislative measures—such as increased revenues from tobacco legislation, reduced tobacco-related spending by the Department of Veterans Affairs, and renewed Superfund taxes—to produce the necessary savings.

These mandatory savings would offset additions to base discretionary spending from the Funds, consistent with the deficit neutrality principles underlying the Budget Enforcement Act. The use of mandatory offsets for discretionary spending is permissible under current scorekeeping rules and precedents, or could be specifically authorized for purposes of the Funds for America. The Administration intends to work with the appro-

appropriate congressional committees to determine the best approach.

**Transportation Obligation Limitations Defined as Discretionary Budget Authority**

The Budget Enforcement Act provides that, in the preview report, OMB may adjust the discretionary spending limits for changes in concepts and definitions after consultation with the Committees on Appropriations and the Budget of the House of Representatives and the Senate. The budget includes a redefinition of obligation limitations as budget authority for transportation programs. The change in concepts and definitions with respect to transportation obligation limitations would take effect only upon completion of the statutorily-required consultations.

This change in concepts would be made only for the purposes of the Budget Enforcement Act. The question of whether the concept change should be adopted for purposes of the Congressional Budget Act would be a matter solely within the purview of the Congress.

This change would not affect the legal status of the contract authority authorized for these programs or the obligation limitation. Contract authority would continue to be allocated to States as usual. The appropriation language limiting obligations would not be affected. Absent a limitation on obligations, the contract authority would be fully available for obligation, as it would be now. The contract authority that is not subject to limitation would continue to be scored as direct spending.

Budget authority for highway, transit, highway safety, and airport improvement programs usually has been defined as the contract authority provided in authorizing legislation. However, the levels of contract authority have been, for the most part, controlled by obligation

limitations in appropriations acts. Outlays from the obligation limitations have always been scored as discretionary, but in the past the obligation limitations were not scored as discretionary budget authority. As a result, there has been a large (\$28 billion in 1998 growing to \$30 billion in 2002) gap between the discretionary budget authority cap and the discretionary outlay cap.

A number of non-transportation, discretionary programs are also controlled by obligation limitations in appropriations acts. These programs include the administrative expenses for the Social Security, Medicare, unemployment, civil service, and railroad retirement trust funds. Over the years, OMB, in consultation with the Budget Committees and CBO, has redefined the obligation limitations as budget authority for all of these non-transportation programs. In fact, in the 1998 Budget last year, OMB redefined \$3.7 billion of obligation limitation as budget authority.

The Administration did not propose to redefine obligation limitations as budget authority for the transportation funds in the 1998 Budget because it would have required a large budget authority cap adjustment in the midst of the balanced budget negotiations that were to take place that year. This left obligation limitations for the transportation trust funds as the only obligation limitations not redefined as discretionary budget authority.

This is a conceptual change. As indicated above, OMB adjusts the discretionary spending caps for conceptual changes. For 1998, the budget authority cap would be increased by approximately \$28 billion. Similar budget authority cap adjustments, increasing to \$30 billion in 2002 would be made for each outyear. These adjustments are reflected in Table 14-2. The change would not affect outlays or the deficit or surplus.

## 15. DEFICIT REDUCTION FUND

On August 4, 1993, the President issued Executive Order 12858 to guarantee that the net deficit reduction achieved by the Omnibus Budget Reconciliation Act (OBRA) of 1993 is dedicated exclusively to reducing the deficit. The order established the Deficit Reduction Fund and requires that amounts equal to the spending reductions and revenue increases resulting from OBRA be credited to the Fund. The order also requires that information about the fund, including statements of the amounts in and Federal debt redeemed by the fund, be included in the President's budget. Table 15-1 presents the amounts that will be credited to the fund, based on the final scoring of OBRA by OMB:

**Table 15-1. REVENUE INCREASES AND SPENDING REDUCTIONS CREDITED TO THE DEFICIT REDUCTION FUND**

(In millions of dollars)

Fiscal Year	Annual amount	Cumulative amount
1994 .....	46,752	46,752
1995 .....	82,713	129,465
1996 .....	100,554	230,019
1997 .....	128,898	358,917
1998 .....	145,846	504,763

Each year, amounts are credited to the fund on a daily basis equal to the net deficit reduction achieved by OBRA. The order requires that the fund balances be used exclusively to redeem maturing debt obligations of the Treasury held by foreign governments. On October 1, 1993, amounts began to be credited to the fund. Since then, the deposits made have been used for the stated debt redemption purposes.

The status of the fund on December 31, 1997, was:

**Table 15-2. STATUS OF THE DEFICIT REDUCTION FUND**

(In millions of dollars)

Description	Amount
Deposits made between October 1, 1993, and December 31, 1997 .....	392,753
Redemptions of Treasury debt held by foreign governments between October 1, 1993, and December 31, 1997 .....	390,419
Fund balance as of December 31, 1997 .....	2,334



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## CURRENT SERVICES ESTIMATES

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## 16. 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 1997 through 2003. 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 1998 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 income 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 perma-

Table 16-1. CURRENT SERVICES ESTIMATES, 1997-2003

(In billions of dollars)

	1997	1998	1999	2000	2001	2002	2003
Receipts .....	1,579.3	1,657.9	1,729.8	1,778.9	1,845.9	1,930.8	2,009.5
Outlays:							
Discretionary:							
Defense .....	271.6	265.1	271.0	278.4	285.7	292.8	301.7
Nondefense .....	276.6	287.6	298.4	306.8	314.1	321.2	329.5
Subtotal, discretionary .....	548.3	552.7	569.4	585.2	599.8	614.0	631.2
Mandatory:							
Social security .....	362.3	378.1	392.8	409.2	427.0	446.9	467.4
Medicare .....	187.4	195.4	204.7	214.2	230.1	232.5	253.4
Medicaid .....	95.6	101.0	107.9	114.9	123.5	132.7	143.2
All other .....	163.7	198.0	215.5	233.1	238.7	239.7	262.0
Subtotal, mandatory .....	809.0	872.5	920.9	971.5	1,019.3	1,051.8	1,126.0
Net interest .....	244.0	242.7	242.1	237.7	236.3	232.3	228.6
Total, outlays .....	1,601.2	1,667.8	1,732.4	1,794.4	1,855.5	1,898.1	1,985.9
Surplus/deficit (-) .....	-21.9	-9.9	-2.6	-15.5	-9.6	32.8	23.6
On-budget .....	-103.3	-106.2	-107.9	-129.0	-131.8	-101.3	-121.5
Off-budget .....	81.4	96.3	105.3	113.4	122.2	134.1	145.1
<b>MEMORANDUM</b>							
With discretionary spending at BEA caps:							
Discretionary .....	548.3	552.7	561.4	565.4	564.9	561.2	573.6
Surplus/deficit (-) .....	-21.9	-9.9	5.6	5.2	27.8	90.3	89.1

ment 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.

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. 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, such as highway gasoline taxes, are assumed to be extended at current rates. Second, direct spending programs that will expire under current law are assumed to be extended if their 1998 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 1998, the current services estimates for discretionary programs are equal to the enacted 1998 appropriations. For 1999 through 2003, funding is equal to the 1998 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 1999 through 2002, with adjustment for inflation beginning in 2003. The memorandum to Table 16–1 provides an alternative set of estimates that reflect this assumption. A detailed discussion of the discretionary caps is contained in the Preview Report (chapter 14 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 16–2. 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 16–3. Assumptions about various automatic cost-of-living-adjustments are shown in Table 16–2.

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 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 16–4 provides a listing of mandatory programs and excise taxes assumed to continue in the baseline after their expiration. These extensions increase 1999 current services outlays by \$2.9 billion. In 2003, these extensions add \$59.7 billion to outlays and \$20.8 billion to receipts.

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 16–4 lists many of these



Table 16-2. SUMMARY OF ECONOMIC ASSUMPTIONS

(Fiscal years; dollar amounts in billions)

	1997	1998	1999	2000	2001	2002	2003
Gross Domestic Product (GDP):							
Levels, dollar amounts in billions:							
Current dollars .....	7,972	8,348	8,685	9,047	9,440	9,880	10,336
Real, chained (1992) dollars .....	7,124	7,321	7,466	7,615	7,775	7,960	8,151
Percent change, year over year:							
Current dollars .....	5.8	4.7	4.0	4.2	4.3	4.7	4.6
Real, chained (1992) dollars .....	3.6	2.8	2.0	2.0	2.1	2.4	2.4
Inflation measures (percent change, year/year):							
GDP chained price index .....	2.2	1.9	2.0	2.1	2.2	2.2	2.2
Consumer price index (all urban) .....	2.7	2.1	2.2	2.2	2.3	2.3	2.3
Unemployment rate, civilian (percent) .....	5.1	4.9	5.1	5.2	5.4	5.4	5.4
Interest rates (percent):							
91-day Treasury bills .....	5.0	5.0	4.9	4.8	4.7	4.7	4.7
10-year Treasury notes .....	6.5	5.9	5.8	5.8	5.7	5.7	5.7
<b>MEMORANDUM</b>							
Related programmatic assumptions:							
Automatic benefit increases (percent):							
Social security and veterans pensions .....	2.9	2.1	2.2	2.2	2.2	2.3	2.3
Federal employee retirement .....	2.9	2.1	2.2	2.2	2.2	2.3	2.3
Food stamps .....	3.7	2.0	2.2	2.2	2.3	2.3	2.3
Insured unemployment rate .....	2.1	2.0	2.2	2.2	2.3	2.3	2.3

Table 16-3. BENEFICIARY PROJECTIONS FOR MAJOR BENEFIT PROGRAMS

(Annual average, in thousands)

	1997	1998	1999	2000	2001	2002	2003
Federal family education loans .....	3,503	3,722	3,909	4,053	4,183	4,314	4,447
Federal direct student loans .....	1,994	2,185	2,267	2,349	2,424	2,499	2,575
Foster care and adoption assistance .....	436	460	502	551	601	659	723
Medicaid .....	33,149	33,874	35,263	35,912	36,500	37,072	37,637
Medicare .....	38,603	39,050	39,466	39,926	40,400	40,886	41,411
Railroad retirement .....	752	730	707	684	662	641	621
Federal civil service retirement .....	2,343	2,364	2,387	2,410	2,428	2,441	2,454
Military retirement .....	1,875	1,890	1,916	1,935	1,950	1,963	1,975
Unemployment insurance .....	7,640	7,700	8,290	8,530	8,770	8,830	8,890
Food stamps .....	22,859	21,066	21,638	22,159	22,323	22,339	22,366
Child nutrition .....	29,620	30,110	30,574	30,963	31,330	31,674	31,994
Supplemental security income (SSI):							
Aged .....	1,287	1,254	1,213	1,118	1,163	1,139	1,117
Blind/Disabled .....	5,015	5,033	5,071	5,139	5,201	5,259	5,313
Subtotal, SSI .....	6,302	6,287	6,284	6,257	6,364	6,398	6,430
Child care entitlement to States .....	738	885	955	1,032	1,092	1,138	1,138
Social security (OASDI):							
Old age and survivors insurance .....	37,651	38,018	38,360	38,698	39,053	39,438	39,808
Disability insurance .....	6,066	6,227	6,426	6,654	6,912	7,177	7,464
Veterans compensation .....	2,561	2,590	2,669	2,701	2,742	2,865	2,938
Veterans pensions .....	729	699	673	651	631	614	598

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 16-4. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE

(In millions of dollars)

	1998	1999	2000	2001	2002	2003
<b>REGULATIONS <sup>1</sup></b>						
Disability insurance (DI):						
Net effect of upcoming regulations .....	-5	-20	-40	-65	-95	-120
Old age and survivors insurance (OASI) and DI:						
Increase in collected overpayments .....	-5	-10	-15	-18	-20	-21
Medicare, HI:						
BBA 1997 Codifying Regulations .....	-9,260	-19,615	-31,270	-41,720	-50,360	-57,435
OBRA 1993 Codifying Regulations .....	-9,150	-10,015	N/A	N/A	N/A	N/A
Medicare, SMI:						
BBA 1997 Codifying Regulations .....	570	1,930	2,390	4,775	7,330	10,075
OBRA 1993 Codifying Regulations .....	-5,435	-6,705	N/A	N/A	N/A	N/A
Medicare, HI and SMI:						
Salary equivalency guidelines for therapists .....	-130	-90	-20			
Medicaid:						
BBA 1997 Codifying Regulations .....	1,074	726	-107	-660	-1,071	-1,628
OBRA 1993 Codifying Regulations .....	-2,448	-2,916	N/A	N/A	N/A	N/A
SSI childhood disability standard to implement welfare reform (Medicaid effect) .....	-85	-110	-125	-125	-135	-150
Environmental Protection Agency:						
National pollution discharge elimination system (NPDES) permit fees .....		-10	-10	-10	-10	-10
Supplemental security income (SSI):						
Net effect of upcoming regulations .....	-5	-15	-25	-30	-40	-60
Report SSI recipient entrance into nursing facilities .....	*	*	*	*	*	*
<b>EXPIRING AUTHORIZATIONS</b>						
Provisions extended in the baseline (effect of extension):						
Spending:						
Contingency fund for State welfare programs .....					86	94
Child care entitlement to States .....						1,684
Child nutrition:						
Nutrition education and training .....						10
Summer food service program .....		294	320	347	377	409
State administrative expenses .....		115	121	127	133	138
Continued review effort .....		4	4	5	5	5
Even Start—limited categorical eligibility .....	1	1	1	1	1	1
CCC commodity program assistance .....						7,392
Federal direct student loans .....		343	452	429	411	393
Federal family education loans .....						1,131
Family preservation program .....					52	207
Food stamps:						
Benefit costs .....						23,884
State administrative expenses .....						2,311
Employment and training .....						335
Other program costs .....						33
Nutrition assistance for Puerto Rico .....						1,335
Food donations on Indian reservations .....						75
The emergency food assistance program commodities .....						100
Temporary assistance for needy families (TANF):						
State family assistance grants (SFAG) .....						16,768
SFAG to territories .....						79
Matching grants to territories .....						20
Bonus to reward high performance States .....						
Bonus to reward decrease in illegitimacy .....						101
Tribal work program .....						8
Trade adjustment assistance .....		246	300	327	335	343
Vocational rehabilitation services programs .....		1,852	2,605	2,741	2,803	2,867
Excise taxes						
Highway Trust Fund (net of income offsets) .....			19,313	20,008	20,387	20,782
Provisions not extended in the baseline (effect of extension):						
Civil service retirement:						
Increased non-Postal agency contributions for employees of 1.51 percent .....						-488
Increased employee contributions of 0.5 percent .....						-443
Coast Guard boat safety:						
Transfer of funds from Sport Fish Restoration account .....		3	2	3		
Medicare, SMI:						
Medicare low income premium assistance .....						450
Medicaid:						
Transition benefits .....					600	600
Emergency services for undocumented aliens .....					25	25

**Table 16-4. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—  
Continued**

(In millions of dollars)

	1998	1999	2000	2001	2002	2003
VA pensions/nursing home provision .....						400
NAFTA transitional trade adjustment assistance .....		27	45	52	53	55
Temporary assistance for needy families: Supplemental grant for population increases in certain states .....					298	350
Veterans pensions:						
Authority to limit benefits to Medicaid-eligible beneficiaries in nursing homes (gross savings) .....						-505
Authority to verify income of beneficiaries with the IRS and SSA .....						-10
Veterans housing: Authority to collect higher loan fees and reduce resale losses .....						-188
Welfare to work grants .....			647	1,323	1,565	1,598
<b>OTHER IMPORTANT PROGRAM ASSUMPTIONS</b>						
Child support enforcement (CSE):						
Effect of TANF time limits on the federal share of CSE collections .....		65	70	70	150	240
Effect of non-TANF maintenance of effort programs on the federal share of CSE collections .....		60	90	110	135	145
Effect of hold harmless payments to States .....		40	48	57	58	56
Effect of enhanced automated system matching rates .....		24	29	7		
Increased federal costs due to waivers in effect prior to TANF implementation and new cost neutrality requirements .....		13	12	6	3	
Diabetes Services to American Indians and Alaska Natives and research at HHS .....	18	52	60	60	60	42
Family support payments to States:						
Emergency assistance .....	421	106	11	2		
Quality control recoveries .....	-15	-25	-51	-55	-54	-50
Food stamps: <sup>2,3</sup>						
Tax offset, recoupment, and general claims collection .....	-85	-85	-95	-95	-95	-95
Food donations program on Indian reservations .....	75	75	75	75	75	75
Quality control liabilities <sup>4</sup> .....	-51	-49	-52	-55	-57	-59
Allocation of administrative costs between public assistance programs <sup>5</sup> .....		237	276	283	290	297
State incentive payments .....	19	18	21	21	22	23
Non-employment and training costs of BBA changes to work requirement for able-bodied adults without dependents .....	115	150	160	165	165	170
Foster care: <sup>6</sup>						
Enhanced automation match costs .....	70	38				
Reconciliations, settlements, and disputes .....	-290	-140	-140	-140	-140	-140
Medicare: Medicare Integrity Program (MIP) <sup>7</sup> .....	-5,750	-6,450	-6,689	-7,196	-7,327	-8,007
Medicaid: <sup>2</sup>						
Home and Community Care for the Frail Elderly (Section 1929) .....	70	80	90	100	110	120
Financial management recoveries .....	-425	-446	-469	-492	-517	-542
Vaccines for Children, total program costs .....	487	566	606	642	584	591
Personal Responsibility and Work Opportunity Reconciliation Act of 1996 <sup>8</sup> .....	-343	-32	-415	-800	-1,650	-1,885
Allocation of administrative costs between public assistance programs <sup>5</sup> .....		270	284	298	313	328
Health Insurance Portability and Accountability Act of 1996 .....	90	70				
48 Hour Maternity Stay .....	10	15	20	20	20	20
Impact of year 2000 computer changes .....	50	30				
Adoption Assistance Bill of 1997 .....	1	1	2	2	2	2
State children's health insurance program outlays included in Medicaid .....	253	1,222	1,307	1,383	1,478	1,613
Extended immigrant coverage in Disaster Supplemental of 1996 .....	75					
SSI change in effective date for benefits (Medicaid effect) .....	10	10	10	10	15	15
HHS Inspector General: Audit and Investigative Recoveries .....	-588	-630	-770	-840	-980	-1,050
State children's health insurance program (Title XXI) .....	379	1,834	1,960	2,074	2,217	2,420
Approved Demonstrations: <sup>9</sup>						
Medicare, HI:						
Home Health Prospective Payment:						
Costs .....	298					
Replacement Benefits .....	298					
Montana Rural Health (MAF):						
Costs .....	1	2				
Replacement Benefits .....	1	2				
Ventilator dependent units:						
Costs .....	2					
Replacement Benefits .....	2					
Nursing Home Case Mix and Quality:						
Costs .....	816					
Replacement Benefits .....	816					

**Table 16-4. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—  
Continued**

(In millions of dollars)

	1998	1999	2000	2001	2002	2003
Medicare, SMI:						
Competitive Bidding for Durable Medical Equipment:						
Costs .....	2	17	69	73	80	6
Replacement Benefits .....	2	17	69	73	80	6
Telemedicine:						
Costs .....	*	1	.....	.....	.....	.....
Replacement Benefits .....	*	*	.....	.....	.....	.....
Municipal Health:						
Costs .....	20	22	20	2	.....	.....
Replacement Benefits .....	9	11	9	1	.....	.....
United Mine Workers capitation:						
Costs .....	549	548	408	.....	.....	.....
Replacement Benefits .....	555	555	416	.....	.....	.....
Medicare, HI and SMI:						
Choices:						
Costs .....	214	229	245	262	.....	.....
Replacement Benefits .....	214	229	245	262	.....	.....
Community Nursing Organization (CNO):						
Costs .....	10	.....	.....	.....	.....	.....
Replacement Benefits .....	10	.....	.....	.....	.....	.....
Coronary Artery Bypass Graft (CABG):						
Costs .....	54	.....	.....	.....	.....	.....
Replacement Benefits .....	54	.....	.....	.....	.....	.....
Evercare:						
Costs .....	66	67	70	.....	.....	.....
Replacement Benefits .....	66	67	70	.....	.....	.....
Monroe County (NY) Long Term Care:						
Costs .....	5	6	3	.....	.....	.....
Replacement Benefits .....	5	6	3	.....	.....	.....
New York Graduate Medical Education						
Costs .....	602	1,160	1,223	1,250	1,255	1,202
Replacement Benefits .....	620	1,205	1,301	1,405	1,518	1,472
End State Renal Disease Managed Care						
Costs .....	125	177	170	.....	.....	.....
Replacement Benefits .....	125	177	170	.....	.....	.....
Medicaid:						
Alabama:						
Costs .....	65	68	72	75	33	.....
Replacement Benefits .....	65	68	72	75	33	.....
Arizona Health Care Cost Containment System:						
Costs .....	1,282	1,347	1,471	1,618	1,780	.....
Replacement Benefits .....	1,282	1,347	1,471	1,618	1,780	.....
Arkansas (ARKids First)						
Costs .....	42	45	47	49	51	.....
Replacement Benefits .....	42	45	47	49	51	.....
Arkansas Family Planning Services						
Costs .....	11	12	12	13	13	.....
Replacement Benefits .....	11	12	12	13	13	.....
Delaware Statewide:						
Costs .....	92	98	105	105	106	108
Replacement Benefits .....	92	98	105	105	106	108
D.C. Special Needs Children:						
Costs .....	30	.....	.....	.....	.....	.....
Replacement Benefits .....	30	.....	.....	.....	.....	.....
Hawaii Health QUEST:						
Costs .....	213	234	257	283	311	.....
Replacement Benefits .....	213	234	257	283	311	.....
Illinois:						
Costs .....	1,920	2,238	2,613	2,775	3,094	.....
Replacement Benefits .....	1,920	2,238	2,613	2,775	3,094	.....
Kentucky (amended version):						
Costs .....	1,767	1,926	2,101	2,290	2,496	.....
Replacement Benefits .....	1,767	1,926	2,101	2,290	2,496	.....
LA County:						
Costs .....	2,077	2,219	2,375	.....	.....	.....
Replacement Benefits .....	2,077	2,219	2,375	.....	.....	.....
Maryland Family Planning:						
Costs .....	9	14	20	25	.....	.....

**Table 16-4. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—  
Continued**

(In millions of dollars)

	1998	1999	2000	2001	2002	2003
Replacement Benefits .....	9	14	20	25	.....	.....
Maryland Pediatric Care:						
Costs .....	2	.....	.....	.....	.....	.....
Replacement Benefits .....	2	.....	.....	.....	.....	.....
Maryland:						
Costs .....	819	881	948	1,021	1,092	.....
Replacement Benefits .....	819	881	948	1,021	1,092	.....
Massachusetts Statewide:						
Costs .....	1,592	1,694	1,803	1,918	1,530	.....
Replacement Benefits .....	1,592	1,694	1,803	1,918	1,530	.....
Minnesota Statewide:						
Costs .....	1,054	1,187	1,338	1,510	1,706	.....
Replacement Benefits .....	1,054	1,187	1,338	1,510	1,706	.....
New York (Partnership Plan):						
Costs .....	9,492	15,897	18,582	29,956	23,452	.....
Replacement Benefits .....	9,492	15,897	18,582	29,956	23,452	.....
Oklahoma Statewide:						
Costs .....	726	786	841	900	963	.....
Replacement Benefits .....	726	786	841	900	963	.....
OhioCare:						
Costs .....	1,790	1,971	2,123	2,287	2,464	.....
Replacement Benefits .....	1,790	1,971	2,123	2,287	2,464	.....
Oregon Health Plan:						
Costs .....	394	468	505	545	186	.....
Replacement Benefits .....	394	468	505	545	186	.....
Preconceptual Intervention:						
Costs .....	1	.....	.....	.....	.....	.....
Replacement Benefits .....	1	.....	.....	.....	.....	.....
Rhode Island Rite Care (including costs of amendments):						
Costs .....	65	67	70	70	70	.....
Replacement Benefits .....	65	67	70	70	70	.....
SC Family Planning:						
Costs .....	14	7	.....	.....	.....	.....
Replacement Benefits .....	14	7	.....	.....	.....	.....
TennCare:						
Costs .....	2,780	2,921	3,071	3,227	3,392	.....
Replacement Benefits .....	2,780	2,921	3,071	3,227	3,392	.....
Vermont:						
Costs .....	127	138	151	151	151	.....
Replacement Benefits .....	127	138	151	151	151	.....
Welfare Reform:						
Costs .....	74	76	74	72	70	.....
Replacement Benefits .....	74	76	74	72	70	.....
Medicare and Medicaid:						
PACE—Medicare:						
Costs .....	73	.....	.....	.....	.....	.....
Replacement Benefits .....	73	.....	.....	.....	.....	.....
PACE—Medicaid:						
Costs .....	97	.....	.....	.....	.....	.....
Replacement Benefits .....	97	.....	.....	.....	.....	.....
On Lok—Medicare:						
Costs .....	9	.....	.....	.....	.....	.....
Replacement Benefits .....	9	.....	.....	.....	.....	.....
On Lok—Medicaid:						
Costs .....	13	.....	.....	.....	.....	.....
Replacement Benefits .....	13	.....	.....	.....	.....	.....
S/HMOs—Medicare:						
Costs .....	588	694	819	.....	.....	.....
Replacement Benefits .....	576	680	803	.....	.....	.....
S/HMOs—Medicaid:						
Costs .....	59	70	83	.....	.....	.....
Replacement Benefits .....	59	70	83	.....	.....	.....
S/HMO II—Medicare:						
Costs .....	1,178	1,378	1,612	.....	.....	.....
Replacement Benefits .....	995	1,105	1,213	.....	.....	.....
S/HMO II—Medicaid:						
Costs .....	235	276	324	.....	.....	.....
Replacement Benefits .....	235	276	324	.....	.....	.....

**Table 16-4. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued**

(In millions of dollars)

	1998	1999	2000	2001	2002	2003
Minnesota Long Term Care Options—Medicare:						
Costs .....	75	96	112	.....	.....	.....
Replacement Benefits .....	75	96	112	.....	.....	.....
Minnesota Long Term Care Options—Medicaid:						
Costs .....	57	75	84	.....	.....	.....
Replacement Benefits .....	57	75	84	.....	.....	.....
Developmental Demonstrations (waivers not yet approved):						
Medicare, SMI: Competitive bidding for labs .....	.....	54	55	56	57	58
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 .....	309	412	411	103	.....	.....
Group volume performance standards .....	.....	3,527	3,879	4,268	4,695	5,164
Centers of excellence .....	1,240	1,302	1,367	1,435	1,507	.....
Utah GME .....	20	111	460	480	498	.....
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) .....	-180	-295	-410	-520	-630	-740
Collection of overpayments:						
OASI .....	-1,040	-1,080	-1,120	-1,160	-1,210	-1,260
DI .....	-220	-230	-240	-260	-280	-300
SSI .....	-470	-480	-500	-520	-540	-560
Debts written off as uncollectable (no effect on outlays):						
OASI .....	75	80	85	90	95	100
DI .....	140	150	160	170	180	190
SSI .....	310	320	330	340	350	360
DI:						
Payments to states for vocational rehabilitation .....	56	73	77	79	81	81
Demonstration projects .....	1	.....	.....	.....	.....	.....
Limitation on prisoner's benefits .....	-8	-11	-12	-13	-13	-14
OASI: limitation on prisoner's benefits .....	-4	-5	-6	-7	-7	-7
SSI:						
Payments from states for state supplemental benefits .....	-3,010	-2,950	-2,950	-2,950	-2,950	-2,950
Payments for state supplemental benefits .....	3,010	2,950	2,950	2,950	2,950	2,950
Fees for administration of State supplement						
Treasury share .....	145	145	145	146	147	148
SSA share .....	35	75	80	90	100	110
Research and demonstration projects .....	49	30	31	23	23	23
Payments to states for vocational rehabilitation .....	46	61	65	67	68	68
Performance of non-disability redeterminations .....	-295	-295	-295	-295	-295	-295
Change in timing of October, 2000 payment .....	.....	.....	-2,145	2,145	.....	.....
Change in effective date of benefits .....	-120	-125	-130	-130	-135	-140
TANF						
State penalties .....	.....	-50	-50	-50	-50	-50
Uranium sales proceeds .....	-43	-36	-37	-68	-129	-167
Veterans compensation:						
Payments for tobacco-related illness based solely on tobacco use during military service .....	40	741	1,330	2,291	6,274	6,333

\* \$500,000 or less.

<sup>1</sup> Not shown in the table are Medicare and Medicaid regulations assumed in the baseline that have not been specifically priced. Among these regulations are Medicare Part A payments for nurses and allied health education, Medicare Part B coverage of pap smears and Medicaid payments for outpatient drugs under rebate agreements with manufacturers.

<sup>2</sup> Estimates for food stamps, TANF, and Medicaid assume States will be held harmless for increased Federal costs due to welfare waivers in effect prior to TANF implementation.

<sup>3</sup> Estimates for food stamps and child nutrition assume regulatory reform and simplification will not increase federal costs.

<sup>4</sup> Collections may not equal liabilities.

<sup>5</sup> Assumes administrative costs that had been allocated to AFDC prior to welfare reform will be allocated to successor programs through 1998.

<sup>6</sup> Estimates for foster care assume State IV-E waivers will not increase costs.

<sup>7</sup> Reflects gross MIP savings not offset with MIP costs.

<sup>8</sup> Includes savings from immigrant benefits restrictions. BBA97 includes costs for restoring benefits to some of these immigrants.

<sup>9</sup> Total federal costs.

### Current Services Receipts, Outlays, and Budget Authority

*Receipts.*—Table 16–5 shows baseline receipts by major source. Total receipts are projected to increase by \$71.9 billion from 1998 to 1999 and by \$279.7 billion from 1999 to 2003, largely due to assumed increases in incomes resulting from both real economic growth and inflation.

Individual income taxes are estimated to increase by \$24.9 billion from 1998 to 1999 under current law. This growth of 3.2 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 3.8 percent between 1999 and 2003.

Corporation income taxes under current law are estimated to grow by \$3.5 billion or 1.8 percent from 1998 to 1999, in large part due to higher corporate profits. Corporation income taxes are projected to increase at an annual rate of 2.8 percent from 1999 to 2003.

Social insurance and retirement receipts are estimated to increase by \$24.4 billion between 1998 and 1999, and by an additional \$110.6 billion between 1999 and 2003. The estimates reflect assumed increases in total wages and salaries paid, and scheduled increases in the social security taxable earnings base from \$68,400 in 1998 to \$82,800 in 2003.

Excise taxes are estimated to increase by \$16.2 billion from 1998 to 2003, in large part due to increased economic activity. These estimates reflect extension of the excise taxes deposited in the Highway Trust Fund, which are scheduled to expire after September 30, 1999. Other baseline receipts (estate and gift taxes, customs duties, and miscellaneous receipts) are projected to increase by \$22.0 billion from 1998 to 2003.

*Outlays.*—Current services outlays are estimated to be \$1,667.8 billion in 1998 and \$1,732.4 billion in 1999, a four percent increase. Between 1998 and 2003, they

are projected to increase at an average annual rate of 3.6 percent. Outlays for discretionary programs increase from \$552.7 billion in 1998 to \$569.4 billion in 1999, 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 \$631.2 billion in 2003. Entitlement and other mandatory programs are estimated to grow from \$872.5 billion in 1998 to \$920.9 billion in 1999, and to \$1,126.0 billion in 2003, 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 \$378.1 billion in 1998 to \$467.4 billion in 2003, an average annual rate of 4.3 percent. Medicare and medicaid are projected to grow at annual average rates of 5.3 and 7.2 percent, respectively, outpacing inflation. Other areas of growth include federal employee retirement and disability (average annual growth rate of 3.6 percent) and unemployment compensation (average annual growth rate of 7.6 percent).

Net interest payments to the public are estimated to decline over the projection period from \$242.7 billion in 1998 to \$228.6 billion in 2003, reflecting declining interest rates and reduced borrowing by the Government resulting from projected surpluses over the period.

Tables 16–7 and 16–8 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 16–9 and 16–10 show current services estimates of budget authority by function and by agency, respectively.

*Current Services Outlays and Budget Authority by Function and Program.*—Tables 16–11 and 16–12 present current services budget authority and outlays, respectively, in function order, with category and program level detail.

Table 16–5. BASELINE RECEIPTS BY SOURCE

(In billions of dollars)

	1997 actual	Estimates					
		1998	1999	2000	2001	2002	2003
Individual income taxes .....	737.5	767.9	792.7	808.5	837.9	881.5	919.9
Corporation income taxes .....	182.3	190.9	194.4	200.4	206.0	211.7	217.4
Social insurance and retirement receipts .....	539.4	571.4	595.7	622.8	648.4	677.1	706.3
On-budget .....	(147.4)	(155.4)	161.6)	(168.9)	(175.7)	(182.8)	(189.6)
Off-budget .....	(392.0)	(416.0)	(434.1)	(453.9)	(472.7)	(494.3)	(516.6)
Excise taxes .....	56.9	55.4	70.7	65.6	67.5	69.8	71.6
Other .....	63.2	72.3	76.2	81.6	86.1	90.6	94.3
<b>Total .....</b>	<b>1,579.3</b>	<b>1,657.9</b>	<b>1,729.8</b>	<b>1,778.9</b>	<b>1,845.9</b>	<b>1,930.8</b>	<b>2,009.5</b>
On-budget .....	(1,187.3)	(1,241.9)	(1,295.7)	(1,325.0)	(1,373.2)	(1,436.5)	(1,492.8)
Off-budget .....	(392.0)	(416.0)	(434.1)	(453.9)	(472.7)	(494.3)	(516.6)

Table 16-6. CHANGE IN BASELINE OUTLAY ESTIMATES BY CATEGORY

(Dollar amounts in billions)

	1998	1999	2003	Change 1998 to 1999		Change 1998 to 2003	
				Amount	Percent	Amount	Annual average rate
Discretionary:							
Defense .....	265.1	271.0	301.7	5.9	2.2%	36.6	2.6%
Nondefense .....	287.6	298.4	329.5	10.9	3.8%	41.9	2.8%
Subtotal, discretionary .....	552.7	569.4	631.2	16.7	3.0%	78.5	2.7%
Mandatory:							
Medicaid .....	101.0	107.9	143.2	7.0	6.9%	42.3	7.2%
Medicare .....	195.4	204.7	253.4	9.3	4.8%	58.1	5.3%
Federal employee retirement and disability .....	74.0	76.9	88.3	2.9	3.9%	14.3	3.6%
Unemployment compensation .....	21.0	23.9	30.4	2.9	13.8%	9.4	7.6%
Social security .....	378.1	392.8	467.4	14.7	3.9%	89.3	4.3%
Undistributed offsetting receipts .....	-46.4	-42.6	-48.5	3.8	-8.2%	-2.1	0.9%
Other .....	149.4	157.3	191.8	7.9	5.3%	42.4	5.1%
Subtotal, mandatory .....	872.5	920.9	1,126.0	48.5	5.6%	253.6	5.2%
Net interest .....	242.7	242.1	228.6	-0.6	-0.2%	-14.0	-1.2%
Total, outlays .....	1,667.8	1,732.4	1,985.9	64.6	3.9%	318.0	3.6%



Table 16-7. CURRENT SERVICES OUTLAYS BY FUNCTION

(in billions of dollars)

Function	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
National defense:							
Department of Defense—Military .....	258.3	251.4	257.1	264.2	271.3	278.1	286.6
Other .....	12.2	12.7	12.9	13.1	13.4	13.7	14.2
Total, National defense .....	270.5	264.1	269.9	277.3	284.7	291.8	300.7
International affairs .....	15.2	14.5	14.4	15.4	15.9	16.8	17.5
General science, space, and technology .....	17.2	17.1	18.0	18.3	18.8	19.4	19.9
Energy .....	1.5	0.4	-0.9	0.5	0.5	0.5	0.7
Natural resources and environment .....	21.4	23.8	23.7	25.0	25.7	26.1	27.0
Agriculture .....	9.0	10.6	11.4	11.4	10.1	10.2	10.6
Commerce and housing credit .....	-14.6	3.5	3.9	10.7	11.7	12.0	11.4
On-Budget .....	(-14.6)	(1.8)	(3.1)	(8.2)	(11.2)	(12.7)	(13.1)
Off-Budget .....	(-)	(1.7)	(0.8)	(2.4)	(0.5)	(-0.8)	(-1.7)
Transportation .....	40.8	41.5	42.6	43.8	44.5	45.1	47.0
Community and regional development .....	11.0	11.8	10.8	10.0	9.8	9.4	8.9
Education, training, employment, and social services .....	53.0	55.3	59.7	61.2	61.6	61.8	64.8
Health .....	123.8	131.8	141.6	149.4	159.2	169.8	181.6
Medicare .....	190.0	198.1	207.5	217.2	233.1	235.7	256.7
Income security .....	230.9	239.2	251.5	262.2	270.6	277.7	288.1
Social security .....	365.3	381.5	396.2	412.7	430.5	450.5	471.1
On-Budget .....	(6.9)	(9.7)	(8.9)	(9.4)	(8.7)	(10.6)	(11.3)
Off-Budget .....	(358.4)	(371.8)	(387.3)	(403.3)	(421.8)	(439.9)	(459.8)
Veterans benefits and services .....	39.3	43.1	44.3	46.2	48.5	53.8	56.3
Administration of justice .....	20.2	22.3	24.7	25.6	26.9	27.3	28.1
General government .....	12.8	12.9	13.6	14.1	14.6	15.0	15.4
Net interest .....	244.0	242.7	242.1	237.7	236.3	232.3	228.6
On-Budget .....	(285.2)	(289.4)	(293.7)	(294.7)	(299.2)	(301.6)	(305.0)
Off-Budget .....	(-41.2)	(-46.7)	(-51.6)	(-57.0)	(-62.9)	(-69.3)	(-76.3)
Undistributed offsetting receipts:							
Employer share, employee retirement (on-budget) .....	-27.8	-27.9	-28.2	-28.8	-29.5	-30.5	-31.0
Employer share, employee retirement (off-budget) .....	-6.5	-7.2	-7.7	-8.3	-8.8	-9.6	-10.3
Rents and royalties on the Outer Continental Shelf .....	-4.7	-4.7	-4.2	-4.0	-4.1	-4.3	-3.9
Sale of major assets .....		-4.4	-0.7				
Other undistributed offsetting receipts .....	-11.0	-2.2	-1.8	-3.1	-5.3	-12.7	-3.3
Total, Undistributed offsetting receipts .....	-50.0	-46.4	-42.6	-44.1	-47.8	-57.0	-48.5
On-Budget .....	(-43.5)	(-39.2)	(-34.9)	(-35.8)	(-39.0)	(-47.4)	(-38.2)
Off-Budget .....	(-6.5)	(-7.2)	(-7.7)	(-8.3)	(-8.8)	(-9.6)	(-10.3)
<b>Total .....</b>	<b>1,601.2</b>	<b>1,667.8</b>	<b>1,732.4</b>	<b>1,794.4</b>	<b>1,855.5</b>	<b>1,898.1</b>	<b>1,985.9</b>
On-Budget .....	(1,290.6)	(1,348.2)	(1,403.5)	(1,453.9)	(1,504.9)	(1,537.8)	(1,614.4)
Off-Budget .....	(310.6)	(319.7)	(328.9)	(340.5)	(350.6)	(360.2)	(371.5)

\* \$50 million or less.

Table 16-8. CURRENT SERVICES OUTLAYS BY AGENCY

(in billions of dollars)

Agency	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Legislative Branch .....	2.4	2.9	2.7	2.8	2.9	2.9	3.0
Judicial Branch .....	3.3	3.7	3.8	3.8	3.8	4.0	4.1
Agriculture .....	52.5	54.9	54.8	57.8	58.2	59.9	62.5
Commerce .....	3.8	4.1	4.3	4.5	4.4	4.5	4.6
Defense—Military .....	258.3	251.4	257.1	264.2	271.3	278.1	286.6
Education .....	30.0	30.9	33.8	34.8	35.0	34.6	36.2
Energy .....	14.5	14.4	15.2	15.5	15.7	15.8	16.2
Health and Human Services .....	339.5	359.1	379.8	398.8	425.0	438.7	472.6
Housing and Urban Development .....	27.5	31.0	32.4	32.2	32.4	33.3	33.3
Interior .....	6.7	7.9	8.0	8.4	8.5	8.6	9.0
Justice .....	14.3	15.5	17.7	18.5	19.8	19.9	20.5
Labor .....	30.5	32.1	36.1	38.3	39.9	40.9	43.0
State .....	5.2	5.3	5.3	5.5	5.6	5.8	6.0
Transportation .....	39.8	40.4	41.4	42.6	43.5	44.6	45.9
Treasury .....	379.3	387.1	395.6	399.5	406.3	411.3	417.5
Veterans Affairs .....	39.3	43.1	44.2	46.1	48.4	53.7	56.3
Corps of Engineers .....	3.6	4.1	4.1	4.3	4.4	4.5	4.6
Other Defense Civil Programs .....	30.3	31.5	32.4	33.4	34.3	35.2	36.1
Environmental Protection Agency .....	6.2	6.4	6.7	7.1	7.5	7.6	7.8
Executive Office of the President .....	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Federal Emergency Management Agency .....	3.3	3.7	3.1	2.2	1.6	1.2	0.7
General Services Administration .....	1.1	0.9	0.2	0.1	0.1	-0.4	0.1
International Assistance Programs .....	10.1	9.6	9.4	10.1	10.3	10.9	11.3
National Aeronautics and Space Administration .....	14.4	13.7	14.0	14.0	14.4	14.8	15.2
National Science Foundation .....	3.1	3.2	3.4	3.5	3.6	3.7	3.8
Office of Personnel Management .....	45.4	46.4	48.6	50.8	53.1	54.6	57.8
Small Business Administration .....	0.3	-0.1	-0.4	-0.3	0.8	0.8	0.8
Social Security Administration .....	393.3	410.5	425.8	443.2	462.1	483.0	504.7
On-Budget .....	(34.9)	(38.6)	(38.5)	(39.9)	(40.3)	(43.1)	(44.9)
Off-Budget .....	(358.4)	(371.8)	(387.3)	(403.3)	(421.8)	(439.9)	(459.8)
Other Independent Agencies .....	-2.1	14.0	14.0	22.3	23.2	22.9	23.4
On-Budget .....	(-2.1)	(12.3)	(13.2)	(19.9)	(22.7)	(23.7)	(25.1)
Off-Budget .....	(-)	(1.7)	(0.8)	(2.4)	(0.5)	(-0.8)	(-1.7)
Undistributed Offsetting Receipts .....	-155.0	-160.1	-161.5	-169.8	-180.6	-197.7	-197.8
On-Budget .....	(-107.3)	(-106.2)	(-102.2)	(-104.5)	(-108.8)	(-118.8)	(-111.2)
Off-Budget .....	(-47.7)	(-53.9)	(-59.3)	(-65.3)	(-71.7)	(-78.9)	(-86.6)
<b>Total .....</b>	<b>1,601.2</b>	<b>1,667.8</b>	<b>1,732.4</b>	<b>1,794.4</b>	<b>1,855.5</b>	<b>1,898.1</b>	<b>1,985.9</b>
On-Budget .....	(1,290.6)	(1,348.2)	(1,403.5)	(1,453.9)	(1,504.9)	(1,537.8)	(1,614.4)
Off-Budget .....	(310.6)	(319.7)	(328.9)	(340.5)	(350.6)	(360.2)	(371.5)

\* \$50 million or less.

Table 16-9. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION

(in billions of dollars)

Function	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
National defense:							
Department of Defense—Military .....	258.0	254.9	262.6	269.6	277.1	284.8	292.8
Other .....	12.3	12.7	12.9	13.2	13.5	13.9	14.2
Total, National defense .....	270.3	267.6	275.5	282.8	290.6	298.7	307.0
International affairs .....	14.6	17.2	17.1	17.4	18.4	19.1	19.6
General science, space, and technology .....	16.7	18.0	18.4	18.8	19.2	19.7	20.1
Energy .....	1.7	-0.4	0.4	0.4	0.3	0.6	0.3
Natural resources and environment .....	23.1	24.4	24.7	25.4	26.0	26.7	27.4
Agriculture .....	11.4	10.6	11.7	11.6	10.5	10.6	11.1
Commerce and housing credit .....	8.1	12.8	7.4	13.0	14.2	13.9	15.3
On-Budget .....	(4.3)	(8.2)	(5.6)	(12.5)	(14.6)	(16.0)	(15.6)
Off-Budget .....	(3.7)	(4.6)	(1.9)	(0.4)	(-0.4)	(-2.1)	(-0.3)
Transportation .....	41.1	42.8	43.7	44.8	45.8	46.4	48.1
Community and regional development .....	13.6	8.8	9.4	9.6	10.4	11.0	9.7
Education, training, employment, and social services .....	58.0	60.4	62.6	62.6	64.3	65.1	68.4
Health .....	130.2	135.0	139.0	152.5	162.2	171.3	183.0
Medicare .....	190.0	198.8	207.9	217.0	232.9	236.1	256.6
Income security .....	227.5	232.7	251.2	262.7	273.2	282.0	292.8
Social security .....	366.1	381.3	397.2	414.1	432.1	452.2	472.9
On-Budget .....	(6.9)	(9.7)	(8.9)	(9.4)	(8.7)	(10.6)	(11.3)
Off-Budget .....	(359.2)	(371.7)	(388.3)	(404.8)	(423.3)	(441.6)	(461.6)
Veterans benefits and services .....	39.9	42.8	44.0	46.0	48.3	53.6	56.1
Administration of justice .....	23.8	25.3	25.5	25.9	26.7	27.5	28.3
General government .....	12.7	12.9	14.0	14.3	14.8	15.3	15.8
Net interest .....	244.0	242.7	242.1	237.7	236.3	232.3	228.6
On-Budget .....	(285.2)	(289.4)	(293.7)	(294.7)	(299.2)	(301.6)	(305.0)
Off-Budget .....	(-41.2)	(-46.7)	(-51.6)	(-57.0)	(-62.9)	(-69.3)	(-76.3)
Undistributed offsetting receipts:							
Employer share, employee retirement (on-budget) .....	-27.8	-27.9	-28.2	-28.8	-29.5	-30.5	-31.0
Employer share, employee retirement (off-budget) .....	-6.5	-7.2	-7.7	-8.3	-8.8	-9.6	-10.3
Rents and royalties on the Outer Continental Shelf .....	-4.7	-4.7	-4.2	-4.0	-4.1	-4.3	-3.9
Sale of major assets .....		-4.4	-0.7				
Other undistributed offsetting receipts .....	-11.0	-2.2	-1.8	-3.1	-5.3	-12.7	-3.3
Total, Undistributed offsetting receipts .....	-50.0	-46.4	-42.6	-44.1	-47.8	-57.0	-48.5
On-Budget .....	(-43.5)	(-39.2)	(-34.9)	(-35.8)	(-39.0)	(-47.4)	(-38.2)
Off-Budget .....	(-6.5)	(-7.2)	(-7.7)	(-8.3)	(-8.8)	(-9.6)	(-10.3)
<b>Total .....</b>	<b>1,642.9</b>	<b>1,687.2</b>	<b>1,749.3</b>	<b>1,812.7</b>	<b>1,878.6</b>	<b>1,925.3</b>	<b>2,012.6</b>
On-Budget .....	(1,327.7)	(1,364.8)	(1,418.4)	(1,472.8)	(1,527.4)	(1,564.6)	(1,638.0)
Off-Budget .....	(315.2)	(322.4)	(330.9)	(339.9)	(351.3)	(360.7)	(374.6)
<b>MEMORANDUM</b>							
Discretionary budget authority:							
National defense .....	266.2	268.6	276.5	283.9	291.6	299.7	308.0
International .....	18.2	19.0	19.6	20.1	20.4	20.9	21.5
Domestic .....	252.0	267.8	279.1	288.2	297.1	306.1	315.6
Total .....	536.3	555.4	575.1	592.1	609.2	626.7	645.0

Table 16-10. CURRENT SERVICES BUDGET AUTHORITY BY AGENCY

(in billions of dollars)

Agency	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Legislative Branch .....	2.6	2.6	2.7	2.8	2.8	2.9	3.0
Judicial Branch .....	3.4	3.6	3.7	3.8	3.9	4.0	4.1
Agriculture .....	60.9	55.8	58.0	59.3	60.4	62.9	63.9
Commerce .....	3.8	4.1	4.4	4.6	4.6	4.7	4.8
Defense—Military .....	258.0	254.9	262.6	269.6	277.1	284.8	292.8
Education .....	33.5	34.9	35.7	36.6	37.4	37.2	39.1
Energy .....	14.1	14.5	15.1	15.5	15.7	15.9	16.2
Health and Human Services .....	353.7	362.6	378.6	401.9	428.1	440.8	474.0
Housing and Urban Development .....	16.1	23.8	25.0	31.0	33.1	35.7	36.8
Interior .....	7.4	7.9	8.2	8.4	8.6	8.9	9.2
Justice .....	17.3	18.5	18.6	18.8	19.4	20.0	20.6
Labor .....	32.2	34.6	37.9	38.6	40.8	42.1	44.2
State .....	5.2	5.2	5.4	5.5	5.7	5.9	6.0
Transportation .....	40.2	41.9	42.8	43.8	44.8	45.9	47.0
Treasury .....	380.2	389.2	397.3	401.1	408.0	413.1	419.2
Veterans Affairs .....	39.9	42.7	44.0	45.9	48.3	53.6	56.0
Corps of Engineers .....	4.2	4.1	4.2	4.3	4.4	4.5	4.7
Other Defense Civil Programs .....	30.3	31.6	32.5	33.5	34.4	35.2	36.1
Environmental Protection Agency .....	6.5	7.2	7.4	7.5	7.7	7.9	8.2
Executive Office of the President .....	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Federal Emergency Management Agency .....	5.2	0.8	0.8	0.8	0.8	0.8	0.8
General Services Administration .....	0.6	0.3	0.2	0.1	0.2	-0.4	0.2
International Assistance Programs .....	8.5	10.3	10.0	10.1	11.0	11.4	11.6
National Aeronautics and Space Administration .....	13.7	13.6	14.0	14.3	14.6	15.0	15.4
National Science Foundation .....	3.3	3.5	3.5	3.6	3.7	3.8	3.9
Office of Personnel Management .....	44.8	47.5	50.0	52.4	54.6	56.9	59.4
Small Business Administration .....	0.8	0.2	0.7	0.7	0.8	0.8	0.8
Social Security Administration .....	394.2	408.7	426.8	444.7	463.6	484.7	506.5
On-Budget .....	(35.0)	(37.0)	(38.5)	(39.9)	(40.3)	(43.1)	(44.9)
Off-Budget .....	(359.2)	(371.7)	(388.3)	(404.8)	(423.3)	(441.6)	(461.6)
Other Independent Agencies .....	17.1	22.4	20.5	22.8	24.4	23.5	25.6
On-Budget .....	(13.4)	(17.8)	(18.6)	(22.4)	(24.8)	(25.5)	(25.9)
Off-Budget .....	(3.7)	(4.6)	(1.9)	(0.4)	(-0.4)	(-2.1)	(-0.3)
Undistributed Offsetting Receipts .....	-155.0	-160.1	-161.5	-169.8	-180.6	-197.7	-197.8
On-Budget .....	(-107.3)	(-106.2)	(-102.2)	(-104.5)	(-108.8)	(-118.8)	(-111.2)
Off-Budget .....	(-47.7)	(-53.9)	(-59.3)	(-65.3)	(-71.7)	(-78.9)	(-86.6)
<b>Total .....</b>	<b>1,642.9</b>	<b>1,687.2</b>	<b>1,749.3</b>	<b>1,812.7</b>	<b>1,878.6</b>	<b>1,925.3</b>	<b>2,012.6</b>
On-Budget .....	(1,327.7)	(1,364.8)	(1,418.4)	(1,472.8)	(1,527.4)	(1,564.6)	(1,638.0)
Off-Budget .....	(315.2)	(322.4)	(330.9)	(339.9)	(351.3)	(360.7)	(374.6)

Table 16–11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>050 National defense:</b>							
<b>Discretionary:</b>							
<b>Department of Defense—Military:</b>							
Military personnel .....	70,341	69,666	72,189	74,385	76,660	79,071	81,558
Operation and maintenance .....	92,342	94,377	97,326	100,162	103,149	106,235	109,421
Procurement .....	42,930	44,824	45,721	46,682	47,707	48,756	49,831
Research, development, test and evaluation .....	36,404	36,600	37,418	38,266	39,175	40,103	41,052
Military construction .....	5,718	5,089	5,195	5,307	5,427	5,547	5,671
Family housing .....	4,132	3,807	3,885	3,968	4,055	4,146	4,240
Revolving, management and trust funds .....	2,285	1,894	2,107	2,169	2,234	2,301	2,370
Discretionary offsetting receipts .....	-137	-129	-108	-94	-94	-94	-94
Total, Department of Defense—Military .....	254,015	256,128	263,733	270,845	278,313	286,065	294,049
<b>Atomic energy defense activities:</b>							
Department of Energy .....	11,356	11,523	11,766	12,022	12,295	12,575	12,861
Formerly utilized sites remedial action .....		140	143	146	149	152	156
Defense nuclear facilities safety board .....	16	17	18	18	19	20	20
Total, Atomic energy defense activities .....	11,372	11,680	11,927	12,186	12,463	12,747	13,037
<b>Defense-related activities:</b>							
Discretionary programs .....	793	790	814	836	859	884	908
Total, Discretionary .....	266,180	268,598	276,474	283,867	291,635	299,696	307,994
<b>Mandatory:</b>							
<b>Department of Defense—Military:</b>							
Revolving, trust and other DoD mandatory .....	5,366	150	186	137	136	135	133
Offsetting receipts .....	-1,406	-1,370	-1,358	-1,361	-1,361	-1,361	-1,357
Total, Department of Defense—Military .....	3,960	-1,220	-1,172	-1,224	-1,225	-1,226	-1,224
<b>Atomic energy defense activities:</b>							
Proceeds from sales of excess DOE assets .....	-26	-15	-15	-15	-15	-15	
<b>Defense-related activities:</b>							
Mandatory programs .....	184	197	202	214	226	237	249
Total, Mandatory .....	4,118	-1,038	-985	-1,025	-1,014	-1,004	-975
<b>Total, National defense</b> .....	270,298	267,560	275,489	282,842	290,621	298,692	307,019
<b>150 International affairs:</b>							
<b>Discretionary:</b>							
<b>International development, humanitarian assistance:</b>							
Development assistance and operating expenses .....	1,648	1,677	1,716	1,757	1,802	1,846	1,892
Multilateral development banks (MDB's) .....	1,014	1,487	1,518	1,548	1,584	1,617	1,652
Assistance for the New Independent States .....	470	769	784	801	819	836	855
Food aid .....	867	867	885	903	923	943	963
Refugee programs .....	700	700	714	729	745	761	779
Assistance for Central and Eastern Europe .....	406	483	493	503	514	525	537
Voluntary contributions to international organizations .....	272	294	300	306	313	320	327
Peace Corps .....	220	226	233	241	249	257	265
Other development and humanitarian assistance .....	897	893	987	991	909	935	963
Total, International development, humanitarian assistance .....	6,494	7,396	7,630	7,779	7,858	8,040	8,233
<b>International security assistance:</b>							
Foreign military financing grants and loans .....	3,347	3,363	3,430	3,502	3,579	3,658	3,738
Economic support fund .....	2,385	2,420	2,468	2,521	2,575	2,632	2,690
Other security assistance .....	248	261	267	272	278	284	291
Total, International security assistance .....	5,980	6,044	6,165	6,295	6,432	6,574	6,719
<b>Conduct of foreign affairs:</b>							
State Department operations .....	2,090	2,076	2,145	2,210	2,278	2,349	2,423
Foreign buildings .....	389	398	409	419	431	443	455

Table 16-11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Assessed contributions to international organizations .....	902	949	968	988	1,010	1,032	1,055
Assessed contributions for international peacekeeping .....	335	256	261	267	272	278	285
Other conduct of foreign affairs .....	174	162	166	172	177	185	192
Total, Conduct of foreign affairs .....	3,890	3,841	3,949	4,056	4,168	4,287	4,410
<b>Foreign information and exchange activities:</b>							
U.S. Information Agency .....	1,108	1,126	1,162	1,192	1,228	1,264	1,300
Other information and exchange activities .....	8	8	8	8	9	9	9
Total, Foreign information and exchange activities .....	1,116	1,134	1,170	1,200	1,237	1,273	1,309
<b>International financial programs:</b>							
Export-Import Bank .....	758	696	714	730	749	767	785
Special defense acquisition fund .....	-88	-77	-56				
Total, International financial programs .....	670	619	658	730	749	767	785
Total, Discretionary .....	18,150	19,034	19,572	20,060	20,444	20,941	21,456
<b>Mandatory:</b>							
<b>International development, humanitarian assistance:</b>							
Credit liquidating accounts .....	-521	-604	-496	-458	-506	-501	-493
Other development and humanitarian assistance .....	32	-24	-9	-9	-9	-9	-9
Total, International development, humanitarian assistance .....	-489	-628	-505	-467	-515	-510	-502
<b>International security assistance:</b>							
Repayment of foreign military financing loans .....	-653	-553	-391	-261	-186	-134	-85
Foreign military loan liquidating account and reestimates .....	-168	-191	-191	-200	-227	-226	-227
Total, International security assistance .....	-821	-744	-582	-461	-413	-360	-312
<b>Foreign affairs and information:</b>							
Conduct of foreign affairs .....	2	3	4	3	3	3	3
U.S. Information Agency trust funds .....	2	1	1	1	1	1	1
Japan-U.S. Friendship Commission .....	1	1	1	1	1	1	1
Total, Foreign affairs and information .....	5	5	6	5	5	5	5
<b>International financial programs:</b>							
Foreign military sales trust fund (net) .....	-1,229	-400	-1,230	-1,630	-880	-860	-990
Exchange stabilization fund .....	-882						
Other international financial programs .....	-108	-110	-112	-115	-192	-75	-57
Total, International financial programs .....	-2,219	-510	-1,342	-1,745	-1,072	-935	-1,047
Total, Mandatory .....	-3,524	-1,877	-2,423	-2,668	-1,995	-1,800	-1,856
<b>Total, International affairs .....</b>	<b>14,626</b>	<b>17,157</b>	<b>17,149</b>	<b>17,392</b>	<b>18,449</b>	<b>19,141</b>	<b>19,600</b>
<b>250 General science, space, and technology:</b>							
<b>Discretionary:</b>							
<b>General science and basic research:</b>							
National Science Foundation programs .....	3,208	3,366	3,437	3,511	3,591	3,671	3,753
Department of Energy general science programs .....	977	2,236	2,281	2,330	2,382	2,434	2,489
Total, General science and basic research .....	4,185	5,602	5,718	5,841	5,973	6,105	6,242
<b>Space flight, research, and supporting activities:</b>							
Science, aeronautics and technology .....	4,745	4,760	4,855	4,957	5,066	5,177	5,292
Human space flight .....	5,540	5,507	5,617	5,735	5,861	5,990	6,122
Mission support .....	2,154	2,027	2,106	2,178	2,253	2,331	2,411

Table 16-11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Other NASA programs .....	17	18	19	20	20	21	22
Total, Space flight, research, and supporting activities .....	12,456	12,312	12,597	12,890	13,200	13,519	13,847
Total, Discretionary .....	16,641	17,914	18,315	18,731	19,173	19,624	20,089
<b>Mandatory:</b>							
<b>General science and basic research:</b>							
National Science Foundation donations .....	37	40	37	37	34	31	31
Total, General science, space, and technology .....	16,678	17,954	18,352	18,768	19,207	19,655	20,120
<b>270 Energy:</b>							
<b>Discretionary:</b>							
<b>Energy supply:</b>							
Research and development .....	3,098	1,170	1,305	1,340	1,376	1,413	1,451
Naval petroleum reserves operations .....	144	107	109	111	114	117	120
Uranium enrichment activities .....	252	220	224	229	234	239	245
Decontamination transfer .....	-377	-388	-398	-410	-421	-435	-435
Nuclear waste program .....	182	156	160	163	168	172	176
Federal power marketing .....	206	231	238	246	255	262	271
Rural electric and telephone discretionary loans .....	4	58	64	67	69	71	73
Financial management services .....	-4	495	506	517	528	540	552
Total, Energy supply .....	3,505	2,049	2,208	2,263	2,323	2,379	2,453
<b>Energy conservation and preparedness:</b>							
Energy conservation .....	533	591	603	617	631	646	661
Emergency energy preparedness .....	-11	.....	212	217	222	227	232
Total, Energy conservation and preparedness .....	522	591	815	834	853	873	893
<b>Energy information, policy, and regulation:</b>							
Nuclear Regulatory Commission (NRC) .....	18	19	333	342	352	362	372
Federal Energy Regulatory Commission fees and recoveries, and other .....	-46	-21	.....	.....	.....	.....	.....
Departmental and other administration .....	223	185	60	202	202	207	215
Total, Energy information, policy, and regulation .....	195	183	393	544	554	569	587
Total, Discretionary .....	4,222	2,823	3,416	3,641	3,730	3,821	3,933
<b>Mandatory:</b>							
<b>Energy supply:</b>							
Naval petroleum reserves oil and gas sales .....	-516	-175	-7	-5	-5	-3	.....
Federal power marketing .....	-793	-706	-713	-751	-841	-872	-846
Tennessee Valley Authority .....	-397	-911	-1,023	-906	-1,046	-1,152	-1,222
Proceeds from uranium sales .....	-40	-43	-36	-37	-68	-129	-167
Nuclear waste fund program .....	-596	-602	-625	-632	-637	-641	-652
Rural electric and telephone liquidating accounts .....	-175	-770	-616	-863	-860	-446	-780
Total, Energy supply .....	-2,517	-3,207	-3,020	-3,194	-3,457	-3,243	-3,667
<b>Total, Energy</b> .....	<b>1,705</b>	<b>-384</b>	<b>396</b>	<b>447</b>	<b>273</b>	<b>578</b>	<b>266</b>
<b>300 Natural resources and environment:</b>							
<b>Discretionary:</b>							
<b>Water resources:</b>							
Corps of Engineers .....	4,076	3,877	3,984	4,091	4,202	4,317	4,436
Bureau of Reclamation .....	779	865	894	919	943	970	995
Other discretionary water resources programs .....	407	150	140	145	151	165	168
Total, Water resources .....	5,262	4,892	5,018	5,155	5,296	5,452	5,599
<b>Conservation and land management:</b>							
Forest Service .....	2,704	2,452	2,538	2,619	2,703	2,791	2,882
Management of public lands (BLM) .....	1,005	987	1,019	1,051	1,085	1,119	1,154
Conservation of agricultural lands .....	656	673	700	723	751	778	806

Table 16-11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Other conservation and land management programs .....	588	566	582	600	615	633	651
Total, Conservation and land management .....	4,953	4,678	4,839	4,993	5,154	5,321	5,493
<b>Recreational resources:</b>							
Operation of recreational resources .....	2,532	3,109	3,208	3,304	3,405	3,509	3,616
Other recreational resources activities .....	40	219	223	228	234	239	244
Total, Recreational resources .....	2,572	3,328	3,431	3,532	3,639	3,748	3,860
<b>Pollution control and abatement:</b>							
Regulatory, enforcement, and research programs .....	2,462	2,609	2,692	2,770	2,852	2,935	3,024
State and tribal assistance grants .....	2,910	3,212	3,277	3,345	3,419	3,494	3,571
Hazardous substance superfund .....	1,395	1,500	1,538	1,576	1,615	1,657	1,699
Other control and abatement activities .....	132	139	141	144	148	152	156
Total, Pollution control and abatement .....	6,899	7,460	7,648	7,835	8,034	8,238	8,450
<b>Other natural resources:</b>							
NOAA .....	1,981	2,056	2,112	2,172	2,234	2,298	2,366
Other natural resource program activities .....	759	766	810	836	862	890	919
Total, Other natural resources .....	2,740	2,822	2,922	3,008	3,096	3,188	3,285
Total, Discretionary .....	22,426	23,180	23,858	24,523	25,219	25,947	26,687
<b>Mandatory:</b>							
<b>Water resources:</b>							
Mandatory water resource programs .....	21	-53	-25	-58	-64	-62	-63
<b>Conservation and land management:</b>							
Conservation Reserve Program and other agricultural programs .....	1,968	2,279	2,063	2,093	2,068	2,104	2,049
Other conservation programs .....	458	622	518	500	471	469	465
Offsetting receipts .....	-1,983	-2,015	-2,076	-2,059	-2,064	-2,066	-2,091
Total, Conservation and land management .....	443	886	505	534	475	507	423
<b>Recreational resources:</b>							
Operation of recreational resources .....	825	850	808	784	730	751	771
Offsetting receipts .....	-323	-367	-332	-249	-245	-251	-250
Total, Recreational resources .....	502	483	476	535	485	500	521
<b>Pollution control and abatement:</b>							
Superfund resources and other mandatory .....	-265	-123	-124	-126	-126	-126	-127
<b>Other natural resources:</b>							
Other fees and mandatory programs .....	-21	-17	-26	-27	-25	-25	-25
Total, Mandatory .....	680	1,176	806	858	745	794	729
<b>Total, Natural resources and environment .....</b>	<b>23,106</b>	<b>24,356</b>	<b>24,664</b>	<b>25,381</b>	<b>25,964</b>	<b>26,741</b>	<b>27,416</b>
<b>350 Agriculture:</b>							
<b>Discretionary:</b>							
<b>Farm income stabilization:</b>							
Agriculture credit loan program .....	396	335	346	356	367	380	391
P.L.480 market development activities .....	201	197	201	205	209	215	219
Administrative expenses .....	827	962	992	1,022	1,053	1,085	1,117
Total, Farm income stabilization .....	1,424	1,494	1,539	1,583	1,629	1,680	1,727
<b>Agricultural research and services:</b>							
Research programs .....	1,274	1,260	1,297	1,332	1,372	1,411	1,453
Extension programs .....	426	423	431	441	451	461	471
Marketing programs .....	40	48	49	50	51	52	53
Animal and plant inspection programs .....	438	431	440	449	458	468	479
Economic intelligence .....	153	190	197	203	209	217	223



Table 16-11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Grain inspection .....	23	24	24	25	26	26	27
Foreign agricultural service .....	137	140	145	148	153	158	163
Other programs and unallocated overhead .....	310	300	309	319	336	346	357
Total, Agricultural research and services .....	2,801	2,816	2,892	2,967	3,056	3,139	3,226
Total, Discretionary .....	4,225	4,310	4,431	4,550	4,685	4,819	4,953
<b>Mandatory:</b>							
<b>Farm income stabilization:</b>							
Commodity Credit Corporation .....	6,713	6,663	6,873	6,474	5,093	5,043	5,066
Crop insurance and other farm credit activities .....	1,708	706	1,511	1,597	1,681	1,742	1,814
Credit liquidating accounts (ACIF and FAC) .....	-1,260	-1,131	-1,169	-1,093	-1,041	-1,036	-940
Total, Farm income stabilization .....	7,161	6,238	7,215	6,978	5,733	5,749	5,940
<b>Agricultural research and services:</b>							
Miscellaneous mandatory programs .....	195	185	236	240	195	201	307
Offsetting receipts .....	-135	-142	-142	-142	-142	-142	-143
Total, Agricultural research and services .....	60	43	94	98	53	59	164
Total, Mandatory .....	7,221	6,281	7,309	7,076	5,786	5,808	6,104
<b>Total, Agriculture</b> .....	<b>11,446</b>	<b>10,591</b>	<b>11,740</b>	<b>11,626</b>	<b>10,471</b>	<b>10,627</b>	<b>11,057</b>
<b>370 Commerce and housing credit:</b>							
<b>Discretionary:</b>							
<b>Mortgage credit:</b>							
Federal Housing Administration (FHA) loan programs .....	163	179	186	192	201	208	216
Government National Mortgage Association (GNMA) .....				-1	-1	-1	-1
Other Housing and Urban Development .....	5	5	5	6	7	7	9
Rural housing insurance fund .....	556	581	600	617	636	657	677
Total, Mortgage credit .....	724	765	791	814	843	871	901
<b>Postal service:</b>							
Payments to the Postal Service fund (On-budget) .....	90	86	88	90	92	94	96
<b>Deposit insurance:</b>							
National Credit Union Administration .....	1	1	1	1	1	1	1
<b>Other advancement of commerce:</b>							
Small and minority business assistance .....	555	568	579	592	605	618	632
Science and technology .....	592	698	716	737	758	779	801
Economic and demographic statistics .....	397	740	767	791	816	843	871
Regulatory agencies .....	54	56	-93	120	124	128	133
International Trade Administration .....	274	290	306	310	320	330	341
Other discretionary .....	100		57	61	-28	-32	-37
Total, Other advancement of commerce .....	1,972	2,352	2,332	2,611	2,595	2,666	2,741
Total, Discretionary .....	2,787	3,204	3,212	3,516	3,531	3,632	3,739
<b>Mandatory:</b>							
<b>Mortgage credit:</b>							
FHA and GNMA negative subsidies .....	-490	-944	-5,806	-1,743	-1,586	-1,534	-1,696
Mortgage credit liquidating accounts .....	-23	-669	764	176	-130	421	-90
Other mortgage credit activities .....	-63						
Total, Mortgage credit .....	-576	-1,613	-5,042	-1,567	-1,716	-1,113	-1,786
<b>Postal service:</b>							
Payments to the Postal Service fund for nonfunded liabilities (On-budget) .....	36						
Postal Service (Off-budget) .....	3,725	4,607	1,869	449	-365	-2,058	-320
Total, Postal service .....	3,761	4,607	1,869	449	-365	-2,058	-320

Table 16-11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Deposit insurance:</b>							
FSLIC Resolution Fund .....	-26	-34					
<b>Other advancement of commerce:</b>							
Universal Service Fund .....	1,031	3,306	7,096	10,348	12,532	13,210	13,377
Payments to copyright owners .....	231	238	268	242	199	203	207
Spectrum auction subsidy .....	940	3,295	2	2	2	2	2
Regulatory fees .....	-36	-36	-36	-36	-36	-36	-36
Patent and trademark fees .....	-115	-119					
Credit liquidating accounts .....		1					
Other mandatory .....	76	-83	50	37	95	95	85
Total, Other advancement of commerce .....	2,127	6,602	7,380	10,593	12,792	13,474	13,635
Total, Mandatory .....	5,286	9,562	4,207	9,475	10,711	10,303	11,529
<b>Total, Commerce and housing credit .....</b>	<b>8,073</b>	<b>12,766</b>	<b>7,419</b>	<b>12,991</b>	<b>14,242</b>	<b>13,935</b>	<b>15,268</b>
<b>400 Transportation:</b>							
<b>Discretionary:</b>							
<b>Ground transportation:</b>							
Highways .....	19,619	21,800	22,236	22,703	23,202	23,713	24,235
State infrastructure banks .....	150						
Highway safety .....	376	419	429	438	449	459	470
Mass transit .....	4,372	4,844	4,942	5,046	5,157	5,272	5,388
Railroads .....	1,051	732	747	764	783	802	819
Regulation .....	12	14	14	15	16	16	17
Total, Ground transportation .....	25,580	27,809	28,368	28,966	29,607	30,262	30,929
<b>Air transportation:</b>							
Airports and airways (FAA) .....	8,549	9,077	9,327	9,573	9,833	10,102	10,379
Aeronautical research and technology .....	1,253	1,326	1,368	1,404	1,441	1,480	1,519
Payments to air carriers .....	-14	-39	-40	-41	-42	-42	-43
Total, Air transportation .....	9,788	10,364	10,655	10,936	11,232	11,540	11,855
<b>Water transportation:</b>							
Marine safety and transportation .....	2,800	2,894	2,979	3,060	3,145	3,232	3,323
Ocean shipping .....	130	129	133	136	141	146	150
Total, Water transportation .....	2,930	3,023	3,112	3,196	3,286	3,378	3,473
<b>Other transportation:</b>							
Other discretionary programs .....	376	227	230	242	250	259	268
Total, Discretionary .....	38,674	41,423	42,365	43,340	44,375	45,439	46,525
<b>Mandatory:</b>							
<b>Ground transportation:</b>							
Highways .....	1,870	746	746	746	746	746	746
Offsetting receipts and liquidating accounts .....	-48	-41	-43	-46	-45	-45	-45
Total, Ground transportation .....	1,822	705	703	700	701	701	701
<b>Air transportation:</b>							
Airports and airways (FAA) .....		34	43	43	43	43	43
Payments to air carriers .....	39	89	50	50	50	50	50
Total, Air transportation .....	39	123	93	93	93	93	93
<b>Water transportation:</b>							
Coast Guard retired pay .....	617	653	684	723	760	799	841
Other water transportation programs .....	-48	-47	-71	-70	-69	-71	-11
Total, Water transportation .....	569	606	613	653	691	728	830

Table 16-11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Other transportation:</b>							
Other mandatory transportation programs .....	-32	-30	-30	-32	-32	-573	-34
Total, Mandatory .....	2,398	1,404	1,379	1,414	1,453	949	1,590
<b>Total, Transportation .....</b>	<b>41,072</b>	<b>42,827</b>	<b>43,744</b>	<b>44,754</b>	<b>45,828</b>	<b>46,388</b>	<b>48,115</b>
<b>450 Community and regional development:</b>							
<b>Discretionary:</b>							
<b>Community development:</b>							
Community development loan guarantees .....	32	30	31	31	32	33	33
Community development block grant .....	4,854	4,924	5,022	5,127	5,241	5,356	5,474
Community development financial institutions .....	50	80	82	83	86	87	90
Brownfields redevelopment .....		25	26	26	27	27	28
Other community development programs .....	250	264	271	279	288	295	307
Total, Community development .....	5,186	5,323	5,432	5,546	5,674	5,798	5,932
<b>Area and regional development:</b>							
Rural development .....	797	817	830	852	872	893	915
Economic Development Administration .....	426	361	369	376	385	394	403
Indian programs .....	962	1,012	1,038	1,064	1,093	1,121	1,153
Appalachian Regional Commission .....	160	170	173	177	181	185	189
Tennessee Valley Authority .....	106	70	73	75	78	80	83
Total, Area and regional development .....	2,451	2,430	2,483	2,544	2,609	2,673	2,743
<b>Disaster relief and insurance:</b>							
Disaster relief .....	4,620	320	326	333	341	348	356
Small Business Administration disaster loans .....	327	209	213	217	222	227	232
Other disaster assistance programs .....	450	378	388	399	410	422	434
Total, Disaster relief and insurance .....	5,397	907	927	949	973	997	1,022
Total, Discretionary .....	13,034	8,660	8,842	9,039	9,256	9,468	9,697
<b>Mandatory:</b>							
<b>Community development:</b>							
Pennsylvania Avenue activities and other programs .....	1	176					
<b>Area and regional development:</b>							
Indian programs .....	647	513	456	461	461	464	464
Rural development programs .....	84	5	55	55	5	5	5
Credit liquidating accounts .....	67	149	403	432	1,105	1,428	-52
Offsetting receipts .....	-329	-256	-254	-257	-259	-259	-259
Total, Area and regional development .....	469	411	660	691	1,312	1,638	158
<b>Disaster relief and insurance:</b>							
National flood insurance fund .....	100	-37	-68	-93	-120	-145	-171
Radiological emergency preparedness fees .....	-9	-12					
Credit liquidating accounts .....		-5	-6	-6	-6	-6	-6
SBA disaster loan subsidy re-estimate .....		-390					
Offsetting receipts .....	-25						
Total, Disaster relief and insurance .....	66	-444	-74	-99	-126	-151	-177
Total, Mandatory .....	536	143	586	592	1,186	1,487	-19
<b>Total, Community and regional development .....</b>	<b>13,570</b>	<b>8,803</b>	<b>9,428</b>	<b>9,631</b>	<b>10,442</b>	<b>10,955</b>	<b>9,678</b>
<b>500 Education, training, employment, and social services:</b>							
<b>Discretionary:</b>							
<b>Elementary, secondary, and vocational education:</b>							
Education reform .....	691	1,275	1,301	1,328	1,357	1,387	1,417
School improvement programs .....	1,426	1,538	1,569	1,602	1,637	1,673	1,710
Education for the disadvantaged .....	7,791	7,871	8,028	8,197	8,378	8,562	8,750
Special education .....	4,036	4,811	4,907	5,010	5,120	5,233	5,348

Table 16-11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Impact aid .....	730	808	824	841	860	879	898
Vocational and adult education .....	1,487	1,508	1,538	1,570	1,605	1,640	1,676
Indian education programs .....	607	621	637	654	670	688	707
Bilingual and immigrant education .....	262	354	361	369	377	385	394
Other .....	7	8	8	8	9	9	9
Total, Elementary, secondary, and vocational education .....	17,037	18,794	19,173	19,579	20,013	20,456	20,909
<b>Higher education:</b>							
Student financial assistance .....	7,560	8,979	9,160	9,350	9,558	9,767	9,981
Higher education account .....	879	947	966	986	1,008	1,030	1,053
Federal family education loan program .....	46	46	47	49	50	52	54
Other higher education programs .....	325	342	349	356	364	371	379
Total, Higher education .....	8,810	10,314	10,522	10,741	10,980	11,220	11,467
<b>Research and general education aids:</b>							
Library of Congress .....	258	270	280	290	300	310	320
Public broadcasting .....	296	291	291	300	306	315	322
Smithsonian institution .....	461	490	507	523	542	561	580
Education research, statistics, and improvement .....	598	431	439	449	458	468	478
Other .....	701	729	750	769	791	814	836
Total, Research and general education aids .....	2,314	2,211	2,267	2,331	2,397	2,468	2,536
<b>Training and employment:</b>							
Training and employment services .....	4,716	4,988	5,089	5,197	5,313	5,431	5,551
Older Americans employment .....	463	440	449	458	468	479	489
Federal-State employment service .....	1,246	1,250	1,274	1,304	1,330	1,363	1,393
Other employment and training .....	81	90	94	97	100	104	108
Total, Training and employment .....	6,506	6,768	6,906	7,056	7,211	7,377	7,541
<b>Other labor services:</b>							
Labor law, statistics, and other administration .....	1,007	1,042	1,081	1,116	1,157	1,198	1,237
<b>Social services:</b>							
National service initiative .....	616	686	727	747	767	787	808
Children and families services programs .....	5,364	5,683	5,800	5,923	6,056	6,192	6,331
Aging services program .....	832	865	883	901	922	942	963
Other .....	2	2	2	2	2	2	2
Total, Social services .....	6,814	7,236	7,412	7,573	7,747	7,923	8,104
Total, Discretionary .....	42,488	46,365	47,361	48,396	49,505	50,642	51,794
<b>Mandatory:</b>							
<b>Elementary, secondary, and vocational education:</b>							
Vocational and adult education .....	7						
<b>Higher education:</b>							
Federal family education loan program .....	3,236	2,004	1,987	2,063	2,148	1,215	2,309
Federal direct loan program .....	762	920	1,104	1,170	1,187	1,168	1,143
Other higher education programs .....	-32	10	10	10	10	10	10
Credit liquidating account (Family education loan program) .....	745						
Total, Higher education .....	4,711	2,934	3,101	3,243	3,345	2,393	3,462
<b>Research and general education aids:</b>							
Mandatory programs .....	20	16	16	16	16	16	17
<b>Training and employment:</b>							
Trade adjustment assistance .....	114	119	117	94	94	95	95
Welfare to work grants .....		1,488	1,488				
Payments to States for AFDC work programs .....	1,000						
Total, Training and employment .....	1,114	1,607	1,605	94	94	95	95

Table 16-11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Social services:</b>							
Payments to States for foster care and adoption assistance .....	4,445	4,311	5,142	5,441	5,907	6,433	7,005
Family support and preservation .....	240	255	275	295	305	305	305
Social services block grant .....	2,500	2,299	2,380	2,380	2,380	2,380	2,800
Rehabilitation services .....	2,509	2,591	2,645	2,701	2,760	2,824	2,888
Other social services .....	10	22	27	32	32	32	32
Total, Social services .....	9,704	9,478	10,469	10,849	11,384	11,974	13,030
Total, Mandatory .....	15,556	14,035	15,191	14,202	14,839	14,478	16,604
<b>Total, Education, training, employment, and social services .....</b>	<b>58,044</b>	<b>60,400</b>	<b>62,552</b>	<b>62,598</b>	<b>64,344</b>	<b>65,120</b>	<b>68,398</b>
<b>550 Health:</b>							
<b>Discretionary:</b>							
<b>Health care services:</b>							
Substance abuse and mental health services .....	2,145	2,147	2,191	2,238	2,288	2,339	2,393
Indian health .....	2,057	2,099	2,162	2,223	2,289	2,355	2,424
Other discretionary health care services programs .....	5,490	5,746	5,876	6,009	6,154	6,300	6,451
Total, Health care services .....	9,692	9,992	10,229	10,470	10,731	10,994	11,268
<b>Health research and training:</b>							
National Institutes of Health .....	12,751	13,648	13,945	14,257	14,589	14,929	15,277
Clinical training .....	295	297	303	309	317	324	331
Other health research and training .....	308	306	316	326	336	347	357
Total, Health research and training .....	13,354	14,251	14,564	14,892	15,242	15,600	15,965
<b>Consumer and occupational health and safety:</b>							
Food safety and inspection .....	574	589	617	643	669	696	725
Occupational safety and health .....	536	553	572	591	611	630	652
Other consumer health programs .....	930	970	1,007	1,041	1,077	1,114	1,153
Total, Consumer and occupational health and safety .....	2,040	2,112	2,196	2,275	2,357	2,440	2,530
Total, Discretionary .....	25,086	26,355	26,989	27,637	28,330	29,034	29,763
<b>Mandatory:</b>							
<b>Health care services:</b>							
Medicaid grants .....	101,212	99,591	102,395	114,935	123,529	132,707	143,247
State children's health insurance fund .....		4,235	4,215	4,215	4,215	3,090	3,150
Federal employees' and retired employees' health benefits .....	3,067	4,035	4,614	4,988	5,352	5,727	6,143
Coal miner retiree health benefits (including UMWA funds) .....	370	359	352	343	336	328	321
Other mandatory health services activities .....	411	424	380	391	403	415	378
Total, Health care services .....	105,060	108,644	111,956	124,872	133,835	142,267	153,239
<b>Health research and safety:</b>							
Health research and training .....	38	31	37	32	29	27	22
Consumer and occupational health and safety .....		1	1	1	1	1	1
Total, Health research and safety .....	38	32	38	33	30	28	23
Total, Mandatory .....	105,098	108,676	111,994	124,905	133,865	142,295	153,262
<b>Total, Health .....</b>	<b>130,184</b>	<b>135,031</b>	<b>138,983</b>	<b>152,542</b>	<b>162,195</b>	<b>171,329</b>	<b>183,025</b>
<b>570 Medicare:</b>							
<b>Discretionary:</b>							
<b>Medicare:</b>							
Hospital insurance (HI) administrative expenses .....	1,169	1,218	1,271	1,326	1,382	1,442	1,507
Supplementary medical insurance (SMI) administrative expenses .....	1,454	1,506	1,564	1,624	1,689	1,755	1,826
Total, Medicare .....	2,623	2,724	2,835	2,950	3,071	3,197	3,333

Table 16-11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Mandatory:</b>							
<b>Medicare:</b>							
Hospital insurance (HI) .....	136,090	139,397	142,878	145,792	152,510	152,729	162,776
Supplementary medical insurance (SMI) .....	71,105	75,742	82,844	90,673	101,863	106,997	119,907
Health care fraud and abuse control .....	591	676	764	864	950	1,010	1,075
Medicare premiums, collections, and interfun- ds .....	-20,410	-19,706	-21,384	-23,255	-25,464	-27,791	-30,497
Total, Medicare .....	187,376	196,109	205,102	214,074	229,859	232,945	253,261
<b>Total, Medicare</b> .....	189,999	198,833	207,937	217,024	232,930	236,142	256,594
<b>600 Income security:</b>							
<b>Discretionary:</b>							
<b>General retirement and disability insurance:</b>							
Railroad retirement .....	316	299	304	310	315	320	326
Pension Benefit Guaranty Corporation .....	10	11	11	11	11	12	12
Pension and Welfare Benefits Administration and other .....	78	83	86	88	92	95	98
Total, General retirement and disability insurance .....	404	393	401	409	418	427	436
<b>Federal employee retirement and disability:</b>							
Civilian retirement and disability program administrative expenses .....	86	84	87	89	93	96	99
Armed forces retirement home .....	56	69	71	75	76	79	81
Total, Federal employee retirement and disability .....	142	153	158	164	169	175	180
<b>Unemployment compensation:</b>							
Unemployment programs administrative expenses .....	2,345	2,485	2,729	2,867	3,013	3,100	3,189
<b>Housing assistance:</b>							
Public housing operating fund .....		2,900	2,958	3,020	3,087	3,154	3,224
Public housing capital fund .....		2,500	2,550	2,603	2,661	2,719	2,779
Subsidized, public, homeless and other HUD housing .....	11,081	13,776	17,679	19,811	21,702	23,480	25,199
Rural housing assistance .....	580	613	626	637	654	666	681
Total, Housing assistance .....	11,661	19,789	23,813	26,071	28,104	30,019	31,883
<b>Food and nutrition assistance:</b>							
Special supplemental food program for women, infants, and children (WIC) .....	3,806	3,924	4,002	4,087	4,176	4,268	4,362
Other nutrition programs .....	529	501	513	526	540	553	568
Total, Food and nutrition assistance .....	4,335	4,425	4,515	4,613	4,716	4,821	4,930
<b>Other income assistance:</b>							
Refugee assistance .....	425	423	431	440	450	460	470
Low income home energy assistance .....	1,215	1,000	1,020	1,041	1,064	1,088	1,112
Child care and development block grant .....	19	1,003	1,023	1,045	1,067	1,091	1,115
Supplemental security income (SSI) administrative expenses .....	2,141	2,262	2,342	2,417	2,497	2,579	2,664
Total, Other income assistance .....	3,800	4,688	4,816	4,943	5,078	5,218	5,361
Total, Discretionary .....	22,687	31,933	36,432	39,067	41,498	43,760	45,979
<b>Mandatory:</b>							
<b>General retirement and disability insurance:</b>							
Railroad retirement .....	4,274	4,306	4,366	4,379	4,547	4,515	4,596
Special benefits for disabled coal miners .....	1,158	1,103	1,052	1,013	960	910	861
Pension Benefit Guaranty Corporation .....	-10	-11	-11	-11	-11	-12	-12
District of Columbia pension funds .....			-21	-42	-65	-90	-115
Special workers' compensation expenses .....	124	151	152	160	167	175	183
Total, General retirement and disability insurance .....	5,546	5,549	5,538	5,499	5,598	5,498	5,513
<b>Federal employee retirement and disability:</b>							
Federal civilian employee retirement and disability .....	42,104	43,849	45,780	47,779	49,707	51,673	53,727
Military retirement .....	30,259	31,449	32,379	33,327	34,208	35,090	35,988
Federal employees workers' compensation (FECA) .....	211	202	182	173	167	163	157

Table 16-11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Federal employees life insurance fund .....	27	31	34	37	40	43	46
Total, Federal employee retirement and disability .....	72,601	75,531	78,375	81,316	84,122	86,969	89,918
<b>Unemployment compensation:</b>							
Unemployment insurance programs .....	20,412	20,804	23,667	25,551	27,319	28,346	30,129
Trade adjustment assistance .....	211	230	244	225	233	241	249
Total, Unemployment compensation .....	20,623	21,034	23,911	25,776	27,552	28,587	30,378
<b>Housing assistance:</b>							
Mandatory housing assistance programs .....	85	60	50	50	50	50	50
<b>Food and nutrition assistance:</b>							
Food stamps (including Puerto Rico) .....	27,613	24,825	24,693	25,843	26,812	27,567	28,952
State child nutrition programs .....	8,648	8,078	9,219	9,658	10,092	10,525	10,984
Funds for strengthening markets, income, and supply (Sec.32) .....	423	513	450	417	417	417	417
Total, Food and nutrition assistance .....	36,684	33,416	34,362	35,918	37,321	38,509	40,353
<b>Other income support:</b>							
Supplemental security income (SSI) .....	26,666	25,888	28,088	29,087	30,058	31,072	32,140
Family support payments .....	6,958	607	2,649	2,927	3,002	3,189	3,425
Federal share of child support collections .....	-325	-1,022	-1,063	-1,058	-1,065	-1,102	-1,089
Temporary assistance for needy families and related programs .....	13,411	16,720	17,026	17,123	17,218	16,932	16,932
Child care entitlement to states .....	1,967	2,071	2,167	2,367	2,567	2,717	2,717
Earned income tax credit (EITC) .....	21,856	22,295	24,496	25,334	26,040	26,715	27,414
Child tax credit .....			538	685	662	624	589
Other assistance .....	33	52	76	67	67	68	69
SSI recoveries and receipts .....	-1,295	-1,393	-1,421	-1,466	-1,511	-1,558	-1,608
Total, Other income support .....	69,271	65,218	72,556	75,066	77,038	78,657	80,589
Total, Mandatory .....	204,810	200,808	214,792	223,625	231,681	238,270	246,801
<b>Total, Income security .....</b>	<b>227,497</b>	<b>232,741</b>	<b>251,224</b>	<b>262,692</b>	<b>273,179</b>	<b>282,030</b>	<b>292,780</b>
<b>650 Social security:</b>							
<b>Discretionary:</b>							
<b>Social security:</b>							
Old-age and survivors insurance (OASI) administrative expenses (Off-budget) ....	2,069	2,063	2,136	2,205	2,277	2,351	2,429
Disability insurance (DI) administrative expenses (Off-budget) .....	1,382	1,132	1,170	1,206	1,244	1,284	1,325
Office of the Inspector General—Social Security Adm. ....	6	10	10	11	11	12	12
Total, Social security .....	3,457	3,205	3,316	3,422	3,532	3,647	3,766
<b>Mandatory:</b>							
<b>Social security:</b>							
Old-age and survivors insurance (OASI)(Off-budget) .....	317,611	328,987	341,862	355,045	370,181	384,305	399,950
Disability insurance (DI)(Off-budget) .....	44,973	49,137	52,023	55,662	59,553	64,248	69,169
Quinquennial OASI and DI adjustments .....					-1,182		
Intragovernmental transactions (On-budget) .....	6,895	9,650	8,899	9,363	9,913	10,562	11,267
Intragovernmental transactions (Off-budget) .....	-6,880	-9,650	-8,899	-9,363	-9,913	-10,562	-11,267
Total, Social security .....	362,599	378,124	393,885	410,707	428,552	448,553	469,119
<b>Total, Social security .....</b>	<b>366,056</b>	<b>381,329</b>	<b>397,201</b>	<b>414,129</b>	<b>432,084</b>	<b>452,200</b>	<b>472,885</b>
<b>700 Veterans benefits and services:</b>							
<b>Discretionary:</b>							
<b>Veterans education, training, and rehabilitation:</b>							
Loan fund program account .....	1	1	1	1	1	1	1
<b>Hospital and medical care for veterans:</b>							
Medical care and hospital services .....	17,335	18,077	18,732	19,345	19,987	20,656	21,344
Collections for medical care .....		-688	-677	-782	-870	-959	-708

**Table 16-11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued**

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Construction of medical facilities .....	453	464	475	482	493	505	517
Total, Hospital and medical care for veterans .....	17,788	17,853	18,530	19,045	19,610	20,202	21,153
<b>Veterans housing:</b>							
Housing program loan subsidies .....	139	160	166	172	178	185	191
<b>Other veterans benefits and services:</b>							
Other general operating expenses .....	980	959	987	1,012	1,044	1,073	1,104
Total, Discretionary .....	18,908	18,973	19,684	20,230	20,833	21,461	22,449
<b>Mandatory:</b>							
<b>Income security for veterans:</b>							
Compensation .....	16,418	17,274	18,663	19,569	20,843	24,979	25,323
Proposed Legislation (non-PAYGO) .....			287	659	1,071	1,663	2,132
Subtotal, Compensation .....	16,418	17,274	18,950	20,228	21,914	26,642	27,455
Pensions .....	3,066	3,075	3,070	3,074	3,075	3,073	3,571
Burial benefits and miscellaneous assistance .....	116	133	123	123	125	128	131
National service life insurance trust fund .....	1,248	1,203	1,134	1,067	1,012	958	896
All other insurance programs .....	45	57	52	55	55	55	55
Insurance program receipts .....	-233	-226	-212	-194	-176	-160	-144
Total, Income security for veterans .....	20,660	21,516	23,117	24,353	26,005	30,696	31,964
<b>Veterans education, training, and rehabilitation:</b>							
Readjustment benefits (GI Bill and related programs) .....	1,377	1,366	1,175	1,336	1,428	1,422	1,424
Post-Vietnam era education .....			1	1	1		
All-volunteer force educational assistance trust fund .....	-200	-252	-253	-250	-258	-240	-230
Total, Veterans education, training, and rehabilitation .....	1,177	1,114	923	1,087	1,171	1,182	1,194
<b>Hospital and medical care for veterans:</b>							
Fees, charges and other mandatory medical care .....	-413	477					
<b>Veterans housing:</b>							
Housing loan subsidies .....	417	669	264	275	273	262	473
Housing loan liquidating account and reestimates .....	-847						
Total, Veterans housing .....	-430	669	264	275	273	262	473
<b>Other veterans programs:</b>							
Other mandatory veterans programs .....	34	43	44	82	67	34	35
Total, Mandatory .....	21,028	23,819	24,348	25,797	27,516	32,174	33,666
<b>Total, Veterans benefits and services .....</b>	<b>39,936</b>	<b>42,792</b>	<b>44,032</b>	<b>46,027</b>	<b>48,349</b>	<b>53,635</b>	<b>56,115</b>
<b>750 Administration of justice:</b>							
<b>Discretionary:</b>							
<b>Federal law enforcement activities:</b>							
Criminal investigations (DEA, FBI, FinCEN, ICDE) .....	4,045	4,224	4,367	4,498	4,643	4,790	4,941
Alcohol, tobacco, and firearms investigations (ATF) .....	514	564	583	603	623	643	664
Border enforcement activities (Customs and INS) .....	3,786	4,065	4,198	4,311	4,439	4,570	4,707
Equal Employment Opportunity Commission .....	240	242	247	252	258	263	269
Other law enforcement activities .....	1,347	1,253	1,400	1,442	1,492	1,542	1,593
Total, Federal law enforcement activities .....	9,932	10,348	10,795	11,106	11,455	11,808	12,174
<b>Federal litigative and judicial activities:</b>							
Civil and criminal prosecution and representation .....	2,358	2,431	2,501	2,582	2,668	2,751	2,837
Representation of indigents in civil cases .....	283	283	289	295	301	308	315
Federal judicial and other litigative activities .....	3,044	3,235	3,331	3,429	3,531	3,633	3,740
Total, Federal litigative and judicial activities .....	5,685	5,949	6,121	6,306	6,500	6,692	6,892



Table 16-11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Correctional activities:</b>							
Discretionary programs .....	3,183	3,103	3,218	3,325	3,436	3,553	3,673
<b>Criminal justice assistance:</b>							
Discretionary programs .....	4,142	4,829	4,927	5,030	5,141	5,254	5,371
Total, Discretionary .....	22,942	24,229	25,061	25,767	26,532	27,307	28,110
<b>Mandatory:</b>							
<b>Federal law enforcement activities:</b>							
Assets forfeiture fund .....	380	386	407	416	425	434	444
Border enforcement activities (Customs and INS) .....	1,475	1,786	1,819	1,606	1,679	1,755	1,787
Customs and INS fees .....	-2,474	-2,360	-2,806	-2,860	-2,910	-2,977	-3,026
Other mandatory law enforcement programs .....	451	394	340	330	332	334	321
Total, Federal law enforcement activities .....	-168	206	-240	-508	-474	-454	-474
<b>Federal litigative and judicial activities:</b>							
Mandatory programs .....	464	446	439	443	447	454	465
<b>Criminal justice assistance:</b>							
Mandatory programs .....	559	394	213	217	221	225	232
Total, Mandatory .....	855	1,046	412	152	194	225	223
<b>Total, Administration of justice .....</b>	<b>23,797</b>	<b>25,275</b>	<b>25,473</b>	<b>25,919</b>	<b>26,726</b>	<b>27,532</b>	<b>28,333</b>
<b>800 General government:</b>							
<b>Discretionary:</b>							
<b>Legislative functions:</b>							
Legislative branch discretionary programs .....	1,912	1,960	2,026	2,088	2,157	2,228	2,299
<b>Executive direction and management:</b>							
Drug control programs .....	97	334	340	348	356	363	371
Executive Office of the President .....	217	232	238	247	256	266	275
Presidential transition and former Presidents .....	8	2	2	2	2	2	2
Total, Executive direction and management .....	322	568	580	597	614	631	648
<b>Central fiscal operations:</b>							
Tax administration .....	7,033	7,788	8,092	8,372	8,666	8,971	9,287
Other fiscal operations .....	619	573	594	611	634	655	676
Total, Central fiscal operations .....	7,652	8,361	8,686	8,983	9,300	9,626	9,963
<b>General property and records management:</b>							
Real property activities .....	393	-13	9				
Records management .....	214	220	224	229	234	240	245
Other general and records management .....	167	141	145	149	155	161	166
Total, General property and records management .....	774	348	378	378	389	401	411
<b>Central personnel management:</b>							
Discretionary central personnel management programs .....	150	149	155	161	166	171	178
<b>General purpose fiscal assistance:</b>							
Payments and loans to the District of Columbia .....	719	823	839	857	876	895	915
Payments to States and counties from Federal land management activities .....	11	11	11	11	12	12	12
Payments in lieu of taxes .....	114	120	122	125	128	131	133
Other .....	1	1	1	1	1	1	1
Total, General purpose fiscal assistance .....	845	955	973	994	1,017	1,039	1,061
<b>Other general government:</b>							
Discretionary programs .....	159	148	162	167	173	178	182
Total, Discretionary .....	11,814	12,489	12,960	13,368	13,816	14,274	14,742

Table 16-11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Mandatory:</b>							
<b>Legislative functions:</b>							
Congressional members compensation and other .....	95	102	98	98	98	97	97
<b>Central fiscal operations:</b>							
Mandatory programs .....	-181	-75	-43	-44	-46	-45	-49
<b>General property and records management:</b>							
Mandatory programs .....	17	16	16	17	17	18	18
Offsetting receipts .....	-9	-66	-25	-26	-28	-29	-29
Total, General property and records management .....	8	-50	-9	-9	-11	-11	-11
<b>General purpose fiscal assistance:</b>							
Payments and loans to the District of Columbia .....	-12	-12	-12	-12	-15		
Payments to States and counties .....	834	837	884	875	877	877	884
Payments to territories and Puerto Rico .....	107	110	111	114	116	119	122
Tax revenues for Puerto Rico (Treasury, BATF) .....	205	210	201	201	201	201	201
Other general purpose fiscal assistance .....	90	98	95	95	95	95	95
Total, General purpose fiscal assistance .....	1,224	1,243	1,279	1,273	1,274	1,292	1,302
<b>Other general government:</b>							
Territories .....	267	166	165	165	167	194	197
Treasury claims .....	1,035	635	685	620	665	665	665
Presidential election campaign fund .....	67	66	66	66	66	66	66
Other mandatory programs .....	-110	-75	-60	-60	-60	-60	-60
Total, Other general government .....	1,259	792	856	791	838	865	868
<b>Deductions for offsetting receipts:</b>							
Offsetting receipts .....	-1,491	-1,646	-1,160	-1,160	-1,160	-1,160	-1,160
Total, Mandatory .....	914	366	1,021	949	993	1,038	1,047
<b>Total, General government .....</b>	<b>12,728</b>	<b>12,855</b>	<b>13,981</b>	<b>14,317</b>	<b>14,809</b>	<b>15,312</b>	<b>15,789</b>
<b>900 Net interest:</b>							
<b>Mandatory:</b>							
<b>Interest on the public debt:</b>							
Interest on the public debt .....	355,796	361,994	366,753	369,659	375,793	380,160	385,480
<b>Interest received by on-budget trust funds:</b>							
Civil service retirement and disability fund .....	-30,484	-32,456	-33,552	-34,171	-34,936	-35,764	-36,540
Military retirement .....	-11,920	-12,121	-12,328	-12,533	-12,740	-12,952	-13,173
Medicare .....	-11,949	-11,642	-11,366	-10,865	-10,499	-10,204	-10,189
Other on-budget trust funds .....	-9,423	-9,614	-9,972	-11,134	-11,719	-12,468	-13,086
Total, Interest received by on-budget trust funds .....	-63,776	-65,833	-67,218	-68,703	-69,894	-71,388	-72,988
<b>Interest received by off-budget trust funds:</b>							
Interest received by social security trust funds .....	-41,214	-46,730	-51,623	-56,966	-62,889	-69,318	-76,337
<b>Other interest:</b>							
Interest on loans to Federal Financing Bank .....	-4,171	-3,142	-2,758	-2,518	-2,344	-2,113	-1,853
Interest on refunds of tax collections .....	2,341	2,497	2,580	2,648	2,756	2,869	3,006
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 .....	1,997	2,434	2,408	2,399	2,408	2,428	2,447
Interest received from direct loan financing accounts .....	-4,988	-5,552	-6,392	-7,157	-7,922	-8,719	-9,488
Interest on deposits in tax and loan accounts .....	-948	-920	-920	-908	-908	-908	-908
Interest received from Outer Continental Shelf escrow account, Interior .....	-6	-1,120	-30				

Table 16-11. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
All other interest .....	-3,344	-3,270	-3,036	-3,046	-3,018	-3,060	-3,045
Total, Other interest .....	-6,791	-6,745	-5,820	-6,254	-6,700	-7,175	-7,513
Total, Mandatory .....	244,015	242,686	242,092	237,736	236,310	232,279	228,642
<b>Total, Net interest</b> .....	<b>244,015</b>	<b>242,686</b>	<b>242,092</b>	<b>237,736</b>	<b>236,310</b>	<b>232,279</b>	<b>228,642</b>
<b>950 Undistributed offsetting receipts:</b>							
<b>Mandatory:</b>							
<b>Employer share, employee retirement (on-budget):</b>							
Contributions to military retirement fund .....	-11,102	-10,543	-10,563	-10,535	-10,584	-10,750	-11,000
Postal Service contributions to Civil Service Retirement and Disability Fund .....	-5,927	-6,068	-6,036	-6,268	-6,485	-6,749	-6,899
Other contributions to civil and foreign service retirement and disability fund .....	-8,279	-8,801	-8,975	-9,246	-9,623	-10,053	-10,054
Contributions to HI trust fund .....	-2,465	-2,499	-2,596	-2,708	-2,788	-2,918	-3,044
Total, Employer share, employee retirement (on-budget) .....	-27,773	-27,911	-28,170	-28,757	-29,480	-30,470	-30,997
<b>Employer share, employee retirement (off-budget):</b>							
Contributions to social security trust funds .....	-6,483	-7,155	-7,667	-8,317	-8,831	-9,571	-10,304
<b>Rents and royalties on the Outer Continental Shelf:</b>							
OCS Receipts .....	-4,711	-4,663	-4,187	-3,952	-4,134	-4,277	-3,886
<b>Sale of major assets:</b>							
Proceeds from Sale of U.S. Enrichment Corporation .....		-1,600					
Privatization of Elk Hills .....		-2,739	-728				
Proceeds from sale of Power Marketing Administrations .....		-85					
Total, Sale of major assets .....		-4,424	-728				
<b>Other undistributed offsetting receipts:</b>							
Spectrum Auction .....	-11,006	-2,216	-1,833	-3,089	-5,341	-12,654	-3,300
Total, Mandatory .....	-49,973	-46,369	-42,585	-44,115	-47,786	-56,972	-48,487
<b>Total, Undistributed offsetting receipts</b> .....	<b>-49,973</b>	<b>-46,369</b>	<b>-42,585</b>	<b>-44,115</b>	<b>-47,786</b>	<b>-56,972</b>	<b>-48,487</b>
<b>Total</b> .....	<b>1,642,857</b>	<b>1,687,203</b>	<b>1,749,271</b>	<b>1,812,701</b>	<b>1,878,637</b>	<b>1,925,319</b>	<b>2,012,613</b>
On-budget .....	(1,327,674)	(1,364,812)	(1,418,400)	(1,472,780)	(1,527,380)	(1,564,640)	(1,637,968)
Off-budget .....	(315,183)	(322,391)	(330,871)	(339,921)	(351,257)	(360,679)	(374,645)

Table 16-12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>050 National defense:</b>							
<b>Discretionary:</b>							
<b>Department of Defense—Military:</b>							
Military personnel .....	69,724	69,649	71,841	74,008	76,253	78,646	81,122
Operation and maintenance .....	92,456	92,385	95,131	98,252	101,330	104,382	107,542
Procurement .....	47,690	43,733	44,525	44,410	44,956	45,263	47,148
Research, development, test and evaluation .....	37,015	35,770	36,592	37,208	38,288	39,230	40,096
Military construction .....	6,187	5,545	5,310	5,120	5,182	5,261	5,382
Family housing .....	4,003	3,960	4,006	3,974	3,993	4,066	4,147
Revolving, management and trust funds .....	2,700	1,371	756	2,455	2,568	2,523	2,437
General transfer authority .....		280	220	100	40	20	
Discretionary offsetting receipts .....	-137	-129	-108	-94	-94	-94	-94
Total, Department of Defense—Military .....	259,638	252,564	258,273	265,433	272,516	279,297	287,780
<b>Atomic energy defense activities:</b>							
Department of Energy .....	11,277	11,521	11,750	11,925	12,203	12,483	12,848
Formerly utilized sites remedial action .....		117	132	144	148	151	154
Defense nuclear facilities safety board .....	16	17	18	18	19	19	20
Total, Atomic energy defense activities .....	11,293	11,655	11,900	12,087	12,370	12,653	13,022
<b>Defense-related activities:</b>							
Discretionary programs .....	711	890	788	833	852	874	898
Total, Discretionary .....	271,642	265,109	270,961	278,353	285,738	292,824	301,700
<b>Mandatory:</b>							
<b>Department of Defense—Military:</b>							
Revolving, trust and other DoD mandatory .....	79	191	136	129	130	130	130
Offsetting receipts .....	-1,406	-1,370	-1,358	-1,361	-1,361	-1,361	-1,357
Total, Department of Defense—Military .....	-1,327	-1,179	-1,222	-1,232	-1,231	-1,231	-1,227
<b>Atomic energy defense activities:</b>							
Proceeds from sales of excess DOE assets .....	-26	-15	-15	-15	-15	-15	
<b>Defense-related activities:</b>							
Mandatory programs .....	184	197	202	214	226	237	249
Total, Mandatory .....	-1,169	-997	-1,035	-1,033	-1,020	-1,009	-978
<b>Total, National defense</b> .....	270,473	264,112	269,926	277,320	284,718	291,815	300,722
<b>150 International affairs:</b>							
<b>Discretionary:</b>							
<b>International development, humanitarian assistance:</b>							
Development assistance and operating expenses .....	2,206	1,943	1,745	1,723	1,766	1,816	1,837
Multilateral development banks (MDB's) .....	1,834	1,570	1,382	1,470	1,396	1,511	1,515
Assistance for the New Independent States .....	705	717	514	628	682	778	808
Food aid .....	760	915	877	894	914	934	955
Refugee programs .....	716	690	705	725	746	755	772
Assistance for Central and Eastern Europe .....	539	479	305	379	415	484	506
Voluntary contributions to international organizations .....	307	288	302	306	312	319	326
Peace Corps .....	226	237	236	237	247	255	263
Other development and humanitarian assistance .....	256	505	760	849	826	833	867
Total, International development, humanitarian assistance .....	7,549	7,344	6,826	7,211	7,304	7,685	7,849
<b>International security assistance:</b>							
Foreign military financing grants and loans .....	3,000	3,259	3,292	3,354	3,412	3,446	3,567
Economic support fund .....	2,226	2,421	2,437	2,470	2,511	2,560	2,612
Other security assistance .....	227	278	273	269	274	281	287
Total, International security assistance .....	5,453	5,958	6,002	6,093	6,197	6,287	6,466
<b>Conduct of foreign affairs:</b>							
State Department operations .....	1,953	2,087	2,139	2,197	2,263	2,333	2,406

Table 16-12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Foreign buildings .....	469	446	386	404	416	427	439
Assessed contributions to international organizations .....	863	966	967	988	1,010	1,032	1,055
Assessed contributions for international peacekeeping .....	489	258	261	266	272	278	284
Other conduct of foreign affairs .....	167	167	169	173	175	182	190
Total, Conduct of foreign affairs .....	3,941	3,924	3,922	4,028	4,136	4,252	4,374
<b>Foreign information and exchange activities:</b>							
U.S. Information Agency .....	1,163	1,138	1,149	1,182	1,219	1,253	1,290
Other information and exchange activities .....	6	8	8	8	8	9	9
Total, Foreign information and exchange activities .....	1,169	1,146	1,157	1,190	1,227	1,262	1,299
<b>International financial programs:</b>							
Export-Import Bank .....	919	601	641	635	698	692	695
Special defense acquisition fund .....	-75	-53	-42	1	4	2	.....
Other IMF .....	26	24	22	16	9	.....	.....
Total, International financial programs .....	870	572	621	652	711	694	695
Total, Discretionary .....	18,982	18,944	18,528	19,174	19,575	20,180	20,683
<b>Mandatory:</b>							
<b>International development, humanitarian assistance:</b>							
Credit liquidating accounts .....	-1,527	-1,570	-1,448	-1,320	-1,282	-1,236	-1,187
Other development and humanitarian assistance .....	32	-24	-9	-9	-8	-8	-8
Total, International development, humanitarian assistance .....	-1,495	-1,594	-1,457	-1,329	-1,290	-1,244	-1,195
<b>International security assistance:</b>							
Repayment of foreign military financing loans .....	-653	-553	-391	-261	-186	-134	-85
Foreign military loan liquidating account and reestimates .....	-168	-191	-191	-200	-227	-226	-227
Total, International security assistance .....	-821	-744	-582	-461	-413	-360	-312
<b>Foreign affairs and information:</b>							
Conduct of foreign affairs .....	-22	-16	-2	3	3	3	3
U.S. Information Agency trust funds .....	2	1	1	1	1	1	1
Japan-U.S. Friendship Commission .....	2	2	1	1	1	1	1
Total, Foreign affairs and information .....	-18	-13	.....	5	5	5	5
<b>International financial programs:</b>							
Foreign military sales trust fund (net) .....	-32	10	.....	.....	.....	.....	.....
International monetary fund .....	761	.....	.....	.....	.....	.....	.....
Exchange stabilization fund .....	-1,007	-1,378	-1,305	-1,366	-1,380	-1,394	-1,408
Credit liquidating account (Exim) .....	-1,034	-635	-674	-498	-367	-328	-234
Other international financial programs .....	-108	-110	-112	-115	-192	-75	-57
Total, International financial programs .....	-1,420	-2,113	-2,091	-1,979	-1,939	-1,797	-1,699
Total, Mandatory .....	-3,754	-4,464	-4,130	-3,764	-3,637	-3,396	-3,201
<b>Total, International affairs</b> .....	<b>15,228</b>	<b>14,480</b>	<b>14,398</b>	<b>15,410</b>	<b>15,938</b>	<b>16,784</b>	<b>17,482</b>
<b>250 General science, space, and technology:</b>							
<b>Discretionary:</b>							
<b>General science and basic research:</b>							
National Science Foundation programs .....	3,071	3,053	3,273	3,364	3,473	3,575	3,658
Department of Energy general science programs .....	1,022	1,813	2,240	2,311	2,362	2,414	2,468
Total, General science and basic research .....	4,093	4,866	5,513	5,675	5,835	5,989	6,126
<b>Space flight, research, and supporting activities:</b>							
Science, aeronautics and technology .....	4,967	4,443	4,876	4,892	4,997	5,107	5,219
Human space flight .....	5,656	5,576	5,544	5,693	5,817	5,945	6,076
Mission support .....	2,116	1,962	1,924	2,009	2,132	2,299	2,378

Table 16-12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Other NASA programs .....	317	206	70	19	20	21	22
Total, Space flight, research, and supporting activities .....	13,056	12,187	12,414	12,613	12,966	13,372	13,695
Total, Discretionary .....	17,149	17,053	17,927	18,288	18,801	19,361	19,821
<b>Mandatory:</b>							
<b>General science and basic research:</b>							
National Science Foundation donations .....	25	40	37	37	34	31	31
Total, General science, space, and technology .....	17,174	17,093	17,964	18,325	18,835	19,392	19,852
<b>270 Energy:</b>							
<b>Discretionary:</b>							
<b>Energy supply:</b>							
Research and development .....	3,520	1,411	1,467	1,484	1,529	1,482	1,531
Naval petroleum reserves operations .....	177	121	112	110	113	116	118
Uranium enrichment activities .....	271	265	223	227	233	238	243
Decontamination transfer .....	-377	-388	-398	-410	-421	-435	-435
Nuclear waste program .....	165	169	158	162	166	170	174
Federal power marketing .....	239	228	235	242	250	259	267
Rural electric and telephone discretionary loans .....	51	124	95	71	64	65	70
Financial management services .....	19	558	521	513	524	536	547
Total, Energy supply .....	4,065	2,488	2,413	2,399	2,458	2,431	2,515
<b>Energy conservation and preparedness:</b>							
Energy conservation .....	572	551	587	615	619	633	648
Emergency energy preparedness .....	23	13	216	214	219	224	230
Total, Energy conservation and preparedness .....	595	564	803	829	838	857	878
<b>Energy information, policy, and regulation:</b>							
Nuclear Regulatory Commission (NRC) .....	51	18	329	339	349	358	368
Federal Energy Regulatory Commission fees and recoveries, and other .....	-46	-21					
Departmental and other administration .....	249	184	75	177	199	203	211
Total, Energy information, policy, and regulation .....	254	181	404	516	548	561	579
Total, Discretionary .....	4,914	3,233	3,620	3,744	3,844	3,849	3,972
<b>Mandatory:</b>							
<b>Energy supply:</b>							
Naval petroleum reserves oil and gas sales .....	-516	-175	-7	-5	-5	-3	
Federal power marketing .....	-966	-696	-713	-751	-841	-875	-857
Tennessee Valley Authority .....	-449	-911	-1,023	-906	-1,046	-1,152	-1,222
Proceeds from uranium sales .....	-40	-43	-36	-37	-68	-129	-167
United States Enrichment Corporation .....	-102	7					
Nuclear waste fund program .....	-596	-602	-625	-632	-637	-641	-652
Rural electric and telephone liquidating accounts .....	-762	-410	-2,165	-949	-740	-547	-370
Total, Energy supply .....	-3,431	-2,830	-4,569	-3,280	-3,337	-3,347	-3,268
Total, Energy .....	1,483	403	-949	464	507	502	704
<b>300 Natural resources and environment:</b>							
<b>Discretionary:</b>							
<b>Water resources:</b>							
Corps of Engineers .....	3,665	3,996	3,998	4,102	4,208	4,328	4,447
Bureau of Reclamation .....	693	1,060	885	912	938	965	991
Other discretionary water resources programs .....	340	423	121	145	155	160	164
Total, Water resources .....	4,698	5,479	5,004	5,159	5,301	5,453	5,602
<b>Conservation and land management:</b>							
Forest Service .....	2,530	2,568	2,528	2,724	2,812	2,904	2,999
Management of public lands (BLM) .....	982	985	1,068	1,067	1,050	1,070	1,102
Conservation of agricultural lands .....	738	740	719	742	765	780	801

Table 16-12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Other conservation and land management programs .....	623	522	588	587	602	619	638
Total, Conservation and land management .....	4,873	4,815	4,903	5,120	5,229	5,373	5,540
<b>Recreational resources:</b>							
Operation of recreational resources .....	2,384	2,800	3,038	3,257	3,391	3,490	3,597
Other recreational resources activities .....	40	144	222	226	232	237	242
Total, Recreational resources .....	2,424	2,944	3,260	3,483	3,623	3,727	3,839
<b>Pollution control and abatement:</b>							
Regulatory, enforcement, and research programs .....	2,311	2,648	2,675	2,728	2,824	2,907	2,989
State and tribal assistance grants .....	2,719	2,553	2,741	3,062	3,311	3,248	3,326
Hazardous substance superfund .....	1,433	1,396	1,429	1,463	1,506	1,573	1,654
Other control and abatement activities .....	129	132	137	141	146	150	152
Total, Pollution control and abatement .....	6,592	6,729	6,982	7,394	7,787	7,878	8,121
<b>Other natural resources:</b>							
NOAA .....	1,999	1,974	2,025	2,125	2,195	2,263	2,320
Other natural resource program activities .....	732	824	816	840	861	889	917
Total, Other natural resources .....	2,731	2,798	2,841	2,965	3,056	3,152	3,237
Total, Discretionary .....	21,318	22,765	22,990	24,121	24,996	25,583	26,339
<b>Mandatory:</b>							
<b>Water resources:</b>							
Mandatory water resource programs .....	-162	-176	-133	-105	-136	-276	-134
<b>Conservation and land management:</b>							
Conservation Reserve Program and other agricultural programs .....	1,796	2,159	2,065	2,069	2,113	2,096	2,078
Other conservation programs .....	381	648	555	514	459	455	467
Offsetting receipts .....	-1,983	-2,015	-2,076	-2,059	-2,064	-2,066	-2,091
Total, Conservation and land management .....	194	792	544	524	508	485	454
<b>Recreational resources:</b>							
Operation of recreational resources .....	684	941	789	829	766	741	767
Offsetting receipts .....	-323	-367	-332	-249	-245	-251	-250
Total, Recreational resources .....	361	574	457	580	521	490	517
<b>Pollution control and abatement:</b>							
Superfund resources and other mandatory .....	-302	-123	-125	-127	-126	-126	-127
<b>Other natural resources:</b>							
Other fees and mandatory programs .....	-40	-8	-32	-26	-28	-29	-28
Total, Mandatory .....	51	1,059	711	846	739	544	682
<b>Total, Natural resources and environment .....</b>	<b>21,369</b>	<b>23,824</b>	<b>23,701</b>	<b>24,967</b>	<b>25,735</b>	<b>26,127</b>	<b>27,021</b>
<b>350 Agriculture:</b>							
<b>Discretionary:</b>							
<b>Farm income stabilization:</b>							
Agriculture credit loan program .....	386	336	366	370	382	393	405
P.L.480 market development activities .....	139	224	197	203	208	212	217
Administrative expenses .....	818	842	991	1,017	1,049	1,081	1,113
Total, Farm income stabilization .....	1,343	1,402	1,554	1,590	1,639	1,686	1,735
<b>Agricultural research and services:</b>							
Research programs .....	1,208	1,278	1,318	1,352	1,378	1,395	1,436
Extension programs .....	420	422	429	438	448	458	468
Marketing programs .....	43	43	48	50	51	52	53
Animal and plant inspection programs .....	480	383	442	467	457	467	477
Economic intelligence .....	138	187	196	203	209	215	223

Table 16-12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Grain inspection .....	23	24	25	25	25	26	27
Foreign agricultural service .....	121	128	142	145	152	157	162
Other programs and unallocated overhead .....	296	322	321	322	336	345	357
Total, Agricultural research and services .....	2,729	2,787	2,921	3,002	3,056	3,115	3,203
Total, Discretionary .....	4,072	4,189	4,475	4,592	4,695	4,801	4,938
<b>Mandatory:</b>							
<b>Farm income stabilization:</b>							
Commodity Credit Corporation .....	5,476	6,466	6,702	6,425	4,967	4,889	4,894
Crop insurance and other farm credit activities .....	744	1,088	1,472	1,474	1,555	1,624	1,687
Credit liquidating accounts (ACIF and FAC) .....	-1,291	-1,216	-1,260	-1,208	-1,168	-1,170	-1,092
Total, Farm income stabilization .....	4,929	6,338	6,914	6,691	5,354	5,343	5,489
<b>Agricultural research and services:</b>							
Miscellaneous mandatory programs .....	166	195	201	216	228	224	303
Offsetting receipts .....	-135	-142	-142	-142	-142	-142	-143
Total, Agricultural research and services .....	31	53	59	74	86	82	160
Total, Mandatory .....	4,960	6,391	6,973	6,765	5,440	5,425	5,649
<b>Total, Agriculture</b> .....	<b>9,032</b>	<b>10,580</b>	<b>11,448</b>	<b>11,357</b>	<b>10,135</b>	<b>10,226</b>	<b>10,587</b>
<b>370 Commerce and housing credit:</b>							
<b>Discretionary:</b>							
<b>Mortgage credit:</b>							
Federal Housing Administration (FHA) loan programs .....	236	326	250	271	267	254	235
Government National Mortgage Association (GNMA) .....				-1	-1	-1	-1
Other Housing and Urban Development .....	3	3	4	6	7	7	8
Rural housing insurance fund .....	580	620	597	619	633	649	670
Total, Mortgage credit .....	819	949	851	895	906	909	912
<b>Postal service:</b>							
Payments to the Postal Service fund (On-budget) .....	90	86	88	90	92	94	96
<b>Deposit insurance:</b>							
National Credit Union Administration .....	2	1	1	1	1	1	1
<b>Other advancement of commerce:</b>							
Small and minority business assistance .....	535	569	574	582	596	609	622
Science and technology .....	703	698	720	817	725	751	776
Economic and demographic statistics .....	349	689	768	786	811	837	865
Regulatory agencies .....	81	47	-78	96	123	127	130
International Trade Administration .....	271	279	298	309	316	326	336
Other discretionary .....	150	12	32	26	-63	-69	-75
Total, Other advancement of commerce .....	2,089	2,294	2,314	2,616	2,508	2,581	2,654
Total, Discretionary .....	3,000	3,330	3,254	3,602	3,507	3,585	3,663
<b>Mandatory:</b>							
<b>Mortgage credit:</b>							
FHA and GNMA negative subsidies .....	-490	-944	-5,806	-1,743	-1,586	-1,534	-1,696
Mortgage credit liquidating accounts .....	-4,272	-2,635	3,338	-1,808	-2,157	-1,690	-2,350
Other mortgage credit activities .....	-63	-1					
Total, Mortgage credit .....	-4,825	-3,580	-2,468	-3,551	-3,743	-3,224	-4,046
<b>Postal service:</b>							
Payments to the Postal Service fund for nonfunded liabilities (On-budget) .....	36						
Postal Service (Off-budget) .....	-49	1,721	846	2,444	484	-788	-1,679
Total, Postal service .....	-13	1,721	846	2,444	484	-788	-1,679



Table 16-12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Deposit insurance:</b>							
Bank Insurance Fund .....	-4,025	-1,678	-761	-316	-317	115	361
FSLIC Resolution Fund .....	-5,604	-2,335	-3,071	-1,003	-653	-926	-452
Savings Association Insurance Fund .....	-4,554	-327	-322	-269	-171	-51	144
National Credit Union Administration .....	-171	-187	-201	-168	-168	-168	-168
Other deposit insurance activities .....	-32	-14	-14	-14	-14	-14	-14
Total, Deposit insurance .....	-14,386	-4,541	-4,369	-1,770	-1,323	-1,044	-129
<b>Other advancement of commerce:</b>							
Universal Service Fund .....	1,001	3,336	7,096	10,348	12,532	13,210	13,377
Payments to copyright owners .....	142	412	255	220	220	220	220
Spectrum auction subsidy .....	940	3,295	2	2	2	2	2
Regulatory fees .....	-37	-36	-36	-36	-36	-36	-36
Patent and trademark fees .....	-115	-119					
Credit liquidating accounts .....	-310	-147	-624	-556			
Other mandatory .....	-21	-140	-13	-27	31	32	25
Total, Other advancement of commerce .....	1,600	6,601	6,680	9,951	12,749	13,428	13,588
Total, Mandatory .....	-17,624	201	689	7,074	8,167	8,372	7,734
<b>Total, Commerce and housing credit .....</b>	<b>-14,624</b>	<b>3,531</b>	<b>3,943</b>	<b>10,676</b>	<b>11,674</b>	<b>11,957</b>	<b>11,397</b>
<b>400 Transportation:</b>							
<b>Discretionary:</b>							
<b>Ground transportation:</b>							
Highways .....	18,839	19,913	21,255	21,942	22,435	22,899	23,428
State infrastructure banks .....	2	84	32	12	7	5	3
Highway safety .....	373	418	440	452	441	452	463
Mass transit .....	4,581	4,150	3,995	4,442	4,622	4,969	5,128
Railroads .....	1,146	880	835	774	775	794	812
Regulation .....	14	15	14	15	16	16	17
Total, Ground transportation .....	24,955	25,460	26,571	27,637	28,296	29,135	29,851
<b>Air transportation:</b>							
Airports and airways (FAA) .....	8,814	8,940	9,043	9,270	9,528	9,790	10,210
Aeronautical research and technology .....	1,302	1,541	1,548	1,356	1,403	1,459	1,498
Payments to air carriers .....	22	12					
Total, Air transportation .....	10,138	10,493	10,591	10,626	10,931	11,249	11,708
<b>Water transportation:</b>							
Marine safety and transportation .....	2,784	2,673	2,836	2,869	2,997	3,143	3,263
Ocean shipping .....	229	193	88	97	97	93	97
Panama Canal Commission .....	-1	-10		41	14		
Total, Water transportation .....	3,012	2,856	2,924	3,007	3,108	3,236	3,360
<b>Other transportation:</b>							
Other discretionary programs .....	320	263	231	236	248	258	266
Total, Discretionary .....	38,425	39,072	40,317	41,506	42,583	43,878	45,185
<b>Mandatory:</b>							
<b>Ground transportation:</b>							
Highways .....	1,886	1,914	1,652	1,411	1,231	1,080	966
Offsetting receipts and liquidating accounts .....	-46	-41	-43	-46	-45	-45	-45
Total, Ground transportation .....	1,840	1,873	1,609	1,365	1,186	1,035	921
<b>Air transportation:</b>							
Airports and airways (FAA) .....		30	42	43	43	43	43
Payments to air carriers .....		30	50	50	50	50	50
Total, Air transportation .....		60	92	93	93	93	93

Table 16-12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Water transportation:</b>							
Coast Guard retired pay .....	623	623	671	717	755	793	835
Other water transportation programs .....	-81	-89	-101	106	-102	-104	-44
Total, Water transportation .....	542	534	570	823	653	689	791
<b>Other transportation:</b>							
Other mandatory transportation programs .....	-40	-29	-35	-33	-31	-573	-34
Total, Mandatory .....	2,342	2,438	2,236	2,248	1,901	1,244	1,771
<b>Total, Transportation .....</b>	<b>40,767</b>	<b>41,510</b>	<b>42,553</b>	<b>43,754</b>	<b>44,484</b>	<b>45,122</b>	<b>46,956</b>
<b>450 Community and regional development:</b>							
<b>Discretionary:</b>							
<b>Community development:</b>							
Community development loan guarantees .....	3	16	19	25	31	32	32
Community development block grant .....	4,517	4,989	4,964	5,063	5,147	5,136	5,256
Community development financial institutions .....	40	54	109	92	83	85	87
Brownfields redevelopment .....		1	10	21	24	26	27
Other community development programs .....	311	337	318	295	284	289	298
Total, Community development .....	4,871	5,397	5,420	5,496	5,569	5,568	5,700
<b>Area and regional development:</b>							
Rural development .....	771	789	825	821	852	858	881
Economic Development Administration .....	423	441	422	406	382	375	384
Indian programs .....	959	995	990	1,025	1,079	1,107	1,137
Appalachian Regional Commission .....	240	165	194	177	170	184	180
Tennessee Valley Authority .....	112	72	75	61	67	77	80
Total, Area and regional development .....	2,505	2,462	2,506	2,490	2,550	2,601	2,662
<b>Disaster relief and insurance:</b>							
Disaster relief .....	2,551	3,252	2,650	1,811	1,164	819	350
Small Business Administration disaster loans .....	354	315	254	186	183	187	191
Other disaster assistance programs .....	412	495	404	397	406	417	429
Total, Disaster relief and insurance .....	3,317	4,062	3,308	2,394	1,753	1,423	970
Total, Discretionary .....	10,693	11,921	11,234	10,380	9,872	9,592	9,332
<b>Mandatory:</b>							
<b>Community development:</b>							
Pennsylvania Avenue activities and other programs .....	151	289	3	1			
Credit liquidating accounts .....	-60	-40	-36	-38	-37	-35	-26
Total, Community development .....	91	249	-33	-37	-37	-35	-26
<b>Area and regional development:</b>							
Indian programs .....	462	493	449	448	447	450	451
Rural development programs .....	478	23	63	60	10	8	6
Credit liquidating accounts .....	-425	41	21	-47	-44	-190	-402
Offsetting receipts .....	-329	-256	-254	-257	-259	-259	-259
Total, Area and regional development .....	186	301	279	204	154	9	-204
<b>Disaster relief and insurance:</b>							
National flood insurance fund .....	278	-73	-107	-134	-163	-190	-219
Radiological emergency preparedness fees .....	-9	-12					
Credit liquidating accounts .....	-209	-194	-557	-444	-6	-6	-6
SBA disaster loan subsidy re-estimate .....		-390					

Table 16-12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Offsetting receipts .....	-25						
Total, Disaster relief and insurance .....	35	-669	-664	-578	-169	-196	-225
Total, Mandatory .....	312	-119	-418	-411	-52	-222	-455
<b>Total, Community and regional development .....</b>	<b>11,005</b>	<b>11,802</b>	<b>10,816</b>	<b>9,969</b>	<b>9,820</b>	<b>9,370</b>	<b>8,877</b>
<b>500 Education, training, employment, and social services:</b>							
<b>Discretionary:</b>							
<b>Elementary, secondary, and vocational education:</b>							
Education reform .....	431	668	1,226	1,390	1,320	1,348	1,378
School improvement programs .....	1,276	1,386	1,474	1,547	1,592	1,627	1,662
Education for the disadvantaged .....	7,198	6,250	7,839	8,009	8,175	8,353	8,536
Special education .....	3,305	3,813	4,328	5,096	4,980	5,088	5,200
Impact aid .....	656	1,007	833	846	856	875	894
Vocational and adult education .....	1,395	1,332	1,497	1,529	1,561	1,595	1,630
Indian education programs .....	617	602	619	650	664	681	699
Bilingual and immigrant education .....	181	279	344	375	368	376	384
Other .....	7	14	10	10	9	9	9
Total, Elementary, secondary, and vocational education .....	15,066	15,351	18,170	19,452	19,525	19,952	20,392
<b>Higher education:</b>							
Student financial assistance .....	7,248	8,395	9,001	8,840	8,872	8,918	8,927
Higher education account .....	877	855	940	984	985	1,006	1,028
Federal family education loan program .....	36	33	45	48	50	52	53
Other higher education programs .....	329	328	349	357	364	371	379
Total, Higher education .....	8,490	9,611	10,335	10,229	10,271	10,347	10,387
<b>Research and general education aids:</b>							
Library of Congress .....	262	277	285	299	315	326	339
Public broadcasting .....	308	300	298	302	307	313	322
Smithsonian institution .....	492	446	493	501	526	539	554
Education research, statistics, and improvement .....	340	581	482	445	450	459	470
Other .....	720	817	742	766	781	804	826
Total, Research and general education aids .....	2,122	2,421	2,300	2,313	2,379	2,441	2,511
<b>Training and employment:</b>							
Training and employment services .....	4,432	4,990	4,840	5,124	5,202	5,303	5,420
Older Americans employment .....	401	454	442	450	460	470	480
Federal-State employment service .....	1,203	1,280	1,237	1,255	1,312	1,341	1,371
Other employment and training .....	80	94	94	96	100	104	107
Total, Training and employment .....	6,116	6,818	6,613	6,925	7,074	7,218	7,378
<b>Other labor services:</b>							
Labor law, statistics, and other administration .....	1,009	1,039	1,071	1,109	1,147	1,188	1,227
<b>Social services:</b>							
National service initiative .....	565	550	654	662	689	726	766
Children and families services programs .....	5,122	5,500	5,758	5,879	5,985	6,108	6,241
Aging services program .....	828	851	869	904	917	938	959
Other .....		5	2	2	2	2	2
Total, Social services .....	6,515	6,906	7,283	7,447	7,593	7,774	7,968
Total, Discretionary .....	39,318	42,146	45,772	47,475	47,989	48,920	49,863
<b>Mandatory:</b>							
<b>Elementary, secondary, and vocational education:</b>							
Vocational and adult education .....	7	6	2				
<b>Higher education:</b>							
Federal family education loan program .....	2,857	2,283	1,788	1,828	1,902	968	2,044
Federal direct loan program .....	659	941	971	1,084	1,134	1,149	1,143

Table 16-12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Other higher education programs .....	-80	-69	-61	-26	-24	-21	-20
Credit liquidating account (Family education loan program) .....	372	-190	-534	-785	-912	-964	-967
Total, Higher education .....	3,808	2,965	2,164	2,101	2,100	1,132	2,200
<b>Research and general education aids:</b>							
Mandatory programs .....	14	13	13	13	15	15	16
<b>Training and employment:</b>							
Trade adjustment assistance .....	120	106	112	116	94	94	95
Welfare to work grants .....	445	466	1,299	890	322		
Payments to States for AFDC work programs .....		152	6				
Total, Training and employment .....	565	724	1,417	1,006	416	94	95
<b>Social services:</b>							
Payments to States for foster care and adoption assistance .....	4,047	4,224	4,803	5,180	5,632	6,146	6,710
Family support and preservation .....	216	236	252	270	288	300	304
Social services block grant .....	2,571	2,443	2,473	2,480	2,416	2,380	2,758
Rehabilitation services .....	2,462	2,515	2,818	2,712	2,741	2,803	2,867
Total, Social services .....	9,296	9,418	10,346	10,642	11,077	11,629	12,639
Total, Mandatory .....	13,690	13,126	13,942	13,762	13,608	12,870	14,950
<b>Total, Education, training, employment, and social services .....</b>	<b>53,008</b>	<b>55,272</b>	<b>59,714</b>	<b>61,237</b>	<b>61,597</b>	<b>61,790</b>	<b>64,813</b>
<b>550 Health:</b>							
<b>Discretionary:</b>							
<b>Health care services:</b>							
Substance abuse and mental health services .....	1,601	2,139	2,137	2,122	2,210	2,301	2,353
Indian health .....	2,169	2,102	2,131	2,210	2,270	2,326	2,390
Other discretionary health care services programs .....	5,337	5,563	5,802	5,789	5,861	6,042	6,181
Total, Health care services .....	9,107	9,804	10,070	10,121	10,341	10,669	10,924
<b>Health research and training:</b>							
National Institutes of Health .....	11,193	12,893	13,632	14,031	14,314	14,640	14,980
Clinical training .....	348	289	296	302	312	319	326
Other health research and training .....	289	288	299	296	317	335	346
Total, Health research and training .....	11,830	13,470	14,227	14,629	14,943	15,294	15,652
<b>Consumer and occupational health and safety:</b>							
Food safety and inspection .....	570	589	617	642	668	695	724
Occupational safety and health .....	537	551	569	590	608	627	649
Other consumer health programs .....	917	1,019	1,058	1,018	1,078	1,118	1,157
Total, Consumer and occupational health and safety .....	2,024	2,159	2,244	2,250	2,354	2,440	2,530
Total, Discretionary .....	22,961	25,433	26,541	27,000	27,638	28,403	29,106
<b>Mandatory:</b>							
<b>Health care services:</b>							
Medicaid grants .....	95,552	100,960	107,917	114,934	123,529	132,707	143,247
State children's health insurance fund .....		379	1,834	1,960	2,074	2,217	2,420
Federal employees' and retired employees' health benefits .....	4,620	4,213	4,519	4,797	5,196	5,656	6,049
Coal miner retiree health benefits (including UMWA funds) .....	370	359	352	343	336	328	321
Other mandatory health services activities .....	324	385	390	383	399	412	388
Total, Health care services .....	100,866	106,296	115,012	122,417	131,534	141,320	152,425
<b>Health research and safety:</b>							
Health research and training .....	17	43	37	32	29	27	22

Table 16-12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Consumer and occupational health and safety .....	-1		1	1	1		
Total, Health research and safety .....	16	43	38	33	30	27	22
Total, Mandatory .....	100,882	106,339	115,050	122,450	131,564	141,347	152,447
<b>Total, Health</b> .....	<b>123,843</b>	<b>131,772</b>	<b>141,591</b>	<b>149,450</b>	<b>159,202</b>	<b>169,750</b>	<b>181,553</b>
<b>570 Medicare:</b>							
<b>Discretionary:</b>							
<b>Medicare:</b>							
Hospital insurance (HI) administrative expenses .....	1,161	1,219	1,268	1,316	1,371	1,429	1,493
Supplementary medical insurance (SMI) administrative expenses .....	1,414	1,533	1,557	1,613	1,667	1,722	1,782
Total, Medicare .....	2,575	2,752	2,825	2,929	3,038	3,151	3,275
<b>Mandatory:</b>							
<b>Medicare:</b>							
Hospital insurance (HI) .....	136,217	139,568	142,562	145,933	152,684	152,377	162,927
Supplementary medical insurance (SMI) .....	71,139	75,754	82,749	90,707	101,905	106,908	119,945
Health care fraud and abuse control .....	506	733	764	864	950	1,010	1,075
Medicare premiums, collections, and interfunas .....	-20,421	-20,672	-21,384	-23,255	-25,464	-27,791	-30,497
Total, Medicare .....	187,441	195,383	204,691	214,249	230,075	232,504	253,450
Total, Medicare .....	190,016	198,135	207,516	217,178	233,113	235,655	256,725
<b>600 Income security:</b>							
<b>Discretionary:</b>							
<b>General retirement and disability insurance:</b>							
Railroad retirement .....	309	299	304	310	315	321	326
Pension Benefit Guaranty Corporation .....	10	11	11	11	11	12	12
Pension and Welfare Benefits Administration and other .....	74	88	85	89	91	94	97
Total, General retirement and disability insurance .....	393	398	400	410	417	427	435
<b>Federal employee retirement and disability:</b>							
Civilian retirement and disability program administrative expenses .....	92	88	93	92	93	96	99
Armed forces retirement home .....	58	64	70	75	76	78	81
Total, Federal employee retirement and disability .....	150	152	163	167	169	174	180
<b>Unemployment compensation:</b>							
Unemployment programs administrative expenses .....	2,293	2,421	2,723	2,863	3,009	3,098	3,187
<b>Housing assistance:</b>							
Public housing operating fund .....	1,529	3,090	2,928	2,988	3,051	3,118	3,187
Public housing capital fund .....		3,810	3,499	3,193	2,971	2,938	2,934
Subsidized, public, homeless and other HUD housing .....	25,588	21,114	21,676	22,410	22,900	23,370	24,107
Rural housing assistance .....	576	624	636	663	619	630	634
Total, Housing assistance .....	27,693	28,638	28,739	29,254	29,541	30,056	30,862
<b>Food and nutrition assistance:</b>							
Special supplemental food program for women, infants, and children (WIC) .....	3,866	3,949	3,997	4,081	4,170	4,262	4,356
Other nutrition programs .....	536	508	513	523	538	553	566
Total, Food and nutrition assistance .....	4,402	4,457	4,510	4,604	4,708	4,815	4,922
<b>Other income assistance:</b>							
Refugee assistance .....	323	410	414	432	440	450	460
Low income home energy assistance .....	1,221	1,074	1,018	1,074	1,058	1,081	1,105
Child care and development block grant .....	909	978	1,007	1,032	1,055	1,078	1,102

Table 16-12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Supplemental security income (SSI) administrative expenses .....	2,057	2,275	2,364	2,421	2,494	2,570	2,655
Total, Other income assistance .....	4,510	4,737	4,803	4,959	5,047	5,179	5,322
Total, Discretionary .....	39,441	40,803	41,338	42,257	42,891	43,749	44,908
<b>Mandatory:</b>							
<b>General retirement and disability insurance:</b>							
Railroad retirement .....	4,242	4,303	4,348	4,374	4,542	4,505	4,587
Special benefits for disabled coal miners .....	1,158	1,110	1,065	1,016	964	913	864
Pension Benefit Guaranty Corporation .....	-1,207	-1,297	-1,259	-1,029	-1,034	-1,039	-1,039
District of Columbia pension funds .....			-21	-42	-65	-90	-115
Special workers' compensation expenses .....	135	144	147	154	161	169	177
Total, General retirement and disability insurance .....	4,328	4,260	4,280	4,473	4,568	4,458	4,474
<b>Federal employee retirement and disability:</b>							
Federal civilian employee retirement and disability .....	42,106	43,666	45,575	47,563	49,494	50,646	53,487
Military retirement .....	30,188	31,386	32,314	33,260	34,140	35,020	35,916
Federal employees workers' compensation (FECA) .....	90	69	86	150	202	208	158
Federal employees life insurance fund .....	-1,008	-1,108	-1,111	-1,156	-1,204	-1,244	-1,259
Total, Federal employee retirement and disability .....	71,376	74,013	76,864	79,817	82,632	84,630	88,302
<b>Unemployment compensation:</b>							
Unemployment insurance programs .....	20,403	20,804	23,667	25,551	27,319	28,346	30,129
Trade adjustment assistance .....	192	213	244	225	233	241	249
Total, Unemployment compensation .....	20,595	21,017	23,911	25,776	27,552	28,587	30,378
<b>Housing assistance:</b>							
Mandatory housing assistance programs .....	105	114	76	72	-17	-19	-26
<b>Food and nutrition assistance:</b>							
Food stamps (including Puerto Rico) .....	22,852	22,316	23,649	24,831	25,694	26,457	27,828
State child nutrition programs .....	8,258	8,785	9,056	9,594	10,030	10,463	10,918
Funds for strengthening markets, income, and supply (Sec.32) .....	549	479	416	416	416	416	416
Total, Food and nutrition assistance .....	31,659	31,580	33,121	34,841	36,140	37,336	39,162
<b>Other income support:</b>							
Supplemental security income (SSI) .....	26,662	27,506	28,089	29,087	30,058	31,072	32,140
Family support payments .....	5,343	4,376	3,176	2,946	2,984	3,148	3,378
Federal share of child support collections .....	-325	-1,022	-1,063	-1,058	-1,065	-1,102	-1,089
Temporary assistance for needy families and related programs .....	9,726	13,816	15,956	17,062	17,159	17,328	17,305
Child care entitlement to states .....	1,398	1,835	2,056	2,289	2,477	2,638	2,691
Earned income tax credit (EITC) .....	21,856	22,295	24,496	25,334	26,040	26,715	27,414
Child tax credit .....			538	685	662	624	589
Other assistance .....	17	49	54	64	73	67	68
SSI recoveries and receipts .....	-1,295	-1,393	-1,421	-1,466	-1,511	-1,558	-1,608
Total, Other income support .....	63,382	67,462	71,881	74,943	76,877	78,932	80,888
Total, Mandatory .....	191,445	198,446	210,133	219,922	227,752	233,924	243,178
<b>Total, Income security .....</b>	<b>230,886</b>	<b>239,249</b>	<b>251,471</b>	<b>262,179</b>	<b>270,643</b>	<b>277,673</b>	<b>288,086</b>
<b>650 Social security:</b>							
<b>Discretionary:</b>							
<b>Social security:</b>							
Old-age and survivors insurance (OASI) administrative expenses (Off-budget) ....	1,783	2,138	2,168	2,217	2,273	2,342	2,419
Disability insurance (DI) administrative expenses (Off-budget) .....	1,173	1,252	1,188	1,215	1,243	1,279	1,320
Office of the Inspector General—Social Security Adm. ....	5	10	11	11	11	12	12
Total, Social security .....	2,961	3,400	3,367	3,443	3,527	3,633	3,751

Table 16-12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Mandatory:</b>							
<b>Social security:</b>							
Old-age and survivors insurance (OASI)(Off-budget) .....	316,777	328,717	340,780	353,885	368,937	382,980	398,581
Disability insurance (DI)(Off-budget) .....	45,519	49,382	52,068	55,350	59,250	63,880	68,770
Quinquennial OASI and DI adjustments .....					-1,182		
Intragovernmental transactions (On-budget) .....	6,880	9,650	8,899	9,363	9,913	10,562	11,267
Intragovernmental transactions (Off-budget) .....	-6,880	-9,650	-8,899	-9,363	-9,913	-10,562	-11,267
Total, Social security .....	362,296	378,099	392,848	409,235	427,005	446,860	467,351
<b>Total, Social security</b> .....	365,257	381,499	396,215	412,678	430,532	450,493	471,102
<b>700 Veterans benefits and services:</b>							
<b>Discretionary:</b>							
<b>Veterans education, training, and rehabilitation:</b>							
Loan fund program account .....	1	1	2	2	1	1	1
<b>Hospital and medical care for veterans:</b>							
Medical care and hospital services .....	16,901	18,151	18,687	19,258	19,897	20,562	21,247
Collections for medical care .....		-688	-677	-782	-870	-959	-708
Construction of medical facilities .....	591	476	436	429	458	457	463
Total, Hospital and medical care for veterans .....	17,492	17,939	18,446	18,905	19,485	20,060	21,002
<b>Veterans housing:</b>							
Housing program loan subsidies .....	139	160	166	172	178	185	191
<b>Other veterans benefits and services:</b>							
Other general operating expenses .....	976	1,005	980	1,008	1,040	1,068	1,099
Total, Discretionary .....	18,608	19,105	19,594	20,087	20,704	21,314	22,293
<b>Mandatory:</b>							
<b>Income security for veterans:</b>							
Compensation .....	16,214	17,462	18,649	19,560	20,831	24,959	25,303
Proposed Legislation (non-PAYGO) .....			259	687	1,071	1,663	2,132
Subtotal, Compensation .....	16,214	17,462	18,908	20,247	21,902	26,622	27,435
Pensions .....	3,055	3,084	3,067	3,074	3,073	3,071	3,567
Burial benefits and miscellaneous assistance .....	116	133	123	123	125	128	131
National service life insurance trust fund .....	1,227	1,296	1,310	1,306	1,291	1,281	1,265
All other insurance programs .....	28	84	78	92	96	92	102
Insurance program receipts .....	-233	-226	-212	-194	-176	-160	-144
Total, Income security for veterans .....	20,407	21,833	23,274	24,648	26,311	31,034	32,356
<b>Veterans education, training, and rehabilitation:</b>							
Readjustment benefits (GI Bill and related programs) .....	1,288	1,345	1,330	1,333	1,449	1,419	1,421
Post-Vietnam era education .....	69	34	47	8	8	7	6
All-volunteer force educational assistance trust fund .....	-202	-264	-253	-250	-258	-240	-230
Total, Veterans education, training, and rehabilitation .....	1,155	1,115	1,124	1,091	1,199	1,186	1,197
<b>Hospital and medical care for veterans:</b>							
Fees, charges and other mandatory medical care .....	-399	477		-2	-3	-3	-3
<b>Veterans housing:</b>							
Housing loan subsidies .....	417	669	264	275	273	262	473
Housing loan liquidating account and reestimates .....	-898	-116	-28	-25	-22	-18	-16
Total, Veterans housing .....	-481	553	236	250	251	244	457

Table 16-12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Other veterans programs:</b>							
Other mandatory veterans programs .....	23	32	34	91	55	22	29
Total, Mandatory .....	20,705	24,010	24,668	26,078	27,813	32,483	34,036
<b>Total, Veterans benefits and services .....</b>	<b>39,313</b>	<b>43,115</b>	<b>44,262</b>	<b>46,165</b>	<b>48,517</b>	<b>53,797</b>	<b>56,329</b>
<b>750 Administration of justice:</b>							
<b>Discretionary:</b>							
<b>Federal law enforcement activities:</b>							
Criminal investigations (DEA, FBI, FinCEN, ICDE) .....	3,918	3,926	3,939	4,396	4,590	4,734	4,886
Alcohol, tobacco, and firearms investigations (ATF) .....	468	517	554	600	617	640	659
Border enforcement activities (Customs and INS) .....	3,331	3,646	4,061	4,194	4,325	4,453	4,588
Equal Employment Opportunity Commission .....	232	250	249	253	258	264	270
Other law enforcement activities .....	1,113	1,349	1,382	1,462	1,482	1,531	1,585
Total, Federal law enforcement activities .....	9,062	9,688	10,185	10,905	11,272	11,622	11,988
<b>Federal litigative and judicial activities:</b>							
Civil and criminal prosecution and representation .....	2,294	2,210	2,458	2,581	2,656	2,736	2,820
Representation of indigents in civil cases .....	282	283	288	295	301	307	314
Federal judicial and other litigative activities .....	2,997	3,194	3,348	3,418	3,519	3,622	3,731
Total, Federal litigative and judicial activities .....	5,573	5,687	6,094	6,294	6,476	6,665	6,865
<b>Correctional activities:</b>							
Discretionary programs .....	2,968	2,897	3,519	3,797	4,072	3,741	3,880
<b>Criminal justice assistance:</b>							
Discretionary programs .....	2,516	2,633	4,246	4,281	4,967	5,085	5,197
Total, Discretionary .....	20,119	20,905	24,044	25,277	26,787	27,113	27,930
<b>Mandatory:</b>							
<b>Federal law enforcement activities:</b>							
Assets forfeiture fund .....	338	415	412	406	403	403	403
Border enforcement activities (Customs and INS) .....	1,280	1,784	1,800	1,603	1,677	1,752	1,784
Customs and INS fees .....	-2,474	-2,360	-2,806	-2,860	-2,910	-2,977	-3,026
Other mandatory law enforcement programs .....	309	378	334	318	320	323	310
Total, Federal law enforcement activities .....	-547	217	-260	-533	-510	-499	-529
<b>Federal litigative and judicial activities:</b>							
Mandatory programs .....	407	672	516	478	446	454	464
<b>Correctional activities:</b>							
Mandatory programs .....	-29	-17	-12	-22	-10	-10	-9
<b>Criminal justice assistance:</b>							
Mandatory programs .....	247	487	396	364	223	229	234
Total, Mandatory .....	78	1,359	640	287	149	174	160
<b>Total, Administration of justice .....</b>	<b>20,197</b>	<b>22,264</b>	<b>24,684</b>	<b>25,564</b>	<b>26,936</b>	<b>27,287</b>	<b>28,090</b>
<b>800 General government:</b>							
<b>Discretionary:</b>							
<b>Legislative functions:</b>							
Legislative branch discretionary programs .....	1,831	1,984	2,044	2,108	2,153	2,224	2,292
<b>Executive direction and management:</b>							
Drug control programs .....	70	243	316	344	351	358	367
Executive Office of the President .....	221	228	238	246	256	265	273
Presidential transition and former Presidents .....	2	2	2	2	2	2	2
Total, Executive direction and management .....	293	473	556	592	609	625	642



Table 16-12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Central fiscal operations:</b>							
Tax administration .....	7,123	7,397	7,713	7,979	8,541	8,837	9,144
Other fiscal operations .....	558	495	600	616	632	653	674
Total, Central fiscal operations .....	7,681	7,892	8,313	8,595	9,173	9,490	9,818
<b>General property and records management:</b>							
Real property activities .....	682	485	-4	-88	-17	-13	-102
Records management .....	198	200	220	223	233	238	243
Other general and records management .....	210	214	186	180	168	157	161
Total, General property and records management .....	1,090	899	402	315	384	382	302
<b>Central personnel management:</b>							
Discretionary central personnel management programs .....	137	150	154	160	166	170	177
<b>General purpose fiscal assistance:</b>							
Payments and loans to the District of Columbia .....	719	823	828	846	864	883	903
Payments to States and counties from Federal land management activities .....	11	11	11	11	12	12	12
Payments in lieu of taxes .....	114	120	122	125	128	131	133
Other .....	-1	1	.....	1	1	1	1
Total, General purpose fiscal assistance .....	843	955	961	983	1,005	1,027	1,049
<b>Other general government:</b>							
Discretionary programs .....	201	174	181	178	171	177	180
Total, Discretionary .....	12,076	12,527	12,611	12,931	13,661	14,095	14,460
<b>Mandatory:</b>							
<b>Legislative functions:</b>							
Congressional members compensation and other .....	94	102	98	97	97	96	96
<b>Central fiscal operations:</b>							
Mandatory programs .....	-250	-100	-46	-59	-60	-59	-63
<b>General property and records management:</b>							
Mandatory programs .....	45	16	17	17	3	1	2
Offsetting receipts .....	-9	-66	-25	-26	-28	-29	-29
Total, General property and records management .....	36	-50	-8	-9	-25	-28	-27
<b>General purpose fiscal assistance:</b>							
Payments and loans to the District of Columbia .....	-12	-12	-12	-12	-15	.....	.....
Payments to States and counties .....	834	836	884	875	876	875	883
Payments to territories and Puerto Rico .....	107	110	111	114	116	119	122
Tax revenues for Puerto Rico (Treasury, BATF) .....	205	210	201	201	201	201	201
Other general purpose fiscal assistance .....	90	98	95	95	95	95	95
Total, General purpose fiscal assistance .....	1,224	1,242	1,279	1,273	1,273	1,290	1,301
<b>Other general government:</b>							
Territories .....	164	191	221	222	169	194	197
Treasury claims .....	1,035	635	685	615	660	660	660
Presidential election campaign fund .....	.....	.....	26	242	7	.....	29
Other mandatory programs .....	-120	-23	-62	-56	-54	-72	-68
Total, Other general government .....	1,079	803	870	1,023	782	782	818
<b>Deductions for offsetting receipts:</b>							
Offsetting receipts .....	-1,491	-1,646	-1,160	-1,160	-1,160	-1,160	-1,160
Total, Mandatory .....	692	351	1,033	1,165	907	921	965
<b>Total, General government .....</b>	<b>12,768</b>	<b>12,878</b>	<b>13,644</b>	<b>14,096</b>	<b>14,568</b>	<b>15,016</b>	<b>15,425</b>

Table 16-12. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>900 Net interest:</b>							
<b>Mandatory:</b>							
<b>Interest on the public debt:</b>							
Interest on the public debt .....	355,796	361,994	366,753	369,659	375,793	380,160	385,480
<b>Interest received by on-budget trust funds:</b>							
Civil service retirement and disability fund .....	-30,484	-32,456	-33,552	-34,171	-34,936	-35,764	-36,540
Military retirement .....	-11,920	-12,121	-12,328	-12,533	-12,740	-12,952	-13,173
Medicare .....	-11,949	-11,642	-11,366	-10,865	-10,499	-10,204	-10,189
Other on-budget trust funds .....	-9,423	-9,614	-9,972	-11,134	-11,719	-12,468	-13,086
Total, Interest received by on-budget trust funds .....	-63,776	-65,833	-67,218	-68,703	-69,894	-71,388	-72,988
<b>Interest received by off-budget trust funds:</b>							
Interest received by social security trust funds .....	-41,214	-46,730	-51,623	-56,966	-62,889	-69,318	-76,337
<b>Other interest:</b>							
Interest on loans to Federal Financing Bank .....	-4,171	-3,142	-2,758	-2,518	-2,344	-2,113	-1,853
Interest on refunds of tax collections .....	2,341	2,497	2,580	2,648	2,756	2,869	3,006
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 .....	1,997	2,434	2,408	2,399	2,408	2,428	2,447
Interest received from direct loan financing accounts .....	-4,988	-5,552	-6,392	-7,157	-7,922	-8,719	-9,488
Interest on deposits in tax and loan accounts .....	-948	-920	-920	-908	-908	-908	-908
Interest received from Outer Continental Shelf escrow account, Interior .....	-6	-1,120	-30				
All other interest .....	-3,346	-3,270	-3,036	-3,046	-3,018	-3,060	-3,045
Total, Other interest .....	-6,793	-6,745	-5,820	-6,254	-6,700	-7,175	-7,513
Total, Mandatory .....	244,013	242,686	242,092	237,736	236,310	232,279	228,642
<b>Total, Net interest</b> .....	244,013	242,686	242,092	237,736	236,310	232,279	228,642
<b>950 Undistributed offsetting receipts:</b>							
<b>Mandatory:</b>							
<b>Employer share, employee retirement (on-budget):</b>							
Contributions to military retirement fund .....	-11,102	-10,543	-10,563	-10,535	-10,584	-10,750	-11,000
Postal Service contributions to Civil Service Retirement and Disability Fund .....	-5,927	-6,068	-6,036	-6,268	-6,485	-6,749	-6,899
Other contributions to civil and foreign service retirement and disability fund .....	-8,279	-8,801	-8,975	-9,246	-9,623	-10,053	-10,054
Contributions to HI trust fund .....	-2,465	-2,499	-2,596	-2,708	-2,788	-2,918	-3,044
Total, Employer share, employee retirement (on-budget) .....	-27,773	-27,911	-28,170	-28,757	-29,480	-30,470	-30,997
<b>Employer share, employee retirement (off-budget):</b>							
Contributions to social security trust funds .....	-6,483	-7,155	-7,667	-8,317	-8,831	-9,571	-10,304
<b>Rents and royalties on the Outer Continental Shelf:</b>							
OCS Receipts .....	-4,711	-4,663	-4,187	-3,952	-4,134	-4,277	-3,886
<b>Sale of major assets:</b>							
Proceeds from Sale of U.S. Enrichment Corporation .....		-1,600					
Privatization of Elk Hills .....		-2,739	-728				
Proceeds from sale of Power Marketing Administrations .....		-85					
Total, Sale of major assets .....		-4,424	-728				
<b>Other undistributed offsetting receipts:</b>							
Spectrum Auction .....	-11,006	-2,216	-1,833	-3,089	-5,341	-12,654	-3,300
Total, Mandatory .....	-49,973	-46,369	-42,585	-44,115	-47,786	-56,972	-48,487
<b>Total, Undistributed offsetting receipts</b> .....	-49,973	-46,369	-42,585	-44,115	-47,786	-56,972	-48,487
<b>Total</b> .....	1,601,235	1,667,836	1,732,404	1,794,410	1,855,478	1,898,063	1,985,876
On-budget .....	(1,290,609)	(1,348,161)	(1,403,543)	(1,453,945)	(1,504,924)	(1,537,821)	(1,614,373)
Off-budget .....	(310,626)	(319,675)	(328,861)	(340,465)	(350,554)	(360,242)	(371,503)

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## OTHER TECHNICAL PRESENTATIONS

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## 17. 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 the relationship between the trust funds surplus and the unified budget surplus or deficit, and the meaning of the large and growing trust funds balance. Information about the income and outgo of four Federal funds that are financed by earmarked collections similar to trust funds is also provided.

### 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 are similar to trust funds in that their spending is financed by earmarked collections. Where the law requires that Federal fund collections from a specified source be earmarked to finance a particular program, such as 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. They are usually financed by earmarked collections. 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. Trust funds also include a few small funds established to carry out the terms of a conditional gift, bequest, or court settlement.

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.<sup>1</sup>

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 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 in-

<sup>1</sup> 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.

vested, 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 17-1 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.<sup>2</sup> 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.<sup>3</sup> 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 17-1 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.<sup>4</sup> 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 re-

ceipts 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.<sup>5</sup>

In order to derive unified budget receipts and outlays, Table 17-1 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.

### Which Fund Group is Responsible for Past Unified Budget Deficits?

Trust fund income exceeded outgo by \$126 billion in 1997. As mandated by law, this surplus was invested in Federal securities, and thereby partially offset Government borrowing from the public to finance the \$148 billion Federal funds deficit. The sum of the trust fund surplus and the Federal fund deficit equals the unified deficit, which was \$22 billion. This pattern of trust fund surpluses and Federal fund deficits has persisted for the past 3½ decades, and as shown in Table 17-1, it is expected to continue. However, enactment of the Balanced Budget Act, along with strong economic growth, and the proposals in this Budget are projected to produce unified budget surpluses beginning in 1999, and reduce the Federal funds deficit to less than \$120 billion by 2003.

Historically, the combination of large and growing trust fund surpluses and Federal fund deficits led to claims and counterclaims about the causes of unified deficits, and by implication, which part of the budget should be the focus of deficit-reduction efforts. The two main views were illustrated by the contrary positions expressed in reports published several years ago by two Congressional branch agencies—the Congressional

<sup>2</sup>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.

<sup>3</sup>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.

<sup>4</sup>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).

<sup>5</sup>Prior to the 1998 budget, trust fund borrowing was included in Federal fund outgo (as a payment from the general fund) and trust fund income, and the repayments were included in trust fund outgo and Federal fund income (as a general fund receipt). The treatment of trust fund borrowing and repayment was revised to make it parallel to the treatment of borrowing by Federal fund accounts from the general fund, borrowing by the general fund from Government accounts (including trust funds), and borrowing by the Government from the public.

**Table 17-1. RECEIPTS, OUTLAYS, AND SURPLUS OR DEFICIT BY FUND GROUP**  
(In billions of dollars)

	1997 actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Receipts:</b>							
Federal funds cash income:							
From the public .....	1,047.9	1,085.8	1,128.2	1,155.5	1,198.3	1,263.9	1,304.8
From trust funds .....	1.0	1.1	1.1	1.1	2.3	1.1	1.2
Total, Federal funds cash income .....	1,049.0	1,086.8	1,129.2	1,156.6	1,200.6	1,265.0	1,306.0
Trust funds cash income:							
From the public .....	607.0	644.6	685.9	710.4	739.3	771.6	802.7
From Federal funds:							
Interest .....	106.6	114.2	120.6	126.2	133.7	141.9	150.8
Other .....	141.7	146.7	150.4	159.9	169.4	180.4	192.1
Total, trust funds cash income .....	855.4	905.5	956.9	996.5	1,042.4	1,093.9	1,145.6
Offsetting receipts .....	-325.1	-334.5	-343.4	-359.6	-380.4	-409.7	-423.4
Total, unified budget receipts .....	1,579.3	1,657.9	1,742.7	1,793.6	1,862.6	1,949.3	2,028.2
<b>Outlays:</b>							
Federal funds cash outgo .....	1,196.9	1,245.5	1,290.7	1,321.3	1,349.0	1,376.3	1,425.7
Trust funds cash outgo .....	729.4	756.8	785.9	823.4	865.9	892.9	943.1
Offsetting receipts .....	-325.1	-334.5	-343.4	-359.6	-380.4	-409.7	-423.4
Total, unified budget outlays .....	1,601.2	1,667.8	1,733.2	1,785.0	1,834.4	1,859.6	1,945.4
<b>Surplus or deficit (-):</b>							
Federal funds .....	-147.9	-158.7	-161.5	-164.6	-148.4	-111.3	-119.7
Trust funds .....	126.0	148.7	171.0	173.2	176.6	201.0	202.5
Total, unified surplus/deficit (-) .....	-21.9	-10.0	9.5	8.5	28.2	89.7	82.8

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.

### Research Service (CRS) and the General Accounting Office (GAO).

CRS: "The treatment of trust fund programs in the Federal budget is complicated and confusing. As a result, the impact of these programs on the financial condition of the Government is often misunderstood. Perhaps the biggest misconception today is that these programs are offsetting the Federal deficit by \$124 billion and thereby masking the true size of the deficit. Although attention has been drawn to the large social security surpluses, trust fund programs overall actually have been running cash deficits... On the whole, trust fund programs ran deficits in their cash transactions with the public in 19 of the last 21 years."<sup>6</sup>

GAO: "As the unified budget is presently structured, the surpluses in the trust funds are merged with the rest of the budget, effectively masking the magnitude of those surpluses and the size of the deficit in the rest of the government... Because the trust fund surpluses—especially those in Social Security—are growing so rapidly, the merger of trust and nontrust funds creates the erroneous impression that the deficit is under control and declining. In reality, the nontrust fund deficit has grown from \$222 billion in 1987 to \$255 billion in 1988 and is projected to reach \$283 billion or more in 1989. The fact is that increased payroll taxes, levied to meet the long-term needs of the Social Security system, are being used to finance the current operating costs of the government."<sup>7</sup>

The critical difference between these views concerns the relevance of transactions between the two fund groups. These interfund transactions consist mostly of

Federal fund payments to trust funds. They affect the bottom line of each fund group. For example, Treasury interest payments to the Social Security trust funds add to the Federal fund deficit, and the interest earnings add to the trust fund surplus. The CRS analysis excludes such payments because they are offset in the unified budget by an equal amount of collections, and together they have no net impact on the unified surplus or deficit. In contrast, GAO's analysis includes interfund transactions because they allocate the cost of Federal activities to the fund group that gives rise to the cost.

Because these views are representative of much of the past debate over the responsibility for the unified deficit, they are discussed in greater detail below. However, neither is satisfactory for every purpose, and an alternative explanation is offered.

**The Record Based on Transactions With the Public.**—The unified surplus or deficit measures the Federal Government's net transactions with the public. The deficit can be reduced or the surplus increased only by increasing receipts from the public or by decreasing payments to the public. This is true whether the transactions with the public are by trust funds or by Federal funds. It can be said, therefore, that a fund group contributes to lower deficits or higher surpluses if it collects more from the public than it pays to the public, and that it contributes to higher

<sup>6</sup> Congressional Research Service, Trust Funds and the Federal Deficit, February 26, 1990, summary.

<sup>7</sup> General Accounting Office, Managing The Cost Of The Government, October 1989, p. 9.

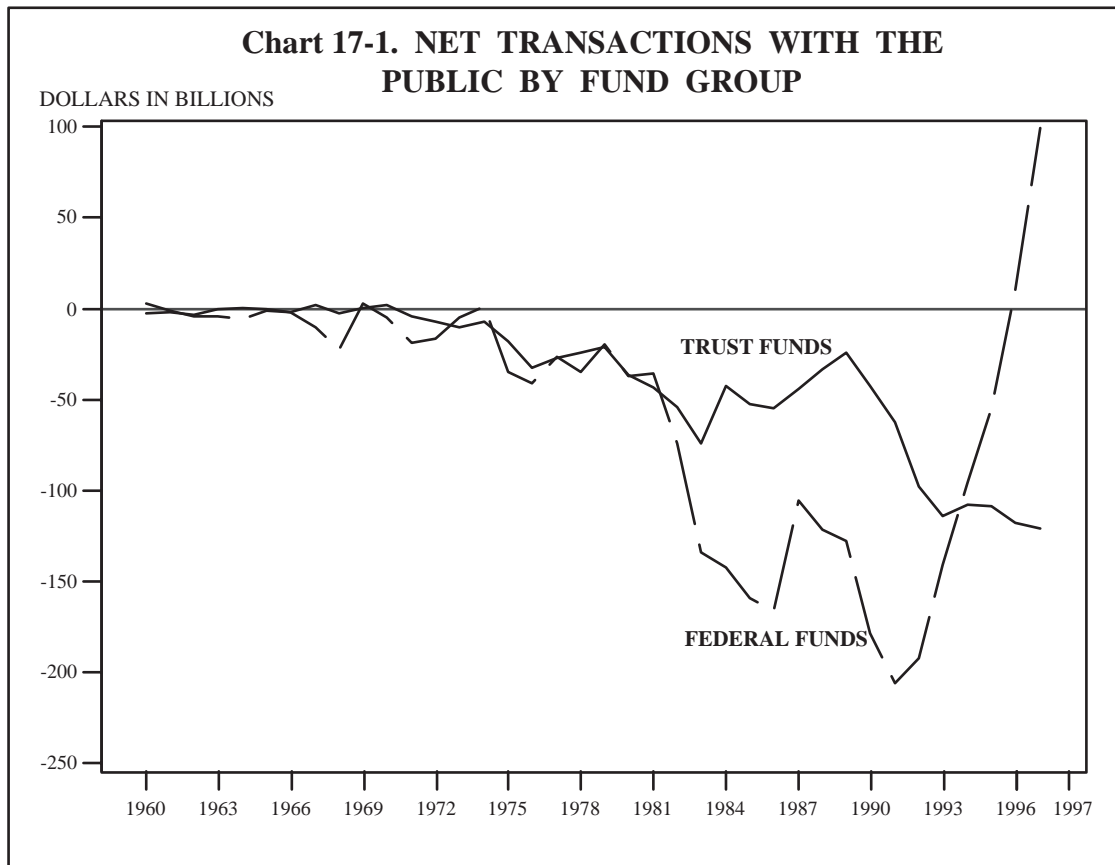
deficits or lower surpluses if it pays more to the public than it collects from the public.

Measured on this basis, both fund groups have been responsible for past unified deficits. As shown in Chart 17-1, payments to the public by both fund groups exceeded their income from the public in most years from 1960 to 1997. Trust funds were in deficit in 34 of the 38 years, and Federal funds were in deficit 33 years. Trust funds were responsible for \$1.2 trillion of the cumulative unified deficits over the period, and Federal funds were responsible for the other \$2.3 trillion. Under the President's budget proposal, the trust funds deficit in its transactions with the public would decrease through 1999 and then increase each year thereafter. In contrast, Federal fund transactions with the public were in surplus in 1997. This Federal funds surplus is estimated to grow to \$222 billion by 2003.

It may be surprising that trust funds are adding to the unified deficit or reducing the unified surplus when they are simultaneously reporting large surpluses and balances in their total transactions. The experience varies among the individual trust funds. Consider the transactions of the public with the following eight major trust funds. Together, these funds ran a \$126 billion surplus in 1997—100 percent of the total trust fund surplus—and held \$1.4 trillion of balances—95 percent of the balance for all trust funds combined. Nevertheless, from 1960 to 1997, the combined payments to the public by these trust funds exceeded their combined

income from the public by \$1.1 trillion. (The status of fund tables in the Budget Appendix and in Table 3 of this chapter, unlike this discussion, which only considers transactions with the public, reflect all of the trust funds' transactions, including interest received from Federal funds and other interfund collections.)

- The Highway Trust Fund is financed entirely by earmarked taxes on gasoline and other fuels and by interest earnings. Tax receipts exceeded the Fund's spending in more than half the years between 1960 and 1997. These surpluses were invested in Treasury securities, and together with the interest earnings, were used to finance spending in other years when spending exceeded tax collections. Although Highway Trust Fund receipts exceed spending, the trust fund is authorized to obligate, and currently has obligated almost one and one-half years' worth of estimated future receipts. The current \$22 billion balance is enough to fund almost one year's spending.
- The two Social Security Trust Funds, Federal Old-Age and Survivors Insurance and Federal Disability Insurance, are financed primarily by payroll taxes. However they also receive additional income from the general fund in the form of interest earnings, Federal agencies' payments as employers for the social security benefits earned by military and Federal civilian employees, and Treasury payments for part of the estimated amount of income





taxes paid on social security benefits. In 19 of the 26 years from 1960 through 1985, social security payments to the public exceeded payroll taxes. The Funds' cumulative payments to the public exceeded their cumulative collections from the public by \$2 billion through 1978, and rose to \$60 billion in 1985.<sup>8</sup> Largely due to the Greenspan Commission reforms, in 1986 social security began to run a surplus in its transactions with the public. In 1990 social security taxes exceeded payments to the public by \$36 billion. Since then, social security taxes have continued to exceed payments to the public, but only by about half that amount each year.

- The Hospital Insurance (HI) Trust Fund (Medicare Part A) had a balance of \$116 billion as of the end of 1997. This reflects interest and other interfund collections as well as collections from the public. However, when considering only payroll tax income, benefit payments, and other outlays to the public, it has run a deficit in these transactions with the public in 20 of 32 years since 1966.
- The Supplementary Medical Insurance (SMI) Trust Fund (Medicare Part B) is funded by premiums charged to enrollees, general fund subsidies, and interest payments. Premiums currently cover about one-quarter of SMI's expenditures with the remainder financed by Federal fund payments. These shares have changed significantly since SMI's early years of operation, beginning in 1967. In its first seven years, premiums covered half of the expenses. This share fell throughout the next decade, and by the early 1980s premiums covered only 22 percent of expenses. SMI's total balance, including interfund collections, stood at \$35 billion at the end of 1997. However, its cumulative payments to the public exceeded its income from the public by \$540 billion.
- The Unemployment (UI) Trust Fund is funded primarily by taxes on employers. It also has interfund interest earnings paid by Federal funds, and it has been supplemented by large transfers from the general fund during periods of high and extended unemployment. Since 1960 UI has run deficits in its transactions with the public in 17 years. At the end of 1997 its total balance, including those due to interfund collections, was \$62 billion. However, this balance was essentially due to interfund collections. Since 1960, UI's cumulative payments to the public have exceeded its income from the public by \$32 billion.
- The Civil Service Retirement and Disability (CSR) Trust Fund, which comprises almost all of the Federal Civilian Employees Retirement Funds shown in Table 17-3, is financed by Federal civilian employees' contributions, agencies'

contributions on behalf of the employees, general fund payments that limit the growth in the unfunded liability, and interest earnings. In 1997, employee contributions were approximately 6 percent of total income to the Fund. Interfund collections made up the rest. CSR has run a surplus in each year since 1960, and its balance has increased from \$10 billion in 1960 to \$422 billion in 1997. Because the Fund is intended to be funded mostly by payments from the Government as an employer, the buildup in balances is due to interfund payments. From 1960 through 1997, CSR payments to the public exceeded its income from the public by \$480 billion.

- The Military Retirement Fund is financed entirely by payments by the Department of Defense on behalf of military employees, general fund payments for the unfunded liability existent when the Fund was created, and interest earnings. Since its inception in 1985, the Fund has run a surplus each year, and it had a \$139 billion balance at the end of 1997. Because the fund receives no income from the public, the annual surpluses and the current balance are due totally to interfund payments. Over the same period, the Fund paid \$283 billion of benefits to the public.

***The Record if Interfund Transactions are Included.***—Transactions with the public are not the only basis—and for some purposes may not be the best—for identifying the source of the unified budget surplus or deficit. Most interfund payments allocate the cost of Federal activities to the fund group that is responsible for the cost, and most interfund collections are valid reimbursements for the assumption of a cost by the fund that receives the collection. Including these interfund transactions, therefore, may provide a more reasonable measure of the contribution of each fund group to the overall surplus or deficit.

The bulk of interfund transactions are Federal fund payments to trust funds. In 1997, Federal funds paid \$247 billion to trust funds, net of collections from trust funds. Almost 93 percent of these were payments by the Government as an employer to various retirement trust funds, interest on general fund borrowing of trust fund balances, and the general fund payment to SMI.

Payments by the Government as an employer to Federal employees retirement trust funds allow the total cost of employee compensation to be charged to the Federal fund programs that employ Federal workers, or to the general fund. These benefits do not show up as payments to the public for many years, and the eventual payments are recorded as trust fund outlays. But since the eventual payments result from commitments made in the course of carrying out past Federal fund activities, their impact on the unified surplus or deficit could be attributed to the Federal funds group. The interfund payments made for these purposes are a partial measure of the amount that could reasonably be attributed to Federal funds. In 1997, interfund pay-

<sup>8</sup>If balances of net transactions with the public are credited with a prorated share of the Funds' interest earnings, the adjusted cumulative balance would still have turned negative, but not until 1984, and it would have remained negative until 1988.

ments for military and Federal civilian employee retirement were \$62 billion.

Interest payments by the general fund on trust fund investments in Treasury debt appropriately recognize the time value of money to both the borrower and the lender. By law, trust fund balances are invested in Treasury securities, and the interest payments and collections are recorded as interfund transactions—increasing the trust funds surplus and the Federal funds deficit. This is efficient from the standpoint of cash management, and it is an effective method of recognizing the time value of money without forcing trust funds to invest in private securities, which are riskier and would raise the specter of direct Federal control over vast amounts of private resources. However, if permitted by law, trust fund balances could have been invested outside the Government and earned interest from the public. The general fund would have offset the loss of this source of financing by borrowing more from the public, which would have increased Federal fund interest outlays to the public. In terms of transactions with the public, the result would be substantially lower trust fund deficits and higher Federal fund deficits. But this would not mean that trust funds were less responsible—or Federal funds more responsible—for the unified surplus or deficit than under current practice. All taxes and programmatic spending would have been the same. Trust fund interest income was \$107 billion in 1997, and it is expected to grow to \$151 billion by the year 2003.

The SMI trust fund is different from other trust funds in that it is mostly funded by a general fund payment, and the payment is not compensation for services provided by the trust fund to the general fund. The payment is simply a general fund subsidy of trust fund spending. Interfund accounting therefore assigns the general fund its share of SMI payments to the public. The general fund payment was almost \$60 billion in 1997.

Because fund accounting allocates costs between the two fund groups, it is inappropriate to exclude interfund transactions from the analysis of responsibility for the unified budget surplus or deficit. However, it does not follow automatically that trust fund surpluses and Federal fund deficits mean that Federal funds bear the sole responsibility for the unified budget surplus or deficit. That is a separable issue, and as the next section shows, more questionable.

***Both Fund Groups Bear the Responsibility.***—The Federal budget has been presented on a unified basis since 1968. Its purpose is to present in one place the totality of the Federal Government's fiscal operations.

The most important information provided by the unified budget is (1) how much of the Nation's resources are used by the Government, and (2) how these resources are allocated among the many purposes of Government. By combining all receipts and spending in one budget, the implicit tradeoffs between public and private spending, and between Government programs, become more visible. The intention is that by surfacing

these basic tradeoffs, conflicts over competing demands for the Nation's resources will be resolved, and the pieces of the budget will add to the desired total. However, there is no automatic mechanism that forces resolution of these conflicts. Congress and the President can choose to use the budget to force the components of the budget to stay within targets for total receipts and spending, as it has for discretionary programs in the Budget Enforcement Act. Or they can allow tax and spending programs to occur autonomously without regard to what those actions have on other programs or on the budget totals.

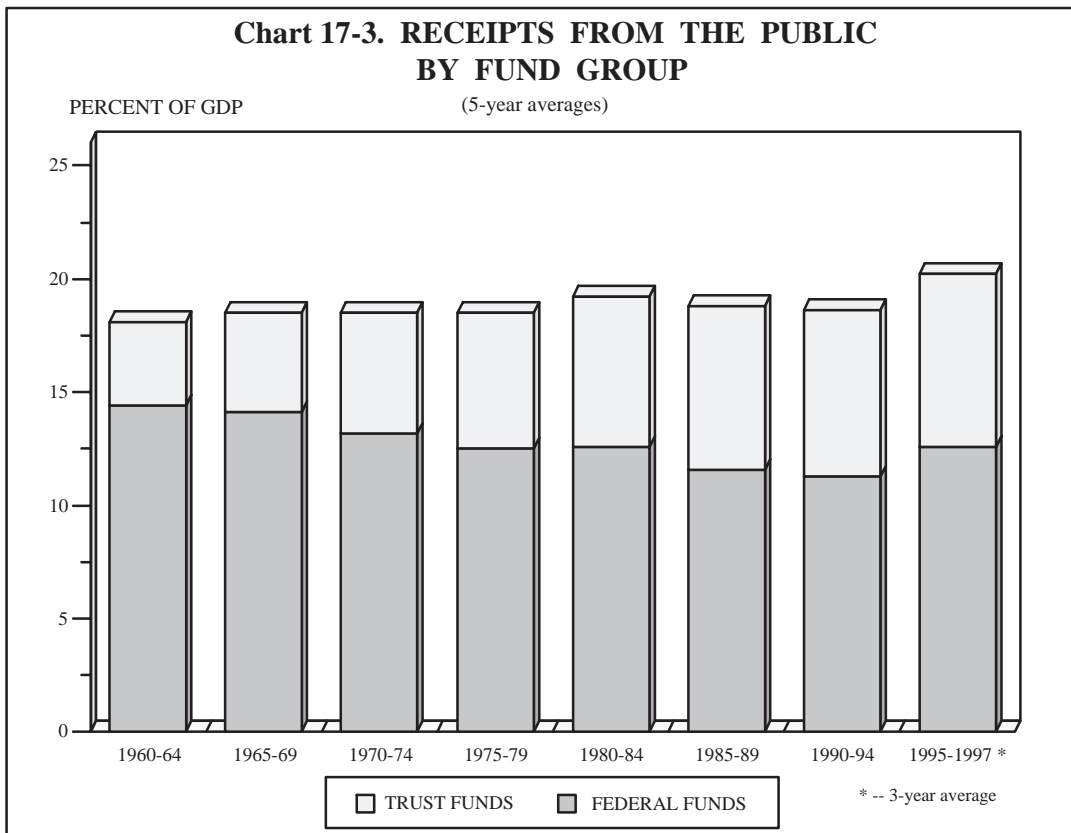
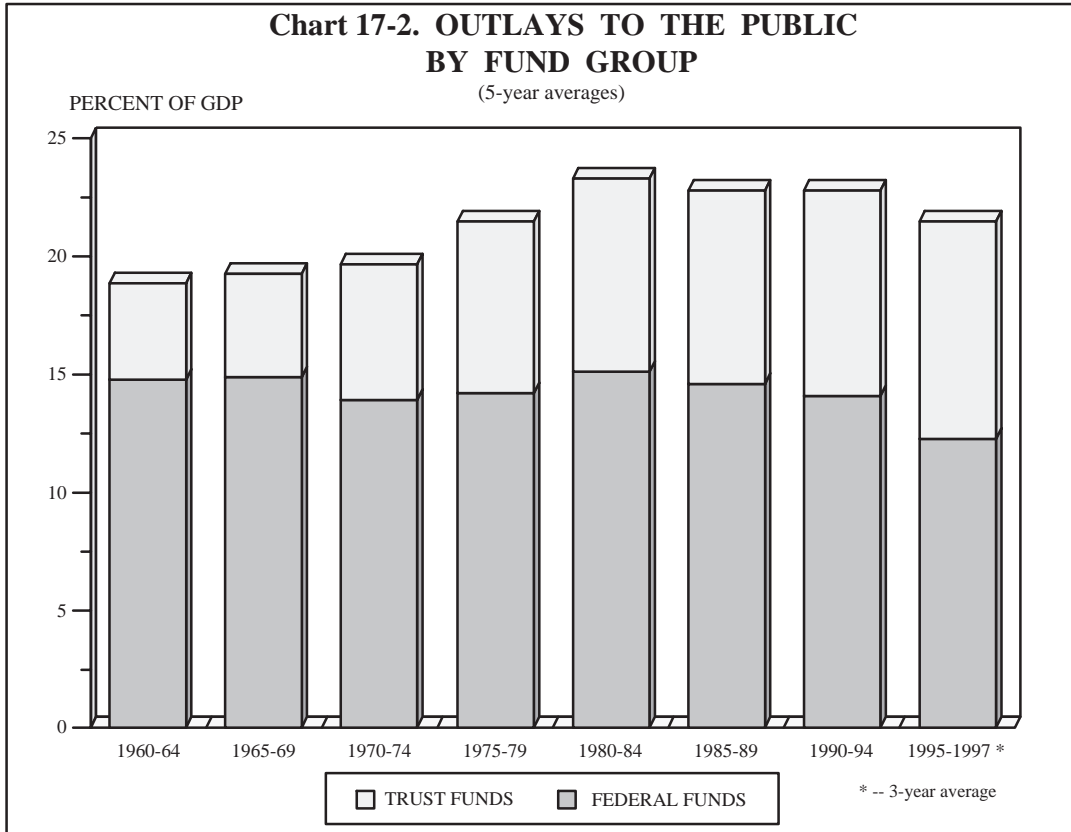
As shown in Chart 17–2, trust fund outlays to the public as a percent of GDP increased steadily between 1960 and the early 1990s, rising from 4.1 percent in the first half of the 1960s to 7.3 percent in the latter half of the 1970s, and rising even further to 8.7 percent in the early 1990s.<sup>9</sup> Over the same period, Federal fund payments to the public moved up and down slightly but stayed between 14 and 15 percent of GDP. The combination of growing trust fund spending and constant Federal fund spending meant that total spending as a percent of GDP increased from 18 percent in 1960 to 23 percent in 1992. However, total spending as a percent of GDP has decreased since 1992, falling to 20.1 percent in 1997, the lowest level in 23 years.

Because the norm has been for trust funds to be in balance, or to accumulate balances to fund future benefits, trust fund taxes were increased commensurately with the increase in trust fund outlays. As shown in Chart 17–3, trust fund receipts as a percent of GDP increased in every five-year period since 1960, rising from 3.7 percent in the first half of the 1960s to 6.0 percent in the latter half of the 1970s, and rising even further to 7.3 percent in the first half of the 1990s. However, unlike Federal fund outlays, Federal fund receipts did not stay the same when trust fund receipts rose. During this period, increases in trust fund receipts were offset by decreases in Federal fund receipts, and total budget receipts remained constant at 18 to 19 percent of GDP. In recent years, total budget receipts as a percent of GDP have risen consistently, growing from 18 percent in 1993 to 20 percent in 1997.

What explains the growth in the unified budget deficit until 1992, therefore, is the basic conflict between the goal of expanding and fully funding one part of Government, and an unwillingness either to allow the total tax burden to increase or to reduce the rest of Government.<sup>10</sup> The Nation wanted to expand trust fund spending, and it said it was willing to finance that expansion. The latter could only have been accomplished by increasing the total tax burden or by reducing Federal fund spending. In fact, neither occurred. Taxes were shifted from Federal funds to trust funds,

<sup>9</sup>This section focuses on receipts and outlays as they are defined in the unified budget, instead of income and outgo. The difference is that proprietary receipts and interfund collections are offset against outlays in the unified budget, but they are considered income for a fund group. Since the comparisons over time are based on changes in shares of GDP, it is better to use receipts and outlays.

<sup>10</sup>For similar analyses, see *The Budget Deficit—Outlook, Implications, and Choices*, General Accounting Office, September 1990, pp.29–32; and John F. Cogan, “The Dispersion of Spending Authority and Federal Budget Deficits,” in *The Budget Puzzle* by John F. Cogan, Timothy J. Muris, and Allen Schick, Stanford University Press, 1994, pp. 39–40.



and the total tax burden remained the same. Federal fund spending remained constant, and total spending increased. If Federal fund taxes had stayed at the levels experienced in the first half of the 1960s, Federal fund tax receipts would have been much higher over the period, and the higher receipts plus the associated interest savings would have been sufficient to avoid most or all of the unified deficits. The same outcome could have been achieved by reducing Federal fund spending commensurately with the reduction in Federal fund taxes.

In short, the imbalances seen in the fund group and unified budget totals were symptomatic of the unresolved conflict over the size of Government and how it is to be financed. Instead of resolving this conflict, increases in trust fund spending were “financed” at the expense of financing for Federal funds. In that sense, both fund groups were responsible for the unified budget deficit.

This pattern of behavior is changing. The enactment of the Balanced Budget Act along with the proposals in this Budget will eliminate the unified budget deficit in 1999, and (as shown in Table 17-1) reduce the Federal funds deficit to \$120 billion by 2003, less than one-third of its peak level of \$386 billion in 1992. Federal fund transactions with the public have gone from a deficit of over \$200 billion in the early 1990s to a surplus of almost \$100 billion in 1997, and this surplus is projected to more than double by 2003.

### **Income, Outgo, and Balances of Trust Funds**

Table 17-2 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 17-1 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 17-1. 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 \$23 billion in 1997. This table, 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 will grow substantially, as they have over the past decade. 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 ex-

penses, 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 sevenfold from 1982 to 1997, from \$205 billion to \$1.5 trillion. Under the proposals in the President's budget, the balances are estimated to increase by another 71 percent by the year 2003, rising to \$2.6 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. Unlike the assets 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, make it easier for the Government 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 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, particularly if it increased the rate of productivity growth. In turn, this would make it possible for the trust funds to draw down on their investments in Treasury debt to pay future benefits with-

**Table 17-2. INCOME, OUTGO, AND BALANCES OF TRUST FUNDS GROUP**  
(In billions of dollars)

	1997 actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Total Trust Funds</b>							
Balance, start of year .....	1,390.2	1,515.4	1,664.1	1,835.1	2,008.3	2,184.8	2,385.9
Income:							
Governmental receipts .....	570.0	608.5	650.2	673.0	700.2	730.5	759.4
Proprietary receipts .....	44.7	44.5	44.6	46.3	48.2	50.3	53.2
Receipts from Federal funds:							
Interest .....	106.8	114.3	120.7	127.8	135.2	143.5	152.3
Other .....	156.8	170.3	177.7	184.6	193.4	203.7	213.5
Subtotal, income .....	878.3	937.5	993.3	1,031.8	1,077.0	1,128.1	1,178.5
Outgo:							
To the public .....	751.3	787.7	821.2	857.6	898.3	925.8	974.8
Payments to Federal funds .....	1.0	1.1	1.1	1.1	2.3	1.1	1.2
Subtotal, outgo .....	752.4	788.8	822.3	858.6	900.6	926.9	976.0
Change in fund balance:							
Surplus or deficit (-):							
Excluding interest .....	19.2	34.4	50.3	45.3	41.3	57.5	50.2
Interest .....	106.8	114.3	120.7	127.8	135.2	143.5	152.3
Subtotal, surplus or deficit (-) .....	126.0	148.7	171.0	173.2	176.6	201.0	202.5
Adjustments:							
Transfers/lapses (net) .....	-0.8	-*	-*	.....	.....	.....	.....
Other adjustments .....	-*	*	-*	.....	.....	.....	.....
Total, change in fund balance .....	125.2	148.7	171.0	173.2	176.6	201.0	202.5
Balance, end of year .....	1,515.4	1,664.1	1,835.1	2,008.3	2,184.8	2,385.9	2,588.4

\* Less than \$50 million.

out having to increase the burden on future workers by raising tax rates, reducing spending, or increasing Government borrowing.

Table 17-3 shows estimates of income, outgo, and balances for 1997 through 2003 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 17-2 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 17-4, which 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.

Table 17-3. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS

(In billions of dollars)

	1997 actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Airport and Airway Trust Fund</b>							
Balance, start of year .....	7.7	6.4	9.3	14.2	16.9	19.8	23.1
Income:							
Governmental receipts .....	4.0	8.0	10.0	11.5	12.1	12.8	12.2
Proprietary receipts .....	*	*	*	*	*	*	*
Receipts from Federal funds:							
Interest .....	0.5	0.4	0.6	1.0	1.1	1.3	1.4
Other .....	*	0.1	0.1	0.1	0.1	0.1	0.1
Receipts from Trust funds .....							
Subtotal, income .....	4.5	8.5	10.7	12.6	13.3	14.1	13.7
Outgo:							
To the public .....	5.8	5.6	5.8	9.9	10.4	10.9	11.6
Payments to Other funds .....							
Subtotal, outgo .....	5.8	5.6	5.8	9.9	10.4	10.9	11.6
Change in fund balance:							
Surplus or deficit (-):							
Excluding interest .....	-1.7	2.5	4.3	1.8	1.8	2.0	0.7
Interest .....	0.5	0.4	0.6	1.0	1.1	1.3	1.4
Subtotal, surplus or deficit (-) .....	-1.2	2.9	4.9	2.7	2.9	3.3	2.2
Adjustments:							
Transfers/lapses (net) .....	-*						
Other adjustments .....	*						
Total, change in fund balance .....	-1.2	2.9	4.9	2.7	2.9	3.3	2.2
Balance, end of year .....	6.4	9.3	14.2	16.9	19.8	23.1	25.3
<b>Federal Employees Health Benefits Fund</b>							
Balance, start of year .....	7.4	6.7	6.6	6.5	6.7	6.8	6.9
Income:							
Governmental receipts .....							
Proprietary receipts .....	4.8	5.3	5.5	5.8	6.0	6.0	6.7
Receipts from Federal funds:							
Interest .....	0.5	0.4	0.4	0.4	0.4	0.5	0.5
Other .....	10.6	11.3	12.1	13.3	14.2	15.7	16.5
Receipts from Trust funds .....							
Subtotal, income .....	15.9	17.0	18.0	19.6	20.7	22.1	23.6
Outgo:							
To the public .....	16.6	17.1	18.1	19.4	20.6	22.1	23.6
Payments to Other funds .....							
Subtotal, outgo .....	16.6	17.1	18.1	19.4	20.6	22.1	23.6
Change in fund balance:							
Surplus or deficit (-):							
Excluding interest .....	-1.1	-0.5	-0.5	-0.2	-0.3	-0.5	-0.4
Interest .....	0.5	0.4	0.4	0.4	0.4	0.5	0.5
Subtotal, surplus or deficit (-) .....	-0.7	-0.1	-0.1	0.2	0.1	*	0.1
Adjustments:							
Transfers/lapses (net) .....							
Other adjustments .....							
Total, change in fund balance .....	-0.7	-0.1	-0.1	0.2	0.1	*	0.1
Balance, end of year .....	6.7	6.6	6.5	6.7	6.8	6.9	6.9
<b>Federal Civilian Employees Retirement Funds</b>							
Balance, start of year .....	401.7	430.9	461.0	490.8	520.2	549.2	578.3
Income:							
Governmental receipts .....	4.4	4.3	4.5	4.6	4.9	4.6	4.1
Proprietary receipts .....							

**Table 17-3. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued**  
(In billions of dollars)

	1997 actual	Estimate					
		1998	1999	2000	2001	2002	2003
Receipts from Federal funds:							
Interest .....	31.2	33.2	34.3	35.0	35.8	36.7	37.5
Other .....	35.8	36.4	36.7	37.5	37.9	38.5	38.5
Receipts from Trust funds .....	*	*	*	*	*	*	*
Subtotal, income .....	71.4	73.9	75.6	77.1	78.6	79.8	80.2
Outgo:							
To the public .....	42.2	43.8	45.7	47.7	49.6	50.8	53.6
Payments to Other funds .....	*	*	*	*	*	*	*
Subtotal, outgo .....	42.2	43.8	45.7	47.7	49.6	50.8	53.6
Change in fund balance:							
Surplus or deficit (-):							
Excluding interest .....	-2.0	-3.1	-4.5	-5.6	-6.8	-7.7	-11.0
Interest .....	31.2	33.2	34.3	35.0	35.8	36.7	37.5
Subtotal, surplus or deficit (-) .....	29.1	30.1	29.9	29.4	29.0	29.1	26.6
Adjustments:							
Transfers/lapses (net) .....	.....	.....	.....	.....	.....	.....	.....
Other adjustments .....	.....	.....	.....	.....	.....	.....	.....
Total, change in fund balance .....	29.1	30.1	29.9	29.4	29.0	29.1	26.6
Balance, end of year .....	430.9	461.0	490.8	520.2	549.2	578.3	604.8
<b>Federal Old-Age, Survivors and Disability Insurance Trust Funds</b>							
Balance, start of year .....	549.6	630.9	728.9	835.0	950.9	1,073.8	1,207.4
Income:							
Governmental receipts .....	392.0	416.0	434.1	453.9	472.7	494.3	516.6
Proprietary receipts .....	*	0.1	0.1	0.1	0.1	0.1	0.1
Receipts from Federal funds:							
Interest .....	41.2	46.7	51.6	57.0	62.9	69.3	76.3
Other .....	15.4	19.1	19.0	20.0	21.1	22.5	23.9
Receipts from Trust funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, income .....	448.7	481.9	504.8	531.0	556.8	586.2	617.0
Outgo:							
To the public .....	363.3	379.7	394.6	410.9	428.8	448.5	469.0
Payments to Other funds .....	4.1	4.1	4.1	4.1	5.2	4.1	4.1
Subtotal, outgo .....	367.3	383.9	398.7	415.1	434.0	452.6	473.1
Change in fund balance:							
Surplus or deficit (-):							
Excluding interest .....	40.1	51.3	54.5	59.0	59.9	64.3	67.5
Interest .....	41.2	46.7	51.6	57.0	62.9	69.3	76.3
Subtotal, surplus or deficit (-) .....	81.3	98.0	106.1	115.9	122.8	133.6	143.9
Adjustments:							
Transfers/lapses (net) .....	.....	.....	.....	.....	.....	.....	.....
Other adjustments .....	.....	.....	.....	.....	.....	.....	.....
Total, change in fund balance .....	81.3	98.0	106.1	115.9	122.8	133.6	143.9
Balance, end of year .....	630.9	728.9	835.0	950.9	1,073.8	1,207.4	1,351.2
<b>Foreign Military Sales Trust Fund</b>							
Balance, start of year .....	5.9	5.9	5.9	5.9	5.9	5.9	5.9
Income:							
Governmental receipts .....	.....	.....	.....	.....	.....	.....	.....
Proprietary receipts .....	15.1	13.8	12.6	11.8	11.1	10.6	9.8
Receipts from Federal funds:							
Interest .....	.....	.....	.....	.....	.....	.....	.....
Other .....	.....	.....	.....	.....	.....	.....	.....
Receipts from Trust funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, income .....	15.1	13.8	12.6	11.8	11.1	10.6	9.8
Outgo:							
To the public .....	15.1	13.8	12.6	11.8	11.1	10.6	9.8

**Table 17-3. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued**  
(In billions of dollars)

	1997 actual	Estimate					
		1998	1999	2000	2001	2002	2003
Payments to Other funds .....							
Subtotal, outgo .....	15.1	13.8	12.6	11.8	11.1	10.6	9.8
Change in fund balance:							
Surplus or deficit (-):							
Excluding interest .....	*	-*					
Interest .....							
Subtotal, surplus or deficit (-) .....	*	-*					
Adjustments:							
Transfers/lapses (net) .....							
Other adjustments .....							
Total, change in fund balance .....	*	-*					
Balance, end of year .....	5.9	5.9	5.9	5.9	5.9	5.9	5.9
<b>Highway Trust Fund<sup>1</sup></b>							
Balance, start of year .....	21.2	22.0	23.5	38.3	47.5	56.7	66.5
Income:							
Governmental receipts .....	23.9	26.1	38.6	33.2	33.8	34.4	35.1
Proprietary receipts .....	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Receipts from Federal funds:							
Interest .....	1.4	1.4	1.4	2.2	2.7	3.1	3.6
Other .....	*		0.1	0.1	0.1	0.1	0.1
Receipts from Trust funds .....							
Subtotal, Income .....	25.4	27.6	40.2	35.6	36.6	37.7	38.9
Outgo:							
To the public .....	24.6	26.0	25.4	26.4	27.4	27.9	28.4
Payments to Other funds .....							
Subtotal, Outgo .....	24.6	26.0	25.4	26.4	27.4	27.9	28.4
Change in fund balance:							
Surplus or deficit:							
Excluding interest .....	-0.6	0.1	13.4	7.0	6.5	6.7	6.8
Interest .....	1.4	1.4	1.4	2.2	2.7	3.1	3.6
Subtotal, surplus or deficit .....	0.8	1.6	14.8	9.2	9.2	9.8	10.4
Adjustments:							
Transfers/lapses (net) .....		-*	-*				
Other adjustments .....		*					
Total, Change in fund balance .....	0.8	1.5	14.8	9.2	9.2	9.8	10.4
Balance, End of Year .....	22.0	23.5	38.3	47.5	56.7	66.5	77.0
<b>Medicare: Federal Hospital Insurance (HI) Trust Fund</b>							
Balance, start of year .....	125.3	116.0	111.0	107.9	106.7	104.5	109.2
Income:							
Governmental receipts .....	110.8	118.1	122.7	128.5	134.1	140.5	147.0
Proprietary receipts .....	1.3	1.3	1.8	1.7	1.9	2.1	2.3
Receipts from Federal funds:							
Interest .....	9.8	9.2	8.8	8.3	8.0	7.7	7.7
Other .....	6.7	7.9	8.6	9.0	9.4	9.9	10.5
Receipts from Trust funds .....							
Subtotal, income .....	128.5	136.5	141.9	147.6	153.4	160.2	167.4
Outgo:							
To the public .....	137.9	141.5	145.0	148.8	155.7	155.5	166.2
Payments to Other funds .....							
Subtotal, outgo .....	137.9	141.5	145.0	148.8	155.7	155.5	166.2
Change in fund balance:							
Surplus or deficit (-):							
Excluding interest .....	-19.1	-14.2	-11.9	-9.5	-10.2	-3.0	-6.5
Interest .....	9.8	9.2	8.8	8.3	8.0	7.7	7.7



**Table 17-3. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued**  
(In billions of dollars)

	1997 actual	Estimate					
		1998	1999	2000	2001	2002	2003
Subtotal, surplus or deficit (-) .....	-9.3	-5.0	-3.1	-1.2	-2.2	4.7	1.2
Adjustments:							
Transfers/lapses (net) .....	-*		*				
Other adjustments .....	*						
Total, change in fund balance .....	-9.3	-5.0	-3.1	-1.2	-2.2	4.7	1.2
Balance, end of year .....	116.0	111.0	107.9	106.7	104.5	109.2	110.4
<b>Medicare: Federal Supplementary Medical Insurance (SMI) Trust Fund</b>							
Balance, start of year .....	27.0	35.2	39.5	40.0	39.9	37.7	40.5
Income:							
Governmental receipts .....							
Proprietary receipts .....	19.1	19.4	20.1	22.2	24.4	26.8	29.5
Receipts from Federal funds:							
Interest .....	2.2	2.5	2.6	2.5	2.5	2.5	2.5
Other .....	59.5	67.5	72.5	75.4	80.4	85.9	91.9
Receipts from Trust funds .....							
Subtotal, income .....	80.8	89.3	95.1	100.1	107.3	115.2	123.8
Outgo:							
To the public .....	72.6	85.0	94.6	100.2	109.5	112.4	122.8
Payments to Other funds .....							
Subtotal, outgo .....	72.6	85.0	94.6	100.2	109.5	112.4	122.8
Change in fund balance:							
Surplus or deficit (-):							
Excluding interest .....	6.1	1.8	-2.0	-2.6	-4.7	0.3	-1.4
Interest .....	2.2	2.5	2.6	2.5	2.5	2.5	2.5
Subtotal, surplus or deficit (-) .....	8.3	4.3	0.5	-0.1	-2.2	2.8	1.1
Adjustments:							
Transfers/lapses (net) .....							
Other adjustments .....		-*					
Total, change in fund balance .....	8.3	4.3	0.5	-0.1	-2.2	2.8	1.1
Balance, end of year .....	35.2	39.5	40.0	39.9	37.7	40.5	41.6
<b>Military Retirement Fund</b>							
Balance, start of year .....	131.2	139.2	145.6	151.9	158.1	164.3	170.7
Income:							
Governmental receipts .....							
Proprietary receipts .....							
Receipts from Federal funds:							
Interest .....	11.9	12.1	12.3	12.5	12.7	13.0	13.2
Other .....	26.3	25.7	26.3	26.9	27.6	28.4	29.4
Receipts from Trust funds .....							
Subtotal, income .....	38.2	37.8	38.6	39.4	40.3	41.4	42.6
Outgo:							
To the public .....	30.2	31.4	32.3	33.3	34.1	35.0	35.9
Payments to Other funds .....							
Subtotal, outgo .....	30.2	31.4	32.3	33.3	34.1	35.0	35.9
Change in fund balance:							
Surplus or deficit (-):							
Excluding interest .....	-3.9	-5.7	-6.0	-6.4	-6.5	-6.6	-6.5
Interest .....	11.9	12.1	12.3	12.5	12.7	13.0	13.2
Subtotal, surplus or deficit (-) .....	8.0	6.4	6.3	6.2	6.2	6.4	6.7
Adjustments:							
Transfers/lapses (net) .....							
Other adjustments .....	-*						
Total, change in fund balance .....	8.0	6.4	6.3	6.2	6.2	6.4	6.7
Balance, end of year .....	139.2	145.6	151.9	158.1	164.3	170.7	177.3

**Table 17-3. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued**  
(In billions of dollars)

	1997 actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Railroad Retirement Trust Funds</b>							
Balance, start of year .....	14.1	15.0	15.9	16.6	17.3	18.0	18.7
Income:							
Governmental receipts .....	4.1	4.1	4.1	4.1	4.2	4.2	4.2
Proprietary receipts .....							
Receipts from Federal funds:							
Interest .....	1.2	1.1	1.0	1.1	1.1	1.2	1.2
Other .....	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Receipts from Trust funds .....	3.7	3.8	3.8	3.8	3.7	3.8	3.8
Subtotal, income .....	9.3	9.3	9.2	9.3	9.2	9.4	9.5
Outgo:							
To the public .....	8.1	8.2	8.3	8.3	8.4	8.4	8.5
Payments to Other funds .....	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Subtotal, outgo .....	8.3	8.4	8.5	8.6	8.6	8.7	8.8
Change in fund balance:							
Surplus or deficit (-):							
Excluding interest .....	-0.3	-0.3	-0.3	-0.4	-0.5	-0.4	-0.5
Interest .....	1.2	1.1	1.0	1.1	1.1	1.2	1.2
Subtotal, surplus or deficit (-) .....	0.9	0.9	0.7	0.7	0.6	0.7	0.7
Adjustments:							
Transfers/lapses (net) .....							
Other adjustments .....							
Total, change in fund balance .....	0.9	0.9	0.7	0.7	0.6	0.7	0.7
Balance, end of year .....	15.0	15.9	16.6	17.3	18.0	18.7	19.4
<b>Unemployment Trust Fund</b>							
Balance, start of year .....	54.0	62.1	71.0	78.7	86.3	93.6	101.0
Income:							
Governmental receipts .....	28.2	28.9	30.5	31.9	33.2	34.2	34.7
Proprietary receipts .....	*	*	*	*	*	*	*
Receipts from Federal funds:							
Interest .....	3.7	4.2	4.5	4.7	4.9	5.1	5.2
Other .....	0.6	0.5	0.5	0.6	0.6	0.6	0.6
Receipts from Trust funds .....							
Subtotal, income .....	32.5	33.7	35.6	37.1	38.7	39.9	40.4
Outgo:							
To the public .....	24.4	24.8	27.8	29.6	31.4	32.5	34.0
Payments to Other funds .....							
Subtotal, outgo .....	24.4	24.8	27.8	29.6	31.4	32.5	34.0
Change in fund balance:							
Surplus or deficit (-):							
Excluding interest .....	4.4	4.6	3.3	2.9	2.4	2.3	1.2
Interest .....	3.7	4.2	4.5	4.7	4.9	5.1	5.2
Subtotal, surplus or deficit (-) .....	8.1	8.8	7.8	7.6	7.3	7.4	6.4
Adjustments:							
Transfers/lapses (net) .....							
Other adjustments .....			*				
Total, change in fund balance .....	8.1	8.8	7.8	7.6	7.3	7.4	6.4
Balance, end of year .....	62.1	71.0	78.7	86.3	93.6	101.0	107.4
<b>Veterans Life Insurance Trust Funds</b>							
Balance, start of year .....	13.7	13.7	13.6	13.5	13.2	12.9	12.6
Income:							
Governmental receipts .....							
Proprietary receipts .....	0.9	0.9	0.9	0.8	0.8	0.7	0.7
Receipts from Federal funds:							
Interest .....	1.2	1.1	1.1	1.0	1.0	0.9	0.9

**Table 17-3. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued**  
(In billions of dollars)

	1997 actual	Estimate					
		1998	1999	2000	2001	2002	2003
Other .....	*	*	*	*	*	*	*
Receipts from Trust funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, income .....	2.1	2.0	1.9	1.8	1.7	1.6	1.6
Outgo:							
To the public .....	2.0	2.1	2.1	2.1	2.0	2.0	1.9
Payments to Other funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, outgo .....	2.0	2.1	2.1	2.1	2.0	2.0	1.9
Change in fund balance:							
Surplus or deficit (-):							
Excluding interest .....	-1.1	-1.2	-1.2	-1.3	-1.3	-1.3	-1.3
Interest .....	1.2	1.1	1.1	1.0	1.0	0.9	0.9
Subtotal, surplus or deficit (-) .....	*	-0.1	-0.2	-0.3	-0.3	-0.3	-0.4
Adjustments:							
Transfers/lapses (net) .....	.....	.....	.....	.....	.....	.....	.....
Other adjustments .....	.....	*	.....	.....	.....	.....	.....
Total, change in fund balance .....	*	-0.1	-0.2	-0.3	-0.3	-0.3	-0.4
Balance, end of year .....	13.7	13.6	13.5	13.2	12.9	12.6	12.2
<b>Other Trust Funds</b>							
Balance, start of year .....	31.4	31.3	32.2	35.6	38.4	41.6	45.2
Income:							
Governmental receipts .....	2.7	3.0	5.6	5.2	5.2	5.4	5.5
Proprietary receipts .....	3.3	3.7	3.6	3.8	3.9	4.0	4.2
Receipts from Federal funds:							
Interest .....	2.0	1.9	2.0	2.1	2.2	2.2	2.3
Other .....	1.7	1.5	1.6	1.6	1.7	1.7	1.8
Receipts from Trust funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, income .....	9.8	10.1	12.9	12.7	13.0	13.4	13.8
Outgo:							
To the public .....	8.7	8.7	9.0	9.3	9.2	9.2	9.4
Payments to Other funds .....	0.5	0.5	0.5	0.5	0.6	0.6	0.6
Subtotal, outgo .....	9.2	9.2	9.5	9.8	9.8	9.8	10.0
Change in fund balance:							
Surplus or deficit (-):							
Excluding interest .....	-1.4	-1.0	1.4	0.7	1.1	1.3	1.5
Interest .....	2.0	1.9	2.0	2.1	2.2	2.2	2.3
Subtotal, surplus or deficit (-) .....	0.6	0.9	3.4	2.8	3.2	3.6	3.8
Adjustments:							
Transfers/lapses (net) .....	-0.7	-*	.....	.....	.....	.....	.....
Other adjustments .....	-*	.....	-*	.....	.....	.....	.....
Total, change in fund balance .....	-0.1	0.9	3.4	2.8	3.2	3.6	3.8
Balance, end of year .....	31.3	32.2	35.6	38.4	41.6	45.2	49.0

\* Less than \$50 million

Note: Balances shown include committed and uncommitted cash balances.

<sup>1</sup> The increase in 1999 governmental receipts reflects the transfer of 4.3 cents per gallon motor fuels tax revenue from the general fund to the Highway Trust Fund. The increase also results from a provision of the Taxpayer Relief Act of 1997 to delay two months of 1998 excise tax deposits to the trust fund, thereby shifting those deposits to 1999.

**Table 17-4. INCOME, OUTGO, AND BALANCES OF SELECTED FEDERAL FUNDS**  
(In billions of dollars)

	1997 actual	Estimate					
		1998	1999	2000	2001	2002	2003
<b>Abandoned Mine Reclamation Fund</b>							
Balance, start of year .....	1.4	1.5	1.7	1.8	1.9	2.1	2.2
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	0.2	0.2	0.3	0.3	0.3
Payments to Other funds .....							
Subtotal, outgo .....	0.2	0.2	0.2	0.2	0.3	0.3	0.3
Change in fund balance:							
Surplus or deficit (-):							
Excluding interest .....	*	0.1	*	*	*	*	*
Interest .....	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Subtotal, surplus or deficit (-) .....	0.1	0.2	0.1	0.1	0.1	0.1	0.2
Adjustments:							
Transfers/lapses (net) .....							
Other adjustments .....							
Total, change in fund balance .....	0.1	0.2	0.1	0.1	0.1	0.1	0.2
Balance, end of year .....	1.5	1.7	1.8	1.9	2.1	2.2	2.4
<b>Nuclear Waste Disposal Fund</b>							
Balance, start of year .....	5.3	6.2	7.1	8.0	8.9	9.9	11.1
Income:							
Governmental receipts .....							
Proprietary receipts .....	0.6	0.6	0.6	0.6	0.6	0.6	0.7
Receipts from Federal funds:							
Interest .....	0.5	0.5	0.5	0.6	0.6	0.7	0.8
Other .....							
Receipts from Trust funds .....							
Subtotal, income .....	1.1	1.1	1.1	1.2	1.3	1.3	1.4
Outgo:							
To the public .....	0.2	0.2	0.2	0.3	0.2	0.2	0.2
Payments to Other funds .....							
Subtotal, outgo .....	0.2	0.2	0.2	0.3	0.2	0.2	0.2
Change in fund balance:							
Surplus or deficit (-):							
Excluding interest .....	0.4	0.4	0.4	0.3	0.4	0.4	0.5
Interest .....	0.5	0.5	0.5	0.6	0.6	0.7	0.8
Subtotal, surplus or deficit (-) .....	0.9	0.9	0.9	0.9	1.1	1.2	1.2
Adjustments:							
Transfers/lapses (net) .....							
Other adjustments .....	_*	*	_*				
Total, change in fund balance .....	0.9	0.9	0.9	0.9	1.1	1.2	1.2
Balance, end of year .....	6.2	7.1	8.0	8.9	9.9	11.1	12.3
<b>Overseas Private Investment Corporation</b>							
Balance, start of year .....	2.2	2.5	2.7	2.8	3.1	3.4	3.8
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	0.3	0.3
Other .....	*	*	*	*	*	*	*

**Table 17-4. INCOME, OUTGO, AND BALANCES OF SELECTED FEDERAL FUNDS—Continued**  
(In billions of dollars)

	1997 actual	Estimate					
		1998	1999	2000	2001	2002	2003
Receipts from Trust funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, income .....	0.3	0.3	0.3	0.3	0.4	0.4	0.4
Outgo:							
To the public .....	*	*	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
Change in fund balance:							
Surplus or deficit (-):							
Excluding interest .....	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Interest .....	0.2	0.2	0.2	0.2	0.2	0.3	0.3
Subtotal, surplus or deficit (-) .....	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Adjustments:							
Transfers/lapses (net) .....	-*	-0.1	-0.1	.....	.....	.....	.....
Other adjustments .....	.....	.....	.....	.....	.....	.....	.....
Total, change in fund balance .....	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Balance, end of year .....	2.5	2.7	2.8	3.1	3.4	3.8	4.1
<b>Uranium Enrichment Decontamination and Decommissioning Fund</b>							
Balance, start of year .....	0.5	0.9	1.3	1.7	2.1	2.6	3.1
Income:							
Governmental receipts .....	0.2	0.1	0.2	0.2	0.2	0.2	0.2
Proprietary receipts .....	.....	.....	.....	.....	.....	.....	.....
Receipts from Federal funds:							
Interest .....	*	0.1	0.1	0.1	0.1	0.1	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	0.7	0.8	0.8
Outgo:							
To the public .....	0.2	0.2	0.3	0.2	0.2	0.2	0.2
Payments to Other funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, outgo .....	0.2	0.2	0.3	0.2	0.2	0.2	0.2
Change in fund balance:							
Surplus or deficit (-):							
Excluding interest .....	0.4	0.3	0.3	0.3	0.4	0.4	0.4
Interest .....	*	0.1	0.1	0.1	0.1	0.1	0.2
Subtotal, surplus or deficit (-) .....	0.4	0.4	0.4	0.4	0.5	0.5	0.6
Adjustments:							
Transfers/lapses (net) .....	*	.....	.....	.....	.....	.....	.....
Other adjustments .....	.....	.....	.....	.....	.....	.....	.....
Total, change in fund balance .....	0.4	0.4	0.4	0.4	0.5	0.5	0.6
Balance, end of year .....	0.9	1.3	1.7	2.1	2.6	3.1	3.7

\*Less than \$50 million

Note: Balances shown include committed and uncommitted cash balances.



## 18. 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 Bureau of Economic Analysis of 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<sup>1</sup> 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 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, on a fiscal year basis, 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 deficit to differ from the budget deficit. Netting differences have equal effects on receipts and expenditures and thus have no effect on the current 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. 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 under receipts as 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 social insurance as expenditures by the employing agencies and governmental (rather than offsetting) receipts to the appropriate social insurance funds. The NIPAs also include certain imputations that the budget does not. 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

<sup>1</sup>The other part of the government sector is a single consolidated set of transactions for all State and local units of government combined.

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 of the NIPA treatment of government investment. The budget includes outlays for Federal investments as they are paid for, while the Federal current account 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 intended as 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, 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 deficit 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 have tended to make the budget deficit smaller than the NIPA current deficit.

### Federal Sector Receipts

Table 18-1 shows Federal receipts in the four major categories used in the NIPAs, which are similar to the budget categories but with significant differences.

Table 18-1. FEDERAL TRANSACTIONS IN THE NATIONAL INCOME AND PRODUCT ACCOUNTS, 1988-1999

(In billions of dollars)

Description	Actual										Estimate	
	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>RECEIPTS</b>												
Personal tax and nontax receipts .....	407.9	458.3	477.3	477.4	485.8	513.3	555.2	598.6	668.6	757.3	785.1	807.8
Corporate profits tax accruals .....	107.7	119.1	116.5	111.4	115.4	130.6	152.5	180.0	192.4	206.0	220.8	223.9
Indirect business tax and nontax accruals .....	60.4	61.7	63.6	75.9	80.9	85.2	97.1	95.2	91.1	92.1	92.1	105.7
Contributions for social insurance .....	405.6	430.8	455.1	476.6	499.0	522.7	551.7	578.4	599.8	636.5	664.5	694.8
<b>Total receipts .....</b>	<b>981.5</b>	<b>1,069.9</b>	<b>1,112.5</b>	<b>1,141.5</b>	<b>1,181.0</b>	<b>1,251.8</b>	<b>1,356.5</b>	<b>1,452.2</b>	<b>1,551.9</b>	<b>1,691.9</b>	<b>1,762.4</b>	<b>1,832.1</b>
<b>CURRENT EXPENDITURES</b>												
Consumption expenditures .....	385.4	401.4	419.9	444.4	447.6	449.9	445.6	444.9	442.1	457.5	459.7	468.6
Defense .....	296.3	301.8	308.8	324.4	318.0	313.2	305.7	300.5	298.1	307.5	304.7	305.7
Nondefense .....	89.1	99.7	111.1	118.1	129.6	136.7	139.9	144.5	144.0	150.0	154.9	162.9
Transfer payments .....	431.6	461.4	505.6	509.5	607.4	651.6	678.3	714.2	750.9	786.3	815.1	851.2
To persons .....	420.5	449.7	490.7	535.7	595.8	634.3	661.9	699.9	737.3	774.1	802.8	839.0
To the rest of the world .....	11.1	11.7	14.9	-26.1	11.5	17.3	16.4	14.3	13.6	12.2	12.3	12.2
Grants-in-aid to State and local governments .....	108.4	115.8	128.4	147.1	168.4	180.3	197.2	211.9	215.3	220.0	235.6	259.0
Net interest paid .....	146.5	161.9	178.5	187.1	197.9	192.2	195.6	220.3	226.2	234.2	231.0	229.3
Subsidies less current surplus of Government enterprises .....	34.4	32.9	29.5	31.6	34.1	38.7	38.4	37.5	37.7	38.2	37.2	35.7
Wage disbursements less accruals .....	0.1			0.1								
<b>Total current expenditures .....</b>	<b>1,106.4</b>	<b>1,173.4</b>	<b>1,261.9</b>	<b>1,319.9</b>	<b>1,455.3</b>	<b>1,512.6</b>	<b>1,555.1</b>	<b>1,628.9</b>	<b>1,672.2</b>	<b>1,736.2</b>	<b>1,778.5</b>	<b>1,843.8</b>
<b>Current deficit (-) .....</b>	<b>-124.9</b>	<b>-103.5</b>	<b>-149.3</b>	<b>-178.4</b>	<b>-274.3</b>	<b>-260.8</b>	<b>-198.6</b>	<b>-176.7</b>	<b>-120.2</b>	<b>-44.3</b>	<b>-16.1</b>	<b>-11.7</b>
<b>ADDENDUM</b>												
Gross investment .....	73.8	65.9	78.5	79.5	74.4	70.8	67.6	67.3	68.0	61.2	58.3	58.6
Defense .....	60.2	51.7	61.7	61.9	54.3	48.1	48.5	46.9	47.1	39.9	36.3	35.4
Nondefense .....	13.5	14.2	16.8	17.6	20.1	22.7	19.0	20.4	21.0	21.3	22.0	23.1

\* \$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 include imputations for contributions for Federal employees' unemployment insurance and workers' compensation.

### Federal Sector Current Expenditures

Table 18-1 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 intro-

duced two years ago as part of the regular comprehensive revision of the NIPAs. The previous category, government purchases of goods and services, included gross investment spending but did not include imputed depreciation on federally owned fixed capital ("consumption of general government fixed capital"); the new category does. Gross investment (shown as addendum items in Table 18-1) is now excluded from current expenditures in computing the government current surplus or current deficit on a NIPA basis. The same changes were made to the State and local government sector of the NIPAs, which now reflects depreciation of State and local fixed capital (including that financed by Federal grants in aid).

Although gross investment is not included in government current expenditure, both government gross investment and current consumption expenditures (including depreciation) are now included in total GDP (both in current estimates and in historical NIPA data), which makes the treatment of the government sector in the NIPAs more like that of the private sector. This new treatment had the effect of increasing the level of measured GDP by the amount of depreciation on general government capital (Federal, State and local; the consumption of fixed capital owned by government enterprises did not affect the level of GDP). This raised calendar year 1995 GDP, for example, by \$122 billion, or 1.7 percent.

Transfer payments is 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

Table 18-2. RELATIONSHIP OF THE BUDGET TO THE FEDERAL SECTOR, NIPA

	Actual										Estimate	
	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>RECEIPTS</b>												
Budget receipts .....	909.3	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	1,657.9	1,742.7
Coverage differences .....	-1.2	-1.4	-1.6	-1.7	-1.8	-1.9	-2.1	-2.2	-2.3	-2.6	-2.7	-2.8
Contributions to government employee retirement funds (grossing) .....	59.6	60.9	62.2	66.0	67.6	67.3	66.9	66.5	65.0	71.4	72.2	73.8
Other netting and grossing .....	13.8	13.9	16.6	20.9	25.5	29.3	31.2	29.5	28.5	33.8	29.7	30.4
Timing differences .....	0.5	3.6	3.5	2.2	-1.0	3.6	4.6	8.5	8.7	16.2	9.8	-2.6
Other .....	-0.5	1.7	-0.2	-0.9	-0.6	-0.9	-2.7	-1.9	-1.1	-6.2	-4.5	-9.4
<b>NIPA receipts .....</b>	<b>981.5</b>	<b>1,069.9</b>	<b>1,112.5</b>	<b>1,141.5</b>	<b>1,181.0</b>	<b>1,251.8</b>	<b>1,356.5</b>	<b>1,452.2</b>	<b>1,551.9</b>	<b>1,691.9</b>	<b>1,762.4</b>	<b>1,832.1</b>
<b>EXPENDITURES</b>												
Budget outlays .....	1,064.5	1,143.7	1,253.2	1,324.4	1,381.7	1,409.4	1,461.7	1,515.7	1,560.3	1,601.2	1,667.8	1,733.2
Net lending .....	-10.4	-10.7	1.4	-2.9	-5.0	-5.4	0.4	-10.1	-10.5	-5.9	-21.4	-8.9
Deposit insurance and other financial transactions .....	-1.0	-9.9	-56.1	-65.0	-4.7	24.1	7.5	21.0	15.2	11.0	6.6	-2.1
Net purchases of nonproduced assets ...	0.1	0.7	1.0	-0.2	-0.2	-0.2	-0.2	7.4	0.1	10.2	4.3	2.6
Other coverage differences .....	-5.8	-6.4	-6.9	-7.4	-5.0	-7.6	-5.4	-3.9	1.0	2.5	5.1	-1.7
Contributions to government employee retirement funds .....	59.6	60.9	62.2	66.0	67.6	67.3	66.9	66.5	65.0	71.4	72.2	73.8
Other netting and grossing differences .....	13.8	13.9	16.6	20.9	25.5	29.3	31.2	29.5	28.5	33.6	29.7	30.4
Difference between investment and depreciation .....	-17.5	-15.9	-16.3	-14.3	-10.3	-5.8	1.6	3.2	3.3	10.2	13.5	13.8
Other timing differences .....	3.1	-2.9	6.8	-1.6	5.7	1.5	-8.6	-0.4	9.3	1.8	0.6	0.7
<b>NIPA current expenditures .....</b>	<b>1,106.4</b>	<b>1,173.4</b>	<b>1,261.9</b>	<b>1,319.9</b>	<b>1,455.3</b>	<b>1,512.6</b>	<b>1,555.1</b>	<b>1,628.9</b>	<b>1,672.2</b>	<b>1,736.2</b>	<b>1,776.5</b>	<b>1,843.8</b>

payments under Social Security and other similar programs to individuals living abroad.

Grants-in-aid to State and local governments are designed to help finance a range of programs. Grants are for income security, Medicaid, capital expenditures for infrastructure, and other purposes.

Net interest paid is the interest paid by the Government on its debt, less interest received on its loans.

Subsidies less current surplus of Government enterprises consists of two elements: (1) subsidy payments for resident businesses; and (2) the current surplus (or current 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. As part of the changes made in the 1996 comprehensive revision of the NIPAs, imputed depreciation (consumption of enterprise fixed capital) now reduces the current surplus of government enterprises in comparison to the previous treatment.

NIPA subsidies do not include the imputed credit subsidies estimated as part of credit reform in the budget. Rather, loans and guarantees are categorized as financial transactions and are excluded from the NIPAs.

Wage disbursements less accruals is an adjustment that is necessary to the extent that wages are earned in a different period than they are paid.

### 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 the imputed employer contributions for employee retirement. NIPA current expenditures have usually been higher than budget outlays for the same reason. There are, however, two components of budget outlays that 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, imputed credit subsidies are recorded as budget outlays.

Table 18-3. FEDERAL RECEIPTS AND EXPENDITURES IN THE NIPAs, QUARTERLY, 1997-1999

(In billions of dollars; seasonally adjusted at annual rates)

Description	Actual				Estimate							
	Oct.-Dec.	Jan.-Mar.	Apr.-June	July-Sept.	Oct.-Dec.	Jan.-Mar.	Apr.-June	July-Sept.	Oct.-Dec.	Jan.-Mar.	Apr.-June	July-Sept.
	1996	1997	1997	1997	1997	1998	1998	1998	1998	1999	1999	1999
<b>RECEIPTS</b>												
Personal tax and nontax receipts .....	717.5	746.9	767.9	781.9	NA	778.9	785.8	793.1	800.3	799.7	807.3	814.9
Corporate profits tax accruals .....	192.0	204.9	207.7	219.3	NA	220.6	221.4	221.0	222.1	224.0	224.3	225.1
Indirect business tax and nontax accruals .....	110.2	88.2	92.2	92.4	NA	92.8	93.1	92.9	100.6	100.1	100.2	101.3
Contributions for social insurance .....	622.0	635.3	641.5	648.2	NA	664.1	670.2	676.3	683.1	692.9	698.9	704.9
<b>Total receipts .....</b>	<b>1,641.6</b>	<b>1,675.3</b>	<b>1,709.3</b>	<b>1,741.9</b>	<b>NA</b>	<b>1,756.3</b>	<b>1,770.5</b>	<b>1,783.2</b>	<b>1,806.3</b>	<b>1,816.7</b>	<b>1,830.6</b>	<b>1,846.2</b>
<b>CURRENT EXPENDITURES</b>												
Consumption expenditures .....	453.6	458.0	464.2	464.7	NA	469.3	461.4	457.8	456.5	463.4	464.7	469.0
Defense .....	307.6	306.4	311.3	311.6	NA	313.5	304.1	298.7	295.9	299.4	299.3	302.1
Nondefense .....	146.0	151.7	152.9	153.1	NA	155.8	157.3	159.1	160.6	164.1	165.4	166.9
Transfer payments .....	777.3	785.9	791.4	794.5	NA	814.6	819.8	825.6	838.0	851.0	856.6	862.5
Domestic ("to persons") .....	754.4	775.5	780.5	784.5	NA	803.9	809.3	815.1	820.4	840.8	846.4	852.4
Foreign .....	22.9	10.5	10.8	10.0	NA	10.6	10.4	10.5	17.6	10.2	10.2	10.1
Grants-in-aid to State and local governments .....	217.5	219.6	222.5	224.2	NA	228.3	236.8	241.4	246.5	255.2	262.2	268.3
Net interest paid .....	231.8	228.9	229.8	231.2	NA	230.6	229.7	229.0	228.9	228.6	228.4	228.3
Subsidies less current surplus of Government enterprises .....	38.5	38.4	38.1	37.9	NA	39.9	40.3	38.4	38.8	38.3	38.1	37.8
Wage disbursements less accruals .....					NA							
<b>Total current expenditures .....</b>	<b>1,718.8</b>	<b>1,730.8</b>	<b>1,746.0</b>	<b>1,752.6</b>	<b>NA</b>	<b>1,782.6</b>	<b>1,788.0</b>	<b>1,792.1</b>	<b>1,808.7</b>	<b>1,836.6</b>	<b>1,850.1</b>	<b>1,865.9</b>
<b>Current deficit (-) .....</b>	<b>-77.1</b>	<b>-55.5</b>	<b>-36.8</b>	<b>-10.8</b>	<b>NA</b>	<b>-26.3</b>	<b>-17.5</b>	<b>-8.9</b>	<b>-2.4</b>	<b>-19.9</b>	<b>-19.5</b>	<b>-19.7</b>
<b>ADDENDUM</b>												
Gross investment .....	63.9	58.1	61.9	61.0	NA	57.4	56.4	55.8	57.1	58.7	59.3	58.8
Defense .....	42.9	37.0	39.3	40.5	NA	35.6	34.4	33.5	34.5	35.8	35.9	35.5
Nondefense .....	21.0	21.1	22.6	20.5	NA	21.9	22.0	22.3	22.6	22.9	23.3	23.4

NA = Not available.

\* \$50 million or less.

During the period 1975–1992, the budget deficit exceeded the Federal current deficit as measured in the NIPAs every year. The largest difference, \$92.7 billion, occurred in 1991, when the budget deficit was \$269.4 billion, while the NIPA current deficit was \$176.6 billion. In 1993–1997, the NIPA current account deficit was slightly above the budget deficit, and it is projected to remain higher in 1998 and to show a small NIPA deficit for 1999, where the unified budget shows a small surplus.

Table 18–1 displays Federal transactions using NIPA concepts with actual data for the years 1987–1997 and estimates for 1998 and 1999 consistent with the Administration’s budget proposals. Table 18–2 displays the reasons for differences between the data using budget

concepts and NIPA concepts. Table 18–3 displays quarterly seasonally adjusted data using NIPA concepts beginning in October 1996. These differ slightly from the fiscal year totals computed from not seasonally adjusted data, because seasonal adjustment is on a calendar year basis. Annual NIPA data for 1960–1999 are published in Section 14 of a separate budget volume, *Historical Tables, Budget of the U.S. Government, Fiscal Year 1999*.

Additional detailed estimates of receipts and current expenditures, including estimates for the October–December 1997 quarter, will be published in a forthcoming issue of the Department of Commerce publication, *Survey of Current Business*.



## 19. COMPARISON OF ACTUAL TO ESTIMATED TOTALS FOR 1997

The following three parts of this chapter compare the actual total receipts, outlays, and deficit for 1997 with the current services estimates<sup>1</sup> shown in the FY 1997 Budget published in March 1996. 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 deficit totals for 1997 previously published by the Department of the Treasury with those in this budget.

### Receipts

Receipts in 1997 were \$1,579.3 billion, which is \$77.8 billion greater than the current services estimate of \$1,501.5 billion in the 1997 Budget. As shown in Table 19-1, this increase was the net effect of legislative, administrative and regulatory 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.**—Seven major laws enacted after March 1996 affected 1997 receipts: Tax Benefits for Members of the Armed Forces Performing Peacekeeping Services in Bosnia and Hercegovina, Croatia, and Macedonia; Taxpayer Bill of Rights 2; Personal Responsibility and Work Opportunity Reconciliation Act of 1996; Health Insurance Portability and Accountability Act of 1996; Small Business Job Protection Act; Airport and Airway Trust Fund Tax Reinstatement Act of 1997, and Taxpayer Relief Act of 1997. In total, these changes increased 1997 receipts by a net \$48 million.

**Economic differences.**—Differences between the economic assumptions upon which the current services

estimates were made and actual economic performance accounted for a net decrease in 1997 receipts of \$0.2 billion. Increases in wages and salaries and non-wages sources of personal income were in large part responsible for the increase in individual income taxes of \$1.5 billion. Increases in wages and salaries and proprietor's income relative to the budget forecasts were primarily responsible for the increase in social insurance and retirement receipts of \$2.5 billion. Excise taxes were also above the budget forecast, in large part attributable to higher-than-estimated levels of nominal GDP. Lower-than-expected corporate profits reduced corporation income taxes \$3.4 billion below the budget forecast, and lower-than-expected imports reduced customs duties by \$0.8 billion.

**Technical reestimates.**—Higher-than-anticipated collections of individual income taxes accounted for \$75.0 billion of the \$78.0 billion increase in 1997 receipts attributable to technical factors. Higher-than-anticipated capital gains realizations than assumed in March 1996, and changes in the distribution of income among taxpayers, which caused effective tax rates to be higher than estimated in March 1996, were in large part responsible for the increase in individual income tax receipts. Different collections patterns and effective tax rates than assumed in March 1996 were primarily responsible for the higher-than-anticipated collections of corporation income taxes of \$5.1 billion. Most of the \$1.0 billion increase in social insurance and retirement receipts reflected different distributions of income among taxpayers than had been assumed. Greater-than-anticipated holdings of taxable assets increased estate and gift taxes above the budget forecast by \$2.8 billion. Different distributions of imports and purchases among taxable products were in large part responsible for the increase in excise taxes and decrease in customs duties, respectively. Decreased deposits of earnings by

<sup>1</sup>The current services concept is discussed in Chapter 16: "Current Services Estimates." For mandatory programs and receipts the March 1996 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 19-1. COMPARISON OF ACTUAL 1997 RECEIPTS WITH THE INITIAL CURRENT SERVICES ESTIMATES

(In billions of dollars)

	March 1996 estimate	Enacted legislation/administrative actions	Different economic conditions	Technical factors	Net change	Actual
Individual income taxes .....	662.3	-1.3	1.5	75.0	75.2	737.5
Corporation income taxes .....	181.6	-1.0	-3.4	5.1	0.7	182.3
Social insurance taxes and contributions .....	535.9	*	2.5	1.0	3.5	539.4
Excise taxes .....	52.0	3.6	0.6	0.7	4.9	56.9
Estate and gift taxes .....	17.1	.....	*	2.8	2.8	19.8
Customs duties .....	21.1	-1.1	-0.8	-1.3	-3.2	17.9
Miscellaneous receipts .....	31.4	*	-0.5	-5.5	-6.0	25.5
<b>Total .....</b>	<b>1,501.5</b>	<b>*</b>	<b>-0.2</b>	<b>78.0</b>	<b>77.8</b>	<b>1,579.3</b>

\*\$50 million or less.

the Federal Reserve, attributable to lower-than-expected asset values on securities denominated in foreign currencies, and lower-than-expected contributions to the Universal Service Fund, accounted for most of the \$5.5 billion decrease in miscellaneous receipts.

### Outlays

Outlays for 1997 were \$1,601.2 billion. This was \$50.0 billion less than the \$1,651.3 billion current services estimate in the 1997 Budget (March 1996).

Table 19-2 distributes the \$50.0 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 1997, policy changes decreased outlays an estimated \$10.6 billion relative to the initial current services estimates.

Policy changes reduced discretionary outlays \$3.9 billion because final appropriations were below the initial current services estimates. Policy changes decreased mandatory outlays \$6.4 billion below current law. Most of this was the result of enacted legislation that imposed a special assessment on thrifts to capitalize the Savings Association Insurance Fund, expanded collections from auctions of the electromagnetic spectrum, and reformed food stamps, partially offset by increases in the Farm Bill. (Mandatory programs are mostly formula benefit or entitlement programs not normally controlled by annual appropriations.)

Economic conditions that differed from those forecast in March 1996 resulted in a net outlay increase of \$3.6 billion. Outlays for mandatory programs decreased an estimated \$4.1 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 an esti-

mated \$7.7 billion, largely due to higher than expected interest rates.

Technical estimating differences and other changes result from changes in such factors as the number of beneficiaries for entitlement programs, crop conditions, higher asset sales from failed banks and thrifts, or other factors not associated with policy changes or economic conditions. Technical changes accounted for a net decrease of \$43.1 billion. The largest decreases were for Medicare, Medicaid, deposit insurance, and higher than expected revenues from the auction of spectrum licenses.

### Deficit

The preceding two sections discussed the differences between the initial current services estimates and the actual amounts of Federal Government receipts and outlays for 1997. This section combines these effects to show the net impact of these differences on the deficit.

As shown in Table 19-3, the 1997 current services deficit was initially estimated to be \$149.8 billion. The actual deficit was \$21.9 billion, which was \$127.8 billion less than the initial estimate. Receipts were \$77.8 billion more than the initial estimate, and outlays were \$50.0 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 decreased the deficit \$10.6 billion.

Economic conditions that differed from the initial assumptions in March 1996 accounted for an estimated \$3.8 billion increase in the deficit. This was the combined effect of a decrease in receipts of \$0.2 billion and an increase in outlays of \$3.6 billion. Technical factors decreased the deficit by an estimated \$121.0 billion. This was due to an increase in receipts of \$78.0 billion and a decrease in outlays of \$43.1 billion for technical estimating reasons.

Table 19-2. COMPARISON OF ACTUAL 1997 OUTLAYS WITH THE INITIAL CURRENT SERVICES ESTIMATES

(In billions of dollars)

	Current Services (March 1996)	Changes				Actual
		Policy	Economic	Technical	Total changes	
Discretionary:						
Defense .....	270.9	-6.6	.....	7.4	0.8	271.6
Nondefense .....	278.2	2.7	.....	-4.3	-1.6	276.6
Subtotal, discretionary .....	549.1	-3.9	.....	3.1	-0.8	548.3
Mandatory:						
Deposit insurance .....	-4.6	-3.2	.....	-6.6	-9.8	-14.4
Other programs .....	867.7	-3.2	-4.1	-37.0	-44.3	823.4
Subtotal, mandatory .....	863.1	-6.4	-4.1	-43.6	-54.1	809.0
Net interest .....	239.1	-0.3	7.7	-2.5	4.9	244.0
<b>Total outlays .....</b>	<b>1,651.3</b>	<b>-10.6</b>	<b>3.6</b>	<b>-43.1</b>	<b>-50.0</b>	<b>1,601.2</b>

**Table 19-3. COMPARISON OF THE ACTUAL 1997 DEFICIT WITH THE INITIAL CURRENT SERVICES ESTIMATES**

(In billions of dollars)

	Current Services (March 1996)	Changes				Actual
		Policy	Economic	Technical	Total changes	
Receipts .....	1,501.5	*	-0.2	78.0	77.8	1,579.3
Outlays .....	1,651.3	-10.6	3.6	-43.1	-50.0	1,601.2
<b>Deficit .....</b>	<b>-149.8</b>	<b>10.6</b>	<b>-3.8</b>	<b>121.0</b>	<b>127.8</b>	<b>-21.9</b>

\* indicates \$50 million or less.

Note: Deficit changes are receipts minus outlays. For these changes, a plus indicates a decrease in the deficit.

### Comparison of the Actual and Estimated Outlays for Mandatory and Related Programs for 1997

This section compares the original 1997 outlay estimates for mandatory and related programs under current law in the 1997 Budget (March 1996) 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 primarily on eligibility criteria and benefit levels established in law, such as Social Security and Medicare benefits for the elderly, agricultural price support payments to farmers, or 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 19-4 shows the differences between the actual outlays for these programs in 1997 and the amounts originally estimated in the 1997 Budget, based on laws in effect at that time. Actual outlays for mandatory spending and net interest in 1997 were \$1,053.0 billion, which was \$49.2 billion less than the initial estimate of \$1,102.2 billion, based on existing law in March 1996.

Actual outlays for mandatory human resources programs were \$876.5 billion, \$24.6 billion less than origi-

nally 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 \$18.7 billion less than originally estimated. Much of this decrease was for deposit insurance. Undistributed offsetting receipts were \$10.8 billion higher than expected, largely due to higher-than-expected receipts from the sale of spectrum licenses.

Outlays for net interest were \$244.0 billion or \$4.9 billion more than the original estimate. This increase was largely the effect of higher than assumed interest rates, partially offset by lower borrowing requirements due to lower than originally estimated deficits for 1996 and 1997.

### Reconciliation of Differences with Amounts Published by Treasury for 1997

Table 19-5 provides a reconciliation of the receipts, outlays, and deficit totals published by the Department of the Treasury in the September 30, 1997, 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 \$25 million and outlays by \$676 million. Most of the revision was for the Postal Service and for the Federal Housing Administration in the Department of Housing and Urban Development. Additional adjustments made for this budget increased receipts by \$341 million and outlays by \$316 million. Nearly all of this difference is the result of inclusion of transactions of the United Mine Workers of America benefit funds.

**Table 19-4. COMPARISON OF ACTUAL AND ESTIMATED OUTLAYS FOR MANDATORY AND RELATED PROGRAMS UNDER CURRENT LAW**

(In billions of dollars)

	1997		
	March 1996 estimate	Actual	Change
Mandatory outlays:			
Human resources programs:			
Education, training, employment, and social services .....	13.5	13.7	0.2
Health:			
Medicaid .....	102.3	95.6	-6.7
Other .....	4.5	5.3	0.8
Total health .....	106.8	100.9	-5.9
Medicare .....	193.1	187.4	-5.7
Income security:			
Retirement and disability .....	75.7	75.7	0.1
Unemployment compensation .....	24.7	20.6	-4.1
Food and nutrition assistance .....	36.5	31.7	-4.8
Other .....	65.2	63.5	-1.7
Total, income security .....	202.0	191.4	-10.5
Social security .....	364.8	362.3	-2.6
Veterans benefits and services:			
Income security for veterans .....	19.9	20.4	0.5
Other .....	1.0	0.3	-0.7
Total veterans benefits and services .....	20.9	20.7	-0.2
Total mandatory human resources programs .....	901.1	876.5	-24.6
Other functions:			
Agriculture .....	3.7	5.0	1.3
Deposit insurance .....	-4.6	-14.4	-9.8
Other functions .....	2.1	-8.1	-10.2
Total, other functions. ....	1.2	-17.5	-18.7
Undistributed offsetting receipts:			
Employer share, employee retirement .....	-34.5	-34.3	0.2
Rents and royalties on the outer continental shelf .....	-3.1	-4.7	-1.6
Other undistributed offsetting receipts. ....	-1.6	-11.0	-9.4
Total undistributed offsetting receipts .....	-39.2	-50.0	-10.8
Total, mandatory. ....	863.1	809.0	-54.1
Net interest:			
Interest on the public debt .....	345.8	355.8	10.0
Interest received by trust funds .....	-100.4	-105.0	-4.6
Other interest .....	-6.3	-6.8	-0.5
Total net interest .....	239.1	244.0	4.9
Total outlays for mandatory and net interest. ....	1,102.2	1,053.0	-49.2



Table 19-5. RECONCILIATION OF FINAL AMOUNTS FOR 1997

(In millions of dollars)

	Receipts	Outlays	Deficit
Totals published by Treasury (September 30, 1997, Monthly Treasury Statement)	1,578,977	1,601,595	-22,618
Postal Service .....		-376	376
Federal Housing Administration .....		-308	308
Other .....	-25	8	-34
Total adjustments, net .....	-25	-676	650
Totals published by Treasury in U.S. Government Annual Report .....	1,578,951	1,600,919	-21,968
United Mine Workers of America benefit funds .....	339	339	.....
Other .....	2	-23	25
Total adjustments, net .....	341	316	25
Totals in the budget .....	1,579,292	1,601,235	-21,943
<b>MEMORANDUM:</b>			
Total change since September 30, 1997, Monthly Treasury Statement .....	315	-360	675



## 20. 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.<sup>1</sup> 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.<sup>2</sup> However, new budget authority for more than half of all outlays is made available through permanent appropriations under existing laws, mainly budget authority for trust funds. For most trust funds budget authority is automatically appropriated under existing law from the available balance of their receipts and equals the estimated annual obligations of the funds. Automatic appropriations also cover interest on the public debt, for which budget authority is automatically provided under a permanent appropriation enacted in 1847 and equals interest outlays; and the authority to spend offsetting collections credited to appropriation or fund accounts.

Not all of the new budget authority for 1999 will be obligated or spent in 1999:<sup>3</sup>

- 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 in order to finance benefits and 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 the budget authority

requirements are therefore now appropriated year-by-year.

- 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, \$368 billion of the outlays in 1999 (21 percent of the total) will be made from budget authority enacted in previous years. At the same time, \$386 billion of the new budget authority proposed for for 1999 (21 percent of the total amount proposed) will not lead to outlays until future years. Although outlays in 1999 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 1999 outlays (\$368 billion) nearly equals the new 1999 authority that will not be spent until future years (\$386 billion). Thus, in general, 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.

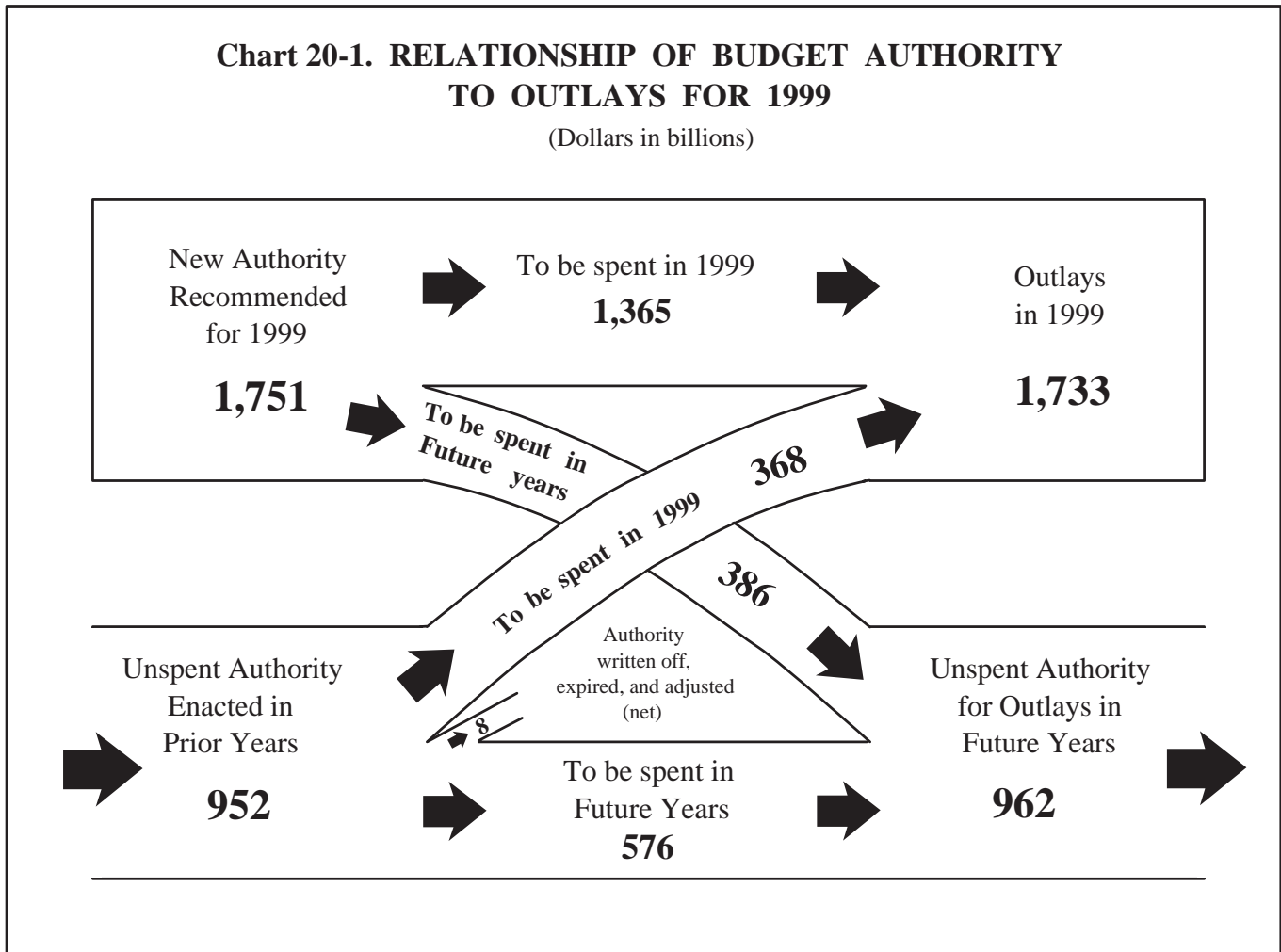
<sup>1</sup>For most budget accounts, the relationship of budget authority, obligations, and outlays is shown in a "program and financing" schedule in the budget *Appendix* volume.

<sup>2</sup>This year, for the first time, the President has the authority to cancel portions of the budget authority contained in appropriation bills through the exercise of a line-item veto.

<sup>3</sup>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 20-1. RELATIONSHIP OF BUDGET AUTHORITY TO OUTLAYS FOR 1999**

(Dollars in billions)



## 21. 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 of spending 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 Govern-

ment'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 deficit or surplus are not included in budget receipts, budget outlays, or the budget deficit or surplus; 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.

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

TABLE 21-1. COMPARISON OF TOTAL, ON-BUDGET, AND OFF-BUDGET TRANSACTIONS <sup>1</sup>

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 estimate .....	1,657.9	1,241.9	416.0	1,667.8	1,348.1	319.7	-10.0	-106.3	96.3
1999 estimate .....	1,742.7	1,308.6	434.1	1,733.2	1,404.4	328.9	9.5	-95.7	105.3
2000 estimate .....	1,793.6	1,339.7	453.9	1,785.0	1,444.6	340.4	8.5	-104.9	113.5
2001 estimate .....	1,862.6	1,389.9	472.7	1,834.4	1,484.0	350.4	28.2	-94.1	122.3
2002 estimate .....	1,949.3	1,455.0	494.3	1,859.6	1,499.6	360.0	89.7	-44.6	134.4
2003 estimate .....	2,028.2	1,511.5	516.6	1,945.4	1,574.3	371.1	82.8	-62.8	145.5

<sup>1</sup> Off-budget transactions consist of the social security trust funds for all years and the Postal Service fund as of 1989.

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. Other entities were off-budget at different times before 1986 but were moved onto the budget by subsequent laws.

The preceding table compares the total Federal Government receipts, outlays, and deficit or surplus with the amounts that are on-budget and off-budget. 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 1999 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 1999 total surplus of \$9.5 billion consists of an off-budget surplus of \$105.3 billion and an on-budget deficit of \$95.7 billion. The off-budget surplus consists almost entirely of social security. It was small or even a deficit in the 1970s and early 1980s but then grew substantially to 1990. 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.<sup>1</sup> 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 add to the Government's borrowing requirement or finance part of the deficit as explained in chapter 13 of this volume, "Federal Borrowing and Debt."<sup>2</sup>

**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). 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 inherently non-budgetary. The administrative costs and the transactions of budgetary accounts with the fund are included in the budget. Deposit funds are further discussed in a section of chapter 24, "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 of the risk they pose to the Government is presented in chapter 8, "Underwriting Federal Credit and Insurance."

<sup>1</sup>For more explanation of the budget concepts for direct loans and loan guarantees, see the section on Federal credit in chapter 24 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. Recent simplifications enacted by the Balanced Budget Act of 1997 or provided by OMB guidance are explained briefly in Part I of chapter 8 of this volume, "Underwriting Federal Credit and Insurance."

<sup>1</sup>See sec. 505(b).

**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: What the Federal Government Does,” in conjunction with the outlays that serve the same function.

**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*.<sup>3</sup> In 1996 the Office of Management and Budget published a report, *More Benefits, Fewer Burdens*, that documented efforts in this Administration since the President issued Executive Order No. 12866 to develop better new regulations, to change the face of existing regulations, and to change the culture of the regulatory system.<sup>4</sup>

Last fall 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.<sup>5</sup> Section VI of the *Budget*, “Investing in the Common Good: What the Federal Government Does,” has a separate chapter that summarizes this report’s estimates and conclusions 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 function.

<sup>3</sup>The most recent publication was issued by the Regulatory Information Service Center in October 1997 (and printed in the Federal Register of October 29, 1997).

<sup>4</sup>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).

<sup>5</sup>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).





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**UNNECESSARY OR WASTEFUL  
REPORTS TO CONGRESS**

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## 22. 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 1997, Senators McCain and Levin introduced S. 1364, the Federal Reports Elimination Act of 1997, which would eliminate many of the reports recommended for elimination in the 1997

Budget. The Administration strongly supports passage of S. 1364 and we expect to work with the House to introduce a similar bill that we can enact this year.

This initiative carries forward the President's commitment to streamline government and reduce unnecessary and burdensome paperwork. Accordingly, once legislation is signed into law eliminating and modifying the reports listed in the 1997 Budget, the President will identify additional obsolete or wasteful reports that should be eliminated or modified.



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## FEDERAL DRUG CONTROL FUNDING

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## 23. FEDERAL DRUG CONTROL FUNDING

**Table 23-1. FEDERAL DRUG CONTROL FUNDING**

(Budget authority, in millions of dollars)

	1997 actual	1998 enacted	1999 proposed	Change 1998-1999	
				Dollars	Percent
<b>Agriculture:</b>					
Agriculture Research Service .....	5	5	5	.....	.....
U.S. Forest Service .....	6	6	7	1	13%
Women, Infants, Children (WIC) .....	15	16	16	1	4%
<b>Total, Agriculture .....</b>	<b>26</b>	<b>26</b>	<b>28</b>	<b>1</b>	<b>5%</b>
Corporation for National and Community Service .....	30	34	39	5	14%
Defense .....	940	848	883	35	4%
Intelligence Community Management Account .....	27	27	27	.....	.....
<b>Education:</b>					
Safe and Drug Free Schools and Communities .....	556	560	606	46	8%
Other .....	123	126	134	8	6%
<b>Total, Education .....</b>	<b>679</b>	<b>685</b>	<b>740</b>	<b>54</b>	<b>8%</b>
<b>Health and Human Services:</b>					
Administration for Children and Families .....	59	57	57	.....	.....
Centers for Disease Control .....	82	107	153	46	43%
Food and Drug Administration .....	5	34	134	100	294%
Health Care Financing Administration .....	320	360	400	40	11%
Health Resources and Services Administration .....	46	48	52	4	8%
Indian Health Service .....	43	43	52	9	21%
National Institutes of Health (National Institute on Drug Abuse (NIDA)/ National Institute on Alcohol Abuse and Alcoholism (NIAAA)/Office of AIDS Research (OAR)) .....	526	555	606	51	9%
Substance Abuse and Mental Health Services Administration .....	1,311	1,320	1,360	41	3%
<b>Total, Health and Human Services .....</b>	<b>2,392</b>	<b>2,522</b>	<b>2,813</b>	<b>290</b>	<b>12%</b>
Housing and Urban Development .....	290	310	310	.....	.....
<b>Interior:</b>					
Bureau of Indian Affairs .....	16	21	22	1	3%
Bureau of Land Management .....	5	5	5	.....	.....
Fish and Wildlife Service .....	1	1	1	.....	.....
National Park Service .....	9	9	9	*	.....
<b>Total, Interior .....</b>	<b>31</b>	<b>37</b>	<b>37</b>	<b>1</b>	<b>2%</b>
Judiciary .....	599	633	698	65	10%
<b>Justice:</b>					
Assets Forfeiture Fund .....	395	416	430	14	3%
U.S. Attorneys .....	165	185	207	22	12%
Bureau of Prisons .....	1,843	1,935	2,167	231	12%
Community Oriented Policing Services (COPS) .....	415	472	469	-3	-1%
Criminal Division .....	26	28	29	2	6%
Drug Enforcement Administration .....	1,057	1,200	1,255	55	5%
Federal Bureau of Investigation .....	802	825	914	89	11%
Federal Prisoner Detention (Support of U.S. Prisoners) .....	222	246	279	33	13%
Immigration and Naturalization Service .....	324	400	439	39	10%
Interagency Crime and Drug Enforcement (ICDE) (formerly Organized Crime Drug Enforcement (OCDE) Task Forces) .....	359	295	304	9	3%
INTERPOL .....	1	1	*	*	-19%
U.S. Marshals Service .....	265	273	290	17	6%
Office of Justice Programs .....	830	984	886	-98	-10%
Tax Division .....	*	*	*	*	4%
<b>Total, Justice .....</b>	<b>6,704</b>	<b>7,261</b>	<b>7,670</b>	<b>410</b>	<b>6%</b>
Labor .....	65	67	69	2	3%

**Table 23-1. FEDERAL DRUG CONTROL FUNDING—Continued**  
(Budget authority, in millions of dollars)

	1997 actual	1998 enacted	1999 proposed	Change 1998-1999	
				Dollars	Percent
Office of National Drug Control Policy:					
Salaries and Expenses .....	36	49	36	-13	-26%
High Intensity Drug Trafficking Areas .....	140	162	162	.....	.....
Special Forfeiture Fund .....	113	217	251	34	16%
Total, Office of National Drug Control Policy .....	289	428	449	21	5%
State:					
International Narcotics Control Program .....	193	210	255	45	21%
Emergencies in the Diplomatic and Consular Service .....	1	2	2	.....	.....
Total, State .....	194	212	257	45	21%
Transportation:					
U.S. Coast Guard .....	478	402	437	36	9%
Federal Aviation Administration .....	19	23	25	2	11%
National Highway Traffic Safety Administration .....	30	31	38	7	23%
Total, Transportation <sup>1</sup> .....	527	455	515	60	13%
Treasury:					
Bureau of Alcohol, Tobacco and Firearms .....	176	227	229	1	1%
U.S. Customs Service .....	583	606	673	66	11%
Federal Law Enforcement Training Center .....	41	59	61	2	3%
Financial Crimes Enforcement Network .....	11	12	13	2	3%
Internal Revenue Service .....	73	72	73	1	1%
U.S. Secret Service .....	79	83	85	2	2%
Treasury Forfeiture Fund .....	212	194	180	-15	-8%
Bureau of Interagency Law Enforcement .....	.....	74	76	2	3%
Total, Treasury .....	1,176	1,328	1,388	60	5%
U.S. Information Agency .....	7	7	8	*	3%
Veterans Affairs .....	1,057	1,097	1,139	42	4%
Total, Drug Control Programs .....	15,033	15,977	17,070	1,092	7%

\* Less than \$500 thousand

<sup>1</sup> The 1999 total includes \$15 million from the Federal Highway Trust Fund for Southwest border infrastructure improvements.



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**BUDGET SYSTEM AND CONCEPTS  
AND GLOSSARY**

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## 24. BUDGET SYSTEM AND CONCEPTS AND GLOSSARY

The budget system of the United States Government provides the means by which the Government decides how much money to spend and what to spend it on, and how to raise the money it has decided to spend. Once these decisions are made, the budget system ensures they are carried out. The Government uses the budget system to determine the allocation of resources among its major functions—such as ensuring the national defense, promoting commerce, and providing health care—as well as to determine the objectives and scope of individual programs, projects, and activities. While the focus of the budget system is on dollars, other resources, such as Federal employment, are also controlled through the budget system. 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.

This chapter provides an overview of the budget system and explains some of the more important budget concepts. A glossary of budget terms is provided at the end of the chapter. Summary dollar amounts illustrate major concepts. These figures and more detailed amounts are discussed in more depth in other chapters of the budget documents.

The budget system is governed by various laws that have been enacted to carry out requirements of the Constitution. The principal laws pertaining to the budget system are referred to by title throughout the text, and complete citations are given later in the chapter.

### 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 by the Federal Government. 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, 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 1999 budget covers four years beyond the budget year through 2003. The budget includes data on the most recently completed fiscal year so that the budget estimates can be compared to actual accounting data.

The process of formulating the budget begins not later than the spring of each year, at least nine months before the budget is transmitted and at least 18 months before the fiscal year begins. (See the Budget Calendar below.) The President establishes general budget and fiscal policy guidelines. 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, there is a continual exchange of information, proposals, evaluations,

and policy decisions among the President, the Director of OMB, other officials in the Executive Office of the President, the Secretaries of the departments, and the heads of the Government agencies. Decisions concerning the upcoming budget are influenced by the results of previously enacted budgets, including the one for the fiscal year in progress, and reactions to the last proposed budget, which is being considered by Congress. Decisions also are influenced by projections of the economic outlook that are prepared jointly by the Council of Economic Advisers, OMB, and the Treasury Department.

In the fall, agencies submit budget requests to OMB, where analysts review them and identify issues for OMB officials that need to be discussed with agencies. Many issues are resolved directly between OMB and the agencies. 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 size of the beneficiary populations are some of the assumptions that must be made. Small changes in these assumptions can affect budget estimates by billions of dollars. (Chapter 1, "Economic Assumptions," in the *Analytical Perspectives* volume of the 1999 budget provides more information on this subject.)

Budget decisions must also take into account any statutory limitations on receipts, outlays, and the deficit (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 transmittal of the President's budget to Congress is scheduled in law to occur on or after the first Monday in January but not later than the first Monday in February of each year. This is eight to nine months before the beginning of the next fiscal year on October first.

For various reasons, some parts or all of the budget documents have been transmitted after the scheduled 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.<sup>1</sup>

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, 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. A Budget Supplement and other budget volumes were transmitted in March 1996.

### Congressional Action<sup>2</sup>

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, receipts, and other matters. 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 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 a particular program and, in some cases, includes limits on the amount that can be appropriated for the program. Some programs require annual authorizing legislation, some are authorized for a specified number of years, and others are authorized indefinitely. Congress may enact appropriations for a program even though there is no specific authorization for it.

Congressional review of the budget begins shortly after the President transmits the budget to Congress. Under the procedures established by the Congressional Budget Act of 1974, Congress considers 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 explanatory statement that accompanies the budget resolution allocates amounts of budget authority and outlays within the functional category totals to the committees that have jurisdiction over the programs in the functions. The House and Senate Appropriations Committees are required, in turn, to allocate amounts of budget authority and outlays among their respective subcommittees. 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 functional allocations are based on certain assumptions about the level of funding for major programs. These assumptions may be included in the explanatory statement, but they are not binding on the committees of jurisdiction. The budget resolution may contain "reconciliation directives," which are discussed below.

The budget resolution is scheduled to be adopted by the whole Congress by April 15 of each year, but passage is often delayed. After passage of the budget resolution, a point of order can be raised to block consideration of bills that would cause a committee's allocation to be exceeded. Like the President's budget, the budget resolution is subject to spending limitations imposed in law through 2002.

<sup>1</sup>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."

<sup>2</sup>For a fuller discussion of the congressional budget process, see Allen Schick, Robert Keith, and Edward Davis, *Manual on the Federal Budget Process* (Congressional Research Service Report 91-902 GOV, December 24, 1991, 218 p. — a revised and updated report will be issued in 1998); and Robert Keith, *A Brief Introduction to the Federal Budget Process* (Congressional Research Service Report 96-912 GOV, updated October 20, 1997, 29 p.).

Budget resolutions are not laws and, therefore, do not require the President's approval. However, Congress considers the Administration's views, 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. Those 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 approved by the committee and by the whole House, usually with amendments to the original version, it is forwarded to the Senate, where a similar review follows. In case of disagreement between the two Houses of Congress, a conference committee (consisting of Members of both bodies) meets to resolve the differences. The report of the conference committee is returned to both Houses for approval. When the measure is agreed to, first in the House and then in the Senate, it is ready to be transmitted to the President as an enrolled bill, for approval or veto (see discussion on Line Item Veto below).

If action on one or more appropriations bills is not completed by the beginning of the fiscal year, Congress enacts a joint continuing resolution 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 portion or all of the Government has been funded for the entire year by a continuing resolution. Continuing resolutions must be presented to the President for approval or veto.

Congress provides budget authority in permanent laws as well as in appropriations acts. These are laws that do not need to be reenacted each year. In fact, while budget authority for the majority of Federal programs is provided each year in appropriations acts, a majority of the total budget authority available in a year is provided by permanent laws. This is because budget authority for interest on the public debt (\$356 billion in 1997) and a few programs with large amounts of spending each year, such as social security (\$366 billion in 1997), are funded by permanent law.

The outlays from permanent budget authority, together with the outlays from budget authority provided in appropriations acts for previous years, account for the majority of the outlay total for any year. Therefore, the majority of outlays in a year are not controlled through appropriations actions for that year. The types of budget authority, their control by Congress, and the relation of outlays to budget authority are discussed in more detail later in the chapter.

Almost all taxes and most other receipts result from permanent laws. Tax bills are initiated in the House.

The House Ways and Means Committee and the Senate Finance Committee have jurisdiction over tax laws.

The budget resolution often includes reconciliation directives, which require authorizing committees to change permanent laws. They instruct 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 instructions 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 changes in receipt and outlay amounts are based on certain assumptions about how laws would be changed, and these assumptions may be included in the explanatory statement accompanying the budget resolution. Like other assumptions included in the explanatory statement, these are not binding on the committees of jurisdiction.

The committees that are subject to reconciliation directives are expected to prepare implementing legislation. Such legislation may, for example, change the tax code, revise benefit formulas or eligibility requirements for entitlement 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 payments for those purposes are authorized in permanent laws. The BEA specifically defines funding for the Food Stamp program as mandatory spending, even though funding for the program is provided in appropriations acts. The BEA includes receipts under the same rules that apply to mandatory spending, be-

cause receipts are generally controlled by permanent laws.

The BEA constrains discretionary spending differently from mandatory spending and receipts. The BEA defines categories of discretionary spending and limits ("caps") spending in each category by specifying dollar amounts for both budget authority and outlays for each fiscal year through 2002. The categories change from year to year. For 1998 and 1999, they are defense, non-defense, and violent crime reduction. For 2000, they are violent crime reduction and all other discretionary spending. For 2001 and 2002, all discretionary spending constitutes a single category. The BEA requires the caps to be adjusted for certain reasons, such as to reflect conceptual changes or the enactment of emergency appropriations. The adjusted caps are shown in the following table. Further cap adjustments proposed in this budget are shown in the Preview Report described below.

#### DISCRETIONARY SPENDING LIMITS

(In billions of dollars)

	1998	1999	2000	2001	2002
Defense:					
Budget authority .....	269.0	271.6	.....	.....	.....
Outlays .....	267.1	266.6	.....	.....	.....
Nondefense:					
Budget authority .....	253.5	283.7	.....	.....	.....
Outlays .....	285.7	289.3	.....	.....	.....
Discretionary, excluding violent crime reduction:					
Budget authority .....	.....	.....	561.4	.....	.....
Outlays .....	.....	.....	559.1	.....	.....
Violent crime reduction:					
Budget authority .....	5.5	5.8	4.5	.....	.....
Outlays .....	4.8	5.0	5.6	.....	.....
Total discretionary:					
Budget authority .....	528.0	561.1	565.9	571.3	581.0
Outlays .....	557.6	560.9	564.7	564.1	560.3

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 specifies a procedure, called sequestration, for reducing the spending in that category. Under a sequester, spending for most programs in the category is reduced by a uniform percentage. Special rules apply in reducing some programs, and some programs are exempt from sequestration.

There are no caps on mandatory spending and no required level of receipts. Instead, the BEA requires that all laws enacted through 2002 that affect mandatory spending or receipts must be enacted on a "**pay-as-you-go**" (**PAYGO**) basis. 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 legis-

lated 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.

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. The Congressional Budget Office (CBO) is required to make the same estimates and calculations, and the Director of OMB is required to explain any differences between the OMB and CBO estimates. OMB's estimates and calculations are the basis for sequestration orders issued by the President. The President's order may not change any of the particulars of the OMB report. The General Accounting Office is required to prepare compliance reports.

OMB and CBO are required 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 14, "Preview Report," in the *Analytical Perspectives* volume of the 1999 budget.) The preview report estimates are revised in the update and final reports to reflect the effects of newly enacted discretionary and PAYGO legislation. In addition, OMB and CBO are required to estimate the effects of appropriations acts and PAYGO laws immediately after each one is enacted and these estimates are included, 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 the deficit.

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.

### Line Item Veto

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. This authority is effective for calendar years 1997 through 2004.

The Line Item Veto Act authorizes the President to cancel any item of discretionary or direct spending or any limited tax benefit by sending a special message to Congress identifying the item within 5 days of signing the act containing the item. Discretionary and direct spending are described under Budget Enforcement above. A limited tax benefit is defined in the Act. The President may cancel whole individual amounts specified in appropriations acts, or in the congressional reports that accompany such acts, but cannot reduce amounts partially. The President also may cancel any provision of a law that would increase the level of direct spending or provide a limited tax benefit. Cancellations are effective upon receipt by Congress and remain in effect unless overturned by a law disapproving the cancellations. Congress may disapprove all or only selected cancellations.

The Line Item Veto Act includes provisions to ensure that canceled items will be applied to deficit reduction. If an item of discretionary spending is canceled, the limits on discretionary spending under the BEA (see Budget Enforcement) must be reduced by an equal

amount. If an item of new direct spending or a limited tax benefit provision is canceled, the effect on the deficit may not be used as an offset to increases in direct spending or reductions in receipts under the PAYGO rules. Requirements such as these are sometimes referred to as a “lockbox” mechanism.

### Budget Execution

Government officials are generally required to spend no more and no less than has been appropriated, and they may use funds only for purposes specified in law. The Antideficiency Act prohibits government officials 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 that an account be reapportioned 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.

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 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

### 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.

immediately unless overturned by an act of Congress. In 1997, a total of \$3.5 billion in deferrals was reported to Congress and none was overturned. **Rescissions**, which permanently cancel budget authority, do not take effect unless Congress passes a law rescinding them. If such a law is not passed within 45 days of continuous session, the withheld funds must be made 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 1997, the President proposed rescissions totaling \$0.4 billion, and Congress rescinded a total of \$0.3 billion.

## COVERAGE OF THE BUDGET

### Federal Government and Budget Totals

The budget documents provide information on all Federal agencies and programs. The total receipts and outlays of the Federal Government are composed of both on-budget receipts and outlays and receipts and outlays that, by law, are designated as off-budget. By law, the receipts and outlays of social security (the Federal Old-Age and Survivors Insurance and the Federal Disability Insurance trust funds) and the Postal Service Fund are excluded from the budget totals and from the calculation of the deficit for Budget Enforcement Act purposes. The off-budget transactions are separately identified in the budget. 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)

	1997 actual	1998 esti- mate	1999 esti- mate
<b>On-budget:</b>			
Budget authority .....	1,328	1,365	1,420
Outlays .....	1,291	1,348	1,404
Receipts .....	1,187	1,242	1,309
Deficit .....	-103	-106	-96
<b>Off-budget:</b>			
Budget authority .....	315	322	331
Outlays .....	311	320	329
Receipts .....	392	416	434
Surplus .....	81	96	105
<b>Federal Government:</b>			
Budget authority .....	1,643	1,687	1,751
Outlays .....	1,601	1,668	1,733
Receipts .....	1,579	1,658	1,743
Surplus/Deficit(-) .....	-22	-10	10

Neither the on-budget nor the off-budget totals include transactions of Government-sponsored enterprises, such as the Federal National Mortgage Association (Fannie Mae) and the Student Loan Marketing Association (Sallie Mae). These enterprises were established by Federal law for public policy purposes but are privately owned and operated corporations. Because of their close relationship to the Government, these enterprises are discussed in several parts of the budget,

and their financial data are reported in the Appendix to the Budget of the United States Government and some detailed tables.

A presentation for the Board of Governors of the Federal Reserve System is included in the Appendix 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's net earnings are transferred to the Treasury and are recorded in the budget 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 is divided into **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 addressing an important national need. The emphasis is on 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 1999 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 1999 budget provide information on budget authority, outlays, and receipts arrayed by Federal agency. Chapter 26 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. That volume of the budget 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. The **general fund**, which is the greater part of the budget, is credited with receipts not earmarked by law for a specific purpose, such as almost all income tax receipts, and is also credited with the proceeds of general borrowing. General fund appropriation accounts record general fund expenditures. General fund appropriations are drawn 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 are earmarked by law 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 collections and the outlays of revolving funds are recorded in the same account.

**Trust funds** are established to 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 (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" 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. (Chapter 17, "Trust Funds and Federal Funds," in the *Analytical Perspectives* volume of the 1999 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; the purchase of other financial assets; grants to state and local governments for the purchase 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 1999 budget provides more information on capital investment.)

## COLLECTIONS

### In General

Money collected by the Government is classified 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. 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 usually counted as governmental receipts. 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.)

### Offsetting Collections

These are amounts received from the public as a result of business-like or market-oriented activities (for example, proceeds from the sale of postage stamps or electricity, fees for admittance to recreation areas, or the proceeds from the sale of Government-owned land) and amounts collected by one Government account from another. Offsetting collections from the public are deducted from gross budget authority and outlays, rather than combined with governmental receipts. The purpose of this treatment is to produce budget totals for receipts, budget authority, and outlays that represent governmental rather than market activity. 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.

Offsetting collections are classified into two major categories: **offsetting collections credited to expenditure accounts**, and **offsetting receipts**. The accounting for each type differs.

#### Offsetting Collections Credited to Expenditure Accounts

Some laws authorize collections to be credited directly to the account from which they will be expended and, usually, to be spent for the purpose of the account without further action by Congress. This is the case for most revolving funds and many expenditure accounts of other types. These collections may be from either the public or other expenditure accounts. 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 offsetting collections are credited to the Postal Service Fund (a revolving fund) and budget authority is recorded in an amount equal to the collections. Sometimes the budget authority recorded is not the full amount of the offsetting collections, because appropriations acts may contain limitations on the obligations that can be financed by budget authority from offsetting collections. In those cases, the recorded budget authority is adjusted to reflect the amount available to incur obligations. The budget authority and outlays of the appropriation or fund account are shown both gross (that is, before deducting offsetting collections) and net (that is, 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 as “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. In most cases, such deductions are made at the subfunction and agency levels. Unlike offsetting collections credited to expenditure accounts, offsetting receipts do not offset budget authority and outlays at the account level. 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 out of 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. A limited number of proprietary receipts, 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.

There are several categories of intragovernmental transactions. **Intrabudgetary transactions** include all payments from on-budget expenditure accounts to on-budget receipt accounts. These are subdivided into

three categories: (1) **interfund transactions**, where the payment is from an expenditure account in one fund group (either Federal funds or trust funds) to a receipt account in the other fund group; (2) **Federal intrafund transactions**, where the payment and receipt both occur within the Federal fund group; and (3) **trust intrafund transactions**, where the payment and receipt both occur within the trust fund group. In addition, there are intragovernmental transactions that are not intrabudgetary—payments from on-budget expenditure accounts to off-budget receipt accounts, and from off-budget expenditure accounts to on-budget receipt accounts.

### User Fee

“User fee” is a general term that 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. User fees are classified as governmental receipts or offsetting collections, depending on whether the fee results primarily from the exercise of governmental powers or from business-like activity. (User fees are discussed in more detail in Chapter 4, “User Fees and Other Collections,” in the *Analytical Perspectives* volume of the 1999 budget.)

## BUDGET AUTHORITY AND OTHER BUDGETARY RESOURCES, OBLIGATIONS, AND OUTLAYS

### Budget Authority and Other Budgetary Resources

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. Government officials may obligate the Government to make outlays only to the extent they have been granted budget authority. Budget authority is recorded 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. These balances are not recorded 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) precludes the obligation of funds that would otherwise be available for obligation and recorded as budget authority. In such cases, the amount of budget authority recorded is 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, Government officials estimate the total amount of obligations that will need to be incurred 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 is the amount estimated to be needed for the year. For major procurement programs and construction projects, a full funding policy generally applies. Under this policy, an amount that is estimated to be adequate to complete an economically useful segment of a procurement or project must be requested to be appropriated in the first year, even though it may be obligated over several years. This policy is intended to ensure that all costs and benefits are taken into account 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**, which may be provided in appropriations acts or other laws, permit obligations to be incurred and payments to be made;
- **authority to borrow**, which permits obligations to be incurred but requires that funds be borrowed, usually from the general fund of the Treasury, to make payment;
- **contract authority**, which permits 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**, which permits offsetting collections to be credited to an expenditure account and obligations and payments to be made 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.

The form of budget authority is usually determined in the authorizing statute 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.

Budget authority that is provided in an annual appropriations act is available for obligation only during the fiscal year to which the appropriations act applies, unless the appropriation language providing the budget

authority specifies that it is to remain available for a longer period. Typically, budget authority for current operations is made available for obligation in only one year. Some budget authority is made available for a specified number of years. Other budget authority, including most provided for construction, some for research, and many appropriations of trust fund receipts, is made available for obligation until the amount appropriated has been expended or until the program objectives have been attained. 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. The sum of such amounts is 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. Due to such flows, a change in the amount of obligations incurred from one year to the next is not necessarily accompanied by an equal change in either the budget authority or the outlays of that same year. Conversely, a change in budget authority in any one year may cause changes in the level of obligations and outlays for several years.<sup>3</sup>

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 are counted as new budget authority in the fiscal year in which the balances become newly available. For example, if a 1999 appropriations act extends the availability of unobligated budget authority that otherwise would expire at the end of 1998, new budget authority would be recorded for 1999.

Budget authority is classified as **current** or **permanent**. Generally, it is current if it is provided by annual appropriations acts and permanent if it becomes available pursuant to standing authorizing legislation. 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. The authority to spend offsetting collections credited to expenditure accounts usually is provided by authorizing legislation and, therefore, is usually a form of permanent budget authority.

Obligations and outlays resulting from permanent budget authority, including the authority to spend offsetting collections credited to expenditure accounts, account for more than half of the budget totals. Put another way, less than half of the obligations and outlays in the budget result from annual appropriations acts. 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.

Budget authority also is classified as **definite** or **indefinite**. It is definite if the legislation that 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 providing 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. Such authority is considered to be indefinite budget authority. In some such cases, only some of the amount of collections otherwise available is counted as budget authority, because the rest is precluded from obligation in a fiscal year by a provision of law, such as a limitation on obligations or a benefit formula that determines the amounts to be paid (for example, the formula for unemployment insurance benefits).

### Obligations Incurred

Following the enactment of budget authority and the completion of required apportionment action, Government agencies incur obligations to make payments. Obligations are binding agreements that will result in outlays, immediately or in the future. Such obligations include: the current liabilities for salaries, wages, and

<sup>3</sup> Additional information is provided in a separate report, "Balances of Budget Authority," which is available from the National Technical Information Service, Department of Commerce, shortly after the budget is transmitted.

interest; contracts for the purchase of supplies and equipment, construction, and the acquisition of office space, buildings, and land; and other arrangements requiring the payment of money. 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. They are payments to 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. Outlays are usually in the form of cash (currency, checks, or electronic fund transfers). However, obligations may be paid and outlays recorded even though no cash is disbursed. For example, outlays are recorded 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. (Receipts are also recorded for the deductions that represent payments to the Government.) Outlays are recorded when debt instruments (bonds, debentures, notes, or monetary credits) are used to pay obligations. (An increase in debt is also recorded when such instruments are used.) For example, the acquisition of physical assets through certain types of lease-purchase arrangements is treated as though an outlay were made for an outright purchase. Because no cash is paid up front to the nominal owner of the asset, a debt is recorded. In such cases, the cash lease payments are recorded as repayments of principal and interest.

The measurement of interest varies. Outlays for the interest on the public issues of Treasury debt securities are recorded as the interest accrues, not when the cash is paid. Treasury last year began to issue a new 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 interest payments on these securities are recorded 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 interest on special issues of the debt securities held by trust funds and other Government accounts is normally stated on a cash basis. When a Government account invests 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, in the case of two trust funds in the Department of Defense, the Military Retirement Trust Fund and the Education Benefits Trust Fund, the differences between purchase price and par are routinely relatively large. 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. Interest is recorded 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).

Refunds of receipts that result from overpayments (such as income taxes withheld in excess of tax liabilities) are recorded as reductions of receipts, rather than as outlays. However, payments to tax payers for tax credits (such as earned income tax credits) that exceed the tax payer's tax liability are recorded as outlays.

Outlays during a fiscal year may be for the payment of obligations incurred in the same year or in prior years. Obligations, in turn, may be incurred under budget authority provided in the same year or in prior years. Outlays, therefore, flow in part from unexpended balances of prior year budget authority and in part from budget authority provided for the year in which the money is spent. 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

Government programs may be carried out through federally supported credit in the form of 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, rather than the cash flows, so they can be compared to each other and to other methods of delivering benefits, such as grants, on an equivalent basis.

Under credit reform, the estimated long-term cost to the Government arising from the direct loans and loan guarantees of a *credit program must be estimated and recorded in the budget in a credit program account*. The cost is estimated as the present value

of expected disbursements over the term of the loan less the present value of expected collections.<sup>4</sup> For most programs, direct loan obligations and loan guarantee commitments cannot be made unless Congress has appropriated funds for the costs in advance in annual appropriations acts. In addition, the appropriation language for most credit programs includes annual limitations on the amount of obligations for direct loans and commitments for loan guarantees.

When a direct or guaranteed loan is disbursed, the program account makes a payment equal to the cost, which is recorded as an outlay, to a non-budgetary **credit financing account**. For a few programs, the computed cost is negative for a portion or all of the direct loans and loan guarantees. In such cases, the financing account makes a payment to a special fund receipt account established for the program, where it is recorded as an offsetting receipt.

The cost of the outstanding direct loans and loan guarantees is reestimated normally each year. If the cost is estimated to have increased, an additional outlay is made from the program account to the financing account, and, if the cost is estimated to have decreased, a payment is made from the financing account to the program's special fund receipt account, where it is recorded as an offsetting receipt. A permanent indefinite appropriation is available to pay the increased costs resulting from reestimates.

If the terms of an outstanding direct loan or loan guarantee are modified in a way that increases the

cost, an outlay in the amount of the increased cost is made from the program account to the financing account. The additional cost is recorded as an obligation against the budget authority provided for the costs of the program for that year. The requirement to record the costs of modification applies to pre-credit reform, as well as post-credit reform, direct loans and loan guarantees.

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 and loan guarantee default payments. The cash flows of direct loans and of loan guarantees are recorded in separate financing accounts for programs that do both. The transactions of the financing accounts are displayed in the budget documents for information and analytical purposes, together with the related program accounts, but are excluded from the budget totals because they are not a cost to the Government. Financing account transactions are a means of financing a budget surplus or deficit (see **Credit Financing Accounts** in the next section).

The transactions associated with direct loan obligations and loan guarantee commitments made prior to 1992 continue to be accounted for on a cash flow basis and are recorded in **liquidating accounts**. In most cases, the liquidating account is the account that was used for the program prior to the enactment of credit reform in 1990.

## BUDGET DEFICIT OR SURPLUS AND MEANS OF FINANCING

A budget deficit is the amount by which outlays exceed receipts. Deficits are financed by borrowing and, to a limited extent, the other items discussed under this heading. The 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 budget surplus. Surpluses are used to reduce debt and may be absorbed by the other items.

### Borrowing and Repayment

Borrowing is not defined as receipts, and debt repayment is not defined as outlays. If they were, the budget would be virtually balanced by 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 addition to issuing debt to the public, the Government issues debt to Government accounts, primarily trust funds that are required by law to invest in Treasury securities. This debt is not a means of financing deficits, because it does not raise any cash. In 1997, the Government borrowed \$38 billion from the public. Most of

this amount was needed to finance the deficit of \$22 billion in that year. The rest 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 1997, the debt held by the public was \$3,771 billion. (See Chapter 13, "Federal Borrowing and Debt," in the *Analytical Perspectives* volume of the 1999 budget for 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 asset from the public. Instead, it arises from the exercise of the Government's power to create money. Therefore, seigniorage is excluded from receipts and treated as a means of financing other than borrowing from the public. The profit resulting from the sale of gold as a monetary asset also is treated as a means of financing, since the value of gold is determined by

<sup>4</sup>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.

its value as a monetary asset rather than as a commodity.

**Credit Financing Accounts**

The net cash flows of credit programs are recorded 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 other than borrowing from the public. Like outlays, they may be either positive or negative.

The net financing disbursements are partly due to intragovernmental transactions with budgetary accounts (the receipt of subsidy payments 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, etc.). An intragovernmental transaction affects the deficit or surplus and the means of financing in equal amounts but with opposite signs, so there is 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**

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). 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 other than borrowing from the public. 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 other than borrowing from the public if the investments are classified as held by Government accounts.

**Exchange of Cash**

The Government's deposits with the International Monetary Fund (IMF) are considered to be monetary assets. 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, interest paid by the IMF on U.S. deposits is an offsetting collection. Similarly, the holdings of foreign currency by the Exchange Stabilization Fund are considered to be cash assets. Changes in these holdings are outlays only to the extent there is a realized loss of dollars on the exchange and are 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 makes comparisons between the Federal workforce, State and local government workforces, and the United States population. Two different measures of employment levels are provided—actual positions filled and full-time equivalents (FTE). One FTE is equal to 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," in the *Analytical Perspectives* volume of the 1999 budget provides more information on this subject.)

**TOTAL FEDERAL EMPLOYMENT**

	1997 actual	1998 estimated	1999 estimated	Percent change 1997 to 1999
Total FTE's .....	4,211,136	4,201,684	4,171,785	-0.9
Federal Executive Branch civilian employees per 1000 U.S. population .....	9.9	9.9	9.8	-1.0

**BASIS FOR BUDGET FIGURES**

**Data for the Past Year**

The past year column (1997) 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 (1998) 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 (1999) includes estimates of transactions and balances based on the amounts of budgetary resources that are estimated to be available, including amounts proposed to be appropriated, and amounts estimated to result from changes in authorizing legislation and tax laws. The budget generally includes the appropriations language for the amounts proposed to be appropriated. Where the estimates represent amounts that will be requested under proposed legislation, the appropriation language usually is not included; it is transmitted later, usually after the legislation is enacted. In a few cases, proposed language for appropriations to be requested under existing legislation is transmitted later because the exact requirements are not known when the budget is transmitted. In certain tables of the budget, the items for later transmittal and the related outlays are identified 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 (2000 through 2003) in order to reflect the effect of budget decisions on longer term objectives and plans.

### Allowances

Lump-sum allowances may be included in the budget to cover certain transactions that are expected to increase or decrease budget authority, outlays, or receipts but that are not, for various reasons, reflected in the program details. Budget authority and outlays are never appropriated for allowances as such. Rather, the allowances indicate the estimated budget authority and outlays that will be requested for specific programs.

### 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. For receipts and mandatory spending, which generally are authorized on a permanent basis, it assumes they continue in the future as required by current law. For discretionary programs, which generally are funded annually, the baseline commonly assumes future funding will be equal to 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. (Chapter 16, "Current Services Estimates," in the *Analytical Perspectives* volume of the 1999 budget provides more information on the baseline.)

The baseline is 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 President's budget. It is a "policy-neutral" benchmark against which the President's budget and alternative proposals can be compared to assess the magnitude of proposed changes. And it is used, under the Budget Enforcement Act, to determine how much will be sequestered from each account and what level of funding will be available after sequestration.

## PRINCIPAL BUDGET LAWS

The following are the basic laws pertaining to 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. This Act is commonly known as the Gramm-Rudman-Hollings Act.
- **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.
- **Line Item Veto Act of 1996**, which granted the President limited authority to cancel new spending and limited tax benefits when he signs laws.

## 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 comprise 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. Off-budget totals reflect the transactions of Government entities that are excluded from the on-budget totals by law. Currently excluded are the social security trust funds (Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds) and the Postal Service Fund. The on- and off-budget totals are combined 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. A sequestration is required if an appropriation for a category causes a breach in the cap.

**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 non-budgetary 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**—Intragovernmental 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 outlaid. 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**—Public enterprise 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 defi-

cit resulting from the combined result of legislation affecting direct spending or receipts (referred to as a “pay-as-you-go” sequestration).

**Special funds**—Special funds 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**—Trust funds 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.



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## OUTLAYS TO THE PUBLIC

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## 25. OUTLAYS TO THE PUBLIC

**Table 25-1. TOTAL OUTLAYS, INCLUDING THOSE OFFSET BY COLLECTIONS FROM THE PUBLIC, BY AGENCY, 1997-1999**  
(In millions of dollars)

Department or other unit	1997				1998				1999			
	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 .....	2,363	161	8	2,532	2,855	192	9	3,056	2,833	185	9	3,027
Judicial Branch .....	3,259	42	8	3,309	3,719	45	8	3,772	3,967	44	8	4,019
Agriculture .....	52,547	15,098	1,192	68,837	55,015	16,558	837	72,410	54,291	18,379	862	73,532
Commerce .....	3,783	872	130	4,785	4,065	964	126	5,155	4,584	1,060	18	5,662
Defense—Military .....	258,322	8,876	1,493	268,691	251,385	7,969	1,424	260,778	252,650	7,877	1,411	261,938
Education .....	30,009	1,286	98	31,393	30,747	1,702	.....	32,449	33,915	1,720	.....	35,635
Energy .....	14,467	3,873	2,225	20,565	14,366	4,026	1,745	20,137	15,240	4,135	1,350	20,725
Health and Human Services .....	339,535	1,582	20,813	361,930	359,106	1,013	21,760	381,879	380,761	1,878	22,680	405,319
Housing and Urban Development .....	27,527	7,351	1,007	35,885	30,950	4,546	1,447	36,943	31,614	4,941	6,554	43,109
Interior .....	6,720	542	2,225	9,487	7,937	548	2,224	10,709	7,928	555	2,275	10,758
Justice .....	14,310	436	1,186	15,932	15,474	450	1,176	17,100	18,153	489	1,582	20,224
Labor .....	30,458	1,587	5	32,050	32,125	1,723	4	33,852	35,973	1,756	4	37,733
State .....	5,237	270	.....	5,507	5,261	429	.....	5,690	5,340	482	.....	5,822
Transportation .....	39,832	186	133	40,151	40,465	192	141	40,798	41,289	243	235	41,767
Treasury .....	379,345	1,788	9,054	390,187	387,222	2,252	10,014	399,488	399,242	2,013	10,435	411,690
Veteran Affairs .....	39,280	1,934	1,886	43,100	43,074	1,910	892	45,876	43,216	1,845	1,138	46,199
Corps of Engineers .....	3,598	241	219	4,058	4,064	18	273	4,355	3,458	18	184	3,660
Other Department of Defense—Civil .....	30,282	.....	14	30,296	31,494	.....	14	31,508	32,439	.....	16	32,455
Environmental Protection Agency .....	6,164	20	322	6,506	6,440	22	184	6,646	7,107	22	208	7,337
Executive Office of the President .....	221	1	.....	222	240	1	.....	241	251	1	.....	252
Federal Emergency Management Agency .....	3,326	1,108	34	4,468	3,698	1,235	12	4,945	3,071	1,372	.....	4,443
General Services Administration .....	1,084	190	9	1,283	944	204	66	1,214	214	212	25	451
International Assistance Programs .....	10,126	1,452	15,999	27,577	9,609	1,397	14,490	25,496	9,461	1,304	13,078	23,843
National Aeronautics and Space Administration .....	14,360	670	.....	15,030	13,729	872	.....	14,601	13,503	985	.....	14,488
National Science Foundation .....	3,130	.....	.....	3,130	3,165	23	.....	3,188	3,441	.....	.....	3,441
Office of Personnel Management .....	45,404	5,403	.....	50,807	46,418	5,964	.....	52,382	48,603	6,252	.....	54,855
Small Business Administration .....	333	975	16	1,324	-62	693	869	1,500	-421	1,049	44	672
Social Security Administration .....	393,311	2,935	1,313	397,559	410,480	3,084	1,413	414,977	425,674	3,071	1,453	430,198
Federal Deposit Insurance Corporation .....	-14,183	15,048	.....	865	-4,346	4,060	.....	-286	-4,260	4,243	.....	-17
Postal Service .....	77	57,407	.....	57,484	1,807	59,986	.....	61,793	946	63,349	.....	64,295
Other Independent Agencies .....	11,977	10,081	571	22,629	16,536	9,555	984	27,075	17,049	8,936	1,029	27,014
Allowances .....	.....	.....	.....	.....	.....	.....	.....	.....	3,250	.....	.....	3,250
Undistributed offsetting receipts .....	-154,969	.....	15,723	-139,246	-160,167	.....	12,423	-147,744	-161,565	.....	6,778	-154,787
<b>Total outlays .....</b>	<b>1,601,235</b>	<b>141,415</b>	<b>75,683</b>	<b>1,818,333</b>	<b>1,667,815</b>	<b>131,633</b>	<b>72,535</b>	<b>1,871,983</b>	<b>1,733,217</b>	<b>138,416</b>	<b>71,376</b>	<b>1,943,009</b>





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## 26. 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.

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# THE BUDGET FOR FISCAL YEAR 1999

## LEGISLATIVE BRANCH

(In millions of dollars)

Account			1997 actual	estimate					
				1998	1999	2000	2001	2002	2003
<b>Senate</b>									
<i>Federal funds</i>									
<b>General and Special Funds:</b>									
Compensation of members, Senate:									
Appropriation, permanent .....	801	BA	17	17	18	19	19	19	17
Outlays .....		O	17	17	18	19	19	19	19
Salaries, officers and employees:									
Appropriation, current .....	801	BA	64	77	80	79	79	79	81
Outlays .....		O	63	77	80	79	79	79	81
Office of the Legislative Counsel of the Senate:									
Appropriation, current .....	801	BA	3	4	4	4	4	4	4
Outlays .....		O	3	4	4	4	4	4	4
Inquiries and investigations:									
Appropriation, current .....	801	BA	70	76	75	71	71	71	73
Outlays .....		O	64	76	75	71	71	71	73
Miscellaneous items:									
Appropriation, current .....	801	BA	7	8	8	8	8	8	8
Outlays .....		O	5	8	8	8	8	8	8
Senators' official personnel and office expense account:									
Appropriation, current .....	801	BA	212	229	249	249	249	249	249
Outlays .....		O	210	229	249	249	249	249	249
Secretary of the Senate:									
Appropriation, current .....	801	BA	7	2	2	2	2	2	2
Outlays .....		O	1	2	2	2	2	2	2
Sergeant at Arms and Doorkeeper of the Senate:									
Appropriation, current .....	801	BA	71	65	64	78	78	78	80
Outlays .....		O	51	65	64	78	78	78	80
Official mail costs:									
Appropriation, current .....	801	BA	6						
Outlays .....		O	4	8	4				
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	1	1	1	1	1	1	1
Outlays .....		O	1	1	1	1	1	1	1
<b>Public Enterprise Funds:</b>									
Senate revolving funds:									
Spending authority from offsetting collections .....	801	BA	2	2	2	2	2	2	2
Outlays .....		O	2	2	2	2	2	2	2
Senate revolving funds (gross) .....									
		BA	2	2	2	2	2	2	2
		O	2	2	2	2	2	2	2
Total, offsetting collections .....									
			-2	-2	-2	-2	-2	-2	-2
Total Senate revolving funds (net) .....									
		BA							
		O							
Total Federal funds Senate .....									
		BA	459	480	502	512	512	512	516
		O	420	488	506	512	512	512	518

## House of Representatives

*Federal funds*

### General and Special Funds:

Compensation of Members and related administrative expenses:

Appropriation, permanent .....	801	BA	74	74	75	75	75	75	75	
Outlays .....		O	74	74	75	75	75	75	75	
Salaries and expenses:										
Appropriation, current .....	801	BA	684	709	766	790	814	840	866	

**LEGISLATIVE BRANCH—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	681	707	763	789	813	839	865
Congressional use of foreign currency, House of Representatives:								
Appropriation, permanent .....	801 BA	2	2	2	2	2	2	2
Outlays .....	O	2	2	2	2	2	2	2
Total Federal funds House of Representatives .....	BA	<b>760</b>	<b>785</b>	<b>843</b>	<b>867</b>	<b>891</b>	<b>917</b>	<b>943</b>
	O	757	783	840	866	890	916	942

**Joint Items**

*Federal funds*

**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	1	1	1	1	1	1
Outlays .....	O	1	1	1	1	1	1	1

Joint Committee on Taxation:

Appropriation, current .....	801 BA	5	6	6	6	6	6	6
Outlays .....	O	7	6	6	6	6	6	6

Office of the Attending Physician:

Appropriation, current .....	801 BA	1	1	1	1	1	2	2
Outlays .....	O	1	1	1	1	1	2	2

General expenses, Capitol police:

Appropriation, current .....	801 BA	6	3	8	8	8	8	8
Outlays .....	O	3	5	11	8	8	8	8

Salaries, Capitol Police:

Appropriation, current .....	801 BA	69	71	76	76	76	76	78
Outlays .....	O	68	71	76	76	76	76	78

Total Federal funds Joint Items .....	BA	<b>87</b>	<b>87</b>	<b>97</b>	<b>97</b>	<b>97</b>	<b>98</b>	<b>100</b>
	O	85	89	100	97	97	98	100

**Office of Compliance**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	801 BA	3	2	2	3	3	3	3
Outlays .....	O	2	2	2	3	3	3	3

**Congressional Budget Office**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	801 BA	25	25	26	27	28	29	30
Outlays .....	O	23	25	26	27	28	29	30

**Architect of the Capitol**

*Federal funds*

**General and Special Funds:**

Office of the Architect of the Capitol: Salaries:

Appropriation, current .....	801 BA	8						
Outlays .....	O	8						

Capitol buildings, salaries, and expenses:

Appropriation, current .....	801 BA	23	37	55	55	55	55	56
Outlays .....	O	23	47	47	55	55	55	56

Capitol grounds:

Appropriation, current .....	801 BA	5	5	27	6	6	6	6
Outlays .....	O	5	4	11	19	6	6	6

Senate office buildings:

Appropriation, current .....	801 BA	40	52	56	56	56	56	56
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**LEGISLATIVE BRANCH—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	44	53	58	68	56	56	56
House office buildings:								
Appropriation, current .....	801 BA	33	37	44	44	44	44	45
Outlays .....	O	33	44	41	46	44	44	45
Capitol power plant:								
Appropriation, current .....	801 BA	31	34	40	40	40	40	41
Spending authority from offsetting collections .....	BA	4	4	4	4	4	4	4
Outlays .....	O	36	37	40	44	44	44	45
Capitol power plant (gross) .....	BA	35	38	44	44	44	44	45
	O	36	37	40	44	44	44	45
Total, offsetting collections .....		-4	-4	-4	-4	-4	-4	-4
Total Capitol power plant (net) .....	BA	31	34	40	40	40	40	41
	O	32	33	36	40	40	40	41
Library buildings and grounds, structural and mechanical care:								
Appropriation, current .....	801 BA	10	12	16	16	16	16	17
Outlays .....	O	14	22	17	16	16	16	17
<b>Intragovernmental Funds:</b>								
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	-23	-24	-24
Total Judiciary office building development and operations fund (net) .....	BA	-2	-2	-2	-2	-2	-3	-3
	O	-2	-2	-2	-2	-2	-3	-3
<i>Trust funds</i>								
Gifts and donations:								
Appropriation, permanent .....	801 BA			2	1	1	1	3
Outlays .....	O			2				
Total Federal funds Architect of the Capitol .....	BA	148	175	236	215	215	214	218
	O	157	201	208	242	215	214	218
Total Trust funds Architect of the Capitol .....	BA			2	1	1	1	3
	O			2				

**Botanic Garden**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:								
Appropriation, current .....	801 BA	36	3	3	3	3	4	4
Outlays .....	O	3	7	23	13	4	4	4

*Trust funds*

Gifts and donations:								
Appropriation, permanent .....	801 BA	1	8					
Outlays .....	O	1	8					

**Library of Congress**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:								
Appropriation, current .....	503 BA	208	219	233	228	230	233	239
Spending authority from offsetting collections .....	BA	73	97	93	95	97	98	100
Outlays .....	O	282	320	327	336	348	352	363
Salaries and expenses (gross) .....	BA	281	316	326	323	327	331	339
	O	282	320	327	336	348	352	363

**LEGISLATIVE BRANCH—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Total, offsetting collections .....		-73	-97	-93	-95	-97	-98	-100
Total Salaries and expenses (net) .....	BA	208	219	233	228	230	233	239
	O	209	223	234	241	251	254	263
<b>Copyright Office: Salaries and expenses:</b>								
Appropriation, current .....	376 BA	11	12	14	14	14	15	15
Spending authority from offsetting collections .....	BA	18	22	21	22	23	24	25
Outlays .....	O	28	35	35	36	37	39	40
Copyright Office (gross) .....	BA	29	34	35	36	37	39	40
	O	28	35	35	36	37	39	40
Total, offsetting collections .....		-18	-22	-21	-22	-23	-24	-25
Total Copyright Office (net) .....	BA	11	12	14	14	14	15	15
	O	10	13	14	14	14	15	15
<b>Congressional Research Service: Salaries and expenses:</b>								
Appropriation, current .....	801 BA	63	65	68	69	70	71	72
Outlays .....	O	64	64	67	68	69	70	71
<b>Books for the blind and physically handicapped: Salaries and expenses:</b>								
Appropriation, current .....	503 BA	45	47	48	48	49	50	51
Outlays .....	O	46	47	48	44	45	46	47
<b>Furniture and furnishings:</b>								
Appropriation, current .....	503 BA	5	4	6	6	6	6	6
Outlays .....	O	7	7	8	8	9	9	9
<b>Payments to copyright owners:</b>								
Appropriation, permanent .....	376 BA	231	238	268	242	199	203	207
Outlays .....	O	142	412	255	220	220	220	220
<b>Public Enterprise Funds:</b>								
<b>Cooperative acquisitions program revolving fund:</b>								
Spending authority from offsetting collections .....	503 BA		3	3	3	4	4	4
Outlays .....	O		3	3	3	4	4	4
Cooperative acquisitions program revolving fund (gross) .....	BA		3	3	3	4	4	4
	O		3	3	3	4	4	4
Total, offsetting collections .....			-3	-3	-3	-4	-4	-4
Total Cooperative acquisitions program revolving fund (net) .....	BA							
	O							
<i>Trust funds</i>								
<b>Gift and trust fund accounts:</b>								
Appropriation, permanent .....	503 BA	25	23	23	23	24	24	25
Outlays .....	O	20	21	21	21	24	24	25
Total Federal funds Library of Congress .....	BA	563	585	637	607	568	578	590
	O	478	766	626	595	608	614	625
Total Trust funds Library of Congress .....	BA	25	23	23	23	24	24	25
	O	20	21	21	21	24	24	25

**Government Printing Office**

*Federal funds*

**General and Special Funds:**

Congressional printing and binding:

Appropriation, current .....	801 BA	82	82	84	86	88	90	92
Outlays .....	O	75	82	81	84	87	89	91

Office of Superintendent of Documents: Salaries and expenses:

Appropriation, current .....	808 BA	29	29	30	31	32	33	33
Outlays .....	O	29	34	31	30	31	32	33

**Intragovernmental Funds:**

Government Printing Office revolving fund:

Appropriation, current .....	808 BA		-11					
Spending authority from offsetting collections .....	BA	764	779	794	810	826	842	859

**LEGISLATIVE BRANCH—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	739	812	786	809	838	840	837
Government Printing Office revolving fund (gross) .....	BA	<b>764</b>	<b>768</b>	<b>794</b>	<b>810</b>	<b>826</b>	<b>842</b>	<b>859</b>
	O	739	812	786	809	838	840	837
Change in orders on hand from Federal sources .....	BA	<b>-8</b>	<b>20</b>	<b>-6</b>	<b>-5</b>	<b>6</b>	<b>10</b>	<b>-14</b>
Total, offsetting collections .....		-756	-799	-788	-805	-832	-852	-845
Total Government Printing Office revolving fund (net) .....	BA		<b>-11</b>					
	O	-17	13	-2	4	6	-12	-8
Total Federal funds Government Printing Office .....	BA	<b>111</b>	<b>100</b>	<b>114</b>	<b>117</b>	<b>120</b>	<b>123</b>	<b>125</b>
	O	87	129	110	118	124	109	116

**General Accounting Office**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:									
Appropriation, current .....	801 BA	<b>333</b>	<b>345</b>	<b>368</b>	<b>384</b>	<b>392</b>	<b>400</b>	<b>411</b>	
Spending authority from offsetting collections .....	BA	<b>26</b>	<b>5</b>	<b>2</b>					
Outlays .....	O	358	331	369	383	392	400	410	
Salaries and expenses (gross) .....	BA	<b>359</b>	<b>350</b>	<b>370</b>	<b>384</b>	<b>392</b>	<b>400</b>	<b>411</b>	
	O	358	331	369	383	392	400	410	
Total, offsetting collections .....		-26	-5	-2					
Total Salaries and expenses (net) .....	BA	<b>333</b>	<b>345</b>	<b>368</b>	<b>384</b>	<b>392</b>	<b>400</b>	<b>411</b>	
	O	332	326	367	383	392	400	410	

**United States Tax Court**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:								
Appropriation, current .....	752 BA	<b>34</b>	<b>34</b>	<b>34</b>	<b>45</b>	<b>48</b>	<b>50</b>	<b>52</b>
Outlays .....	O	32	33	34	44	48	50	52

**Other Legislative Branch Agencies**

*Legislative Branch Boards and Commissions*

*Federal funds*

**General and Special Funds:**

Prospective Payment Assessment Commission:								
Spending authority from offsetting collections .....	551 BA	<b>3</b>						
Outlays .....	O	3	1					
Prospective Payment Assessment Commission (gross) .....	BA	<b>3</b>						
	O	3	1					
Total, offsetting collections .....		-3						
Total Prospective Payment Assessment Commission (net) .....	BA							
	O		1					
Physician Payment Review Commission:								
Spending authority from offsetting collections .....	801 BA	<b>3</b>						
Outlays .....	O	3	1					
Physician Payment Review Commission (gross) .....	BA	<b>3</b>						
	O	3	1					
Total, offsetting collections .....		-3						
Total Physician Payment Review Commission (net) .....	BA							
	O		1					
National Bipartisan Commission on the Future of Medicare:								
Spending authority from offsetting collections .....	571 BA		<b>1</b>	<b>1</b>				

**LEGISLATIVE BRANCH—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
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:								
Spending authority from offsetting collections .....	571 BA		7	7	7	7	7	7
Outlays .....	O		7	7	7	7	7	7
Medicare Payment Advisory Commission (gross) .....	BA		7	7	7	7	7	7
	O		7	7	7	7	7	7
Total, offsetting collections .....			-7	-7	-7	-7	-7	-7
Total Medicare Payment Advisory Commission (net) .....	BA							
	O							
Gambling Impact Study Commission:								
Appropriation, current .....	801 BA	4	1					
Outlays .....	O		3	2				
Commission on the advancement of Federal law enforcement:								
Appropriation, current .....	751 BA	2						
Outlays .....	O		2					
Other Legislative Branch Boards and Commissions (Legislative functions):								
(Appropriation, current) .....	801 BA	4	2	1	1	1	1	1
(Outlays) .....	O	5	5	1	1	1	1	1
Total Other Legislative Branch Boards and Commissions .....	BA	4	2	1	1	1	1	1
	O	5	5	1	1	1	1	1
<i>Trust funds</i>								
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	10	3	1	1	1	1	1
	O	5	12	3	1	1	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
<b>Summary</b>								
Federal funds:								
(As shown in detail above) .....	BA	2,569	2,624	2,863	2,878	2,878	2,929	2,993
	O	2,381	2,861	2,845	2,901	2,922	2,950	3,019
Deductions for offsetting receipts:								
Intrafund transactions .....	908 BA/O	-32	-28	-28	-27	-25	-25	-25
Total Federal funds .....	BA	2,537	2,596	2,835	2,851	2,853	2,904	2,968
	O	2,349	2,833	2,817	2,874	2,897	2,925	2,994
Trust funds:								
(As shown in detail above) .....	BA	28	33	27	26	27	27	30
	O	22	31	25	23	26	26	27
Deductions for offsetting receipts:								
Proprietary receipts from the public .....	503 BA/O	-8	-9	-9	-9	-10	-10	-10
Total Trust funds .....	BA	20	24	18	17	17	17	20
	O	14	22	16	14	16	16	17
Total Legislative Branch .....	BA	2,557	2,620	2,853	2,868	2,870	2,921	2,988
	O	2,363	2,855	2,833	2,888	2,913	2,941	3,011



**JUDICIAL BRANCH**  
(In millions of dollars)

Account	1997 actual	estimate						
		1998	1999	2000	2001	2002	2003	
<b>Supreme Court of the United States</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current .....	752 BA	27	29	31	31	32	33	34
Outlays .....	O	26	27	29	29	31	33	35
Care of the buildings and grounds:								
Appropriation, current .....	752 BA	3	3	6	6	6	6	7
Outlays .....	O	3	1	5	5	6	6	7
<hr/>								
Total Federal funds Supreme Court of the United States .....	BA	30	32	37	37	38	39	41
	O	29	28	34	34	37	39	42
<hr/>								
<b>United States Court of Appeals for the Federal Circuit</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current .....	752 BA	15	16	17	17	17	18	18
Outlays .....	O	13	15	17	17	17	18	18
<hr/>								
<b>United States Court of International Trade</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current .....	752 BA	11	11	12	13	13	13	14
Outlays .....	O	10	11	12	13	13	13	14
<hr/>								
<b>Courts of Appeals, District Courts, and other Judicial Services</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current .....	752 BA	2,560	2,687	2,949	3,031	3,122	3,215	3,311
Spending authority from offsetting collections .....	BA	98	288	211	164	164	164	164
Outlays .....	O	2,621	2,949	3,161	3,188	3,279	3,371	3,467
<hr/>								
Salaries and expenses (gross) .....	BA	2,658	2,975	3,160	3,195	3,286	3,379	3,475
	O	2,621	2,949	3,161	3,188	3,279	3,371	3,467
<hr/>								
Total, offsetting collections .....		-98	-288	-211	-164	-164	-164	-164
<hr/>								
Total Salaries and expenses (net) .....	BA	2,560	2,687	2,949	3,031	3,122	3,215	3,311
	O	2,523	2,661	2,950	3,024	3,115	3,207	3,303
<hr/>								
Defender services:								
Appropriation, current .....	752 BA	310	330	361	379	409	439	469
Spending authority from offsetting collections .....	BA	20	33	31	31	31	31	31
Outlays .....	O	326	358	392	410	440	470	500
<hr/>								
Defender services (gross) .....	BA	330	363	392	410	440	470	500
	O	326	358	392	410	440	470	500
<hr/>								
Total, offsetting collections .....		-20	-33	-31	-31	-31	-31	-31
<hr/>								
Total Defender services (net) .....	BA	310	330	361	379	409	439	469
	O	306	325	361	379	409	439	469
<hr/>								
Fees of jurors and commissioners:								
Appropriation, current .....	752 BA	67	64	68	74	75	79	81
Spending authority from offsetting collections .....	BA			1	1	1	1	1
Outlays .....	O	64	67	68	74	75	79	81
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Fees of jurors and commissioners (gross) .....	BA	67	64	69	75	76	80	82
	O	64	67	68	74	75	79	81
<hr/>								

**JUDICIAL BRANCH—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Total, offsetting collections .....				-1	-1	-1	-1	-1
Total Fees of jurors and commissioners (net) .....	BA	67	64	68	74	75	79	81
	O	64	67	67	73	74	78	80
Court security:								
Appropriation, current .....	752 BA	127	167	179	180	185	190	195
Spending authority from offsetting collections .....	BA	10	1	1	1	1	1	1
Outlays .....	O	137	159	177	181	185	190	195
Court security (gross) .....	BA	137	168	180	181	186	191	196
	O	137	159	177	181	185	190	195
Total, offsetting collections .....		-10	-1	-1	-1	-1	-1	-1
Total Court security (net) .....	BA	127	167	179	180	185	190	195
	O	127	158	176	180	184	189	194
Judiciary filing fees:								
Appropriation, permanent .....	752 BA	97	89	89	89	89	89	89
Outlays .....	O	85	279	136	89	89	89	89
Registry administration:								
Appropriation, permanent .....	752 BA	6	6	6	6	6	6	6
Outlays .....	O	3	10	6	6	6	6	6
Judiciary information technology fund:								
Appropriation, permanent .....	752 BA	199	160	179	184	184	189	196
Outlays .....	O	173	177	214	219	184	189	196
Total Federal funds Courts of Appeals, District Courts, and other Judicial Services ....	BA	3,366	3,503	3,831	3,943	4,070	4,207	4,347
	O	3,281	3,677	3,910	3,970	4,061	4,197	4,337

**Administrative Office of the United States Courts**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	752 BA	50	52	56	59	60	62	64
Spending authority from offsetting collections .....	BA	32	38	38	37	38	39	40
Outlays .....	O	82	90	94	96	98	101	104
Salaries and expenses (gross) .....	BA	82	90	94	96	98	101	104
	O	82	90	94	96	98	101	104
Total, offsetting collections .....		-32	-38	-38	-37	-38	-39	-40
Total Salaries and expenses (net) .....	BA	50	52	56	59	60	62	64
	O	50	52	56	59	60	62	64

**Federal Judicial Center**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	752 BA	17	17	18	19	20	20	21
Outlays .....	O	17	17	18	19	20	20	21

*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*

**General and Special Funds:**

Payment to judiciary trust funds:

Appropriation, current .....	752 BA	30	34	38	38	39	41	42
Outlays .....	O	30	34	38	38	39	41	42

*Trust funds*

Judicial officers' retirement fund:

Appropriation, permanent .....	602 BA	24	30	34	36	38	40	41
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**JUDICIAL BRANCH—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	10	16	16	17	17	18	18
Judicial survivors' annuities fund:								
Appropriation, permanent .....	602 BA	31	31	34	36	38	40	42
Outlays .....	O	9	13	11	11	12	12	12
Claims court judges retirement fund:								
Appropriation, permanent .....	602 BA	2	2	2	2	2	2	2
Outlays .....	O			1	1	1	1	2
Total Federal funds Judicial Retirement Funds .....	BA	30	34	38	38	39	41	42
	O	30	34	38	38	39	41	42
Total Trust funds Judicial Retirement Funds .....	BA	57	63	70	74	78	82	85
	O	19	29	28	29	30	31	32

**United States Sentencing Commission**  
*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	752 BA	8	9	10	11	11	11	11
Outlays .....	O	8	9	10	11	11	11	11

**Violent Crime Reduction Programs**  
*Federal funds*

**General and Special Funds:**

Violent crime reduction programs:

Appropriation, current .....	752 BA	30	40	60	65	65	65	65
Outlays .....	O	30	40	60	65	65	65	65

**Summary**

Federal funds:								
(As shown in detail above) .....	BA	3,557	3,714	4,079	4,202	4,333	4,476	4,623
	O	3,468	3,883	4,155	4,226	4,323	4,466	4,614
Deductions for offsetting receipts:								
Intrafund transactions .....	752 BA/O	-191	-152	-171	-176	-181	-187	-192
Proprietary receipts from the public .....	752 BA/O	-8	-8	-8	-8	-8	-9	-9
Total Federal funds .....	BA	3,358	3,554	3,900	4,018	4,144	4,280	4,422
	O	3,269	3,723	3,976	4,042	4,134	4,270	4,413
Trust funds:								
(As shown in detail above) .....	BA	58	64	71	75	79	83	86
	O	20	30	29	30	31	32	33
Interfund transactions .....	752 BA/O	-30	-34	-38	-38	-39	-41	-42
Total Judicial Branch .....	BA	3,386	3,584	3,933	4,055	4,184	4,322	4,466
	O	3,259	3,719	3,967	4,034	4,126	4,261	4,404

**DEPARTMENT OF AGRICULTURE**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003

**Office of the Secretary**  
*Federal funds*

**General and Special Funds:**

Office of the Secretary:

Appropriation, current .....	352 BA	9	9	10	10	10	10	10
Outlays .....	O	7	14	12	10	10	10	10

Fund for rural America

(Agricultural research and services):

(Appropriation, permanent) .....	352 BA	37		50	50			
(Outlays) .....	O	1	14	16	27	34	25	15

**DEPARTMENT OF AGRICULTURE—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
(Mortgage credit):								
(Appropriation, permanent)	371 BA	19						
(Outlays)	O	19						
(Area and regional development):								
(Appropriation, permanent)	452 BA	24		50	50			
(Outlays)	O	21	3	50	50			
Total Fund for rural America	BA	80		100	100			
	O	41	17	66	77	34	25	15
<i>Trust funds</i>								
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	89	9	110	110	10	10	10
	O	48	31	78	87	44	35	25
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*

**General and Special Funds:**

Executive operations:								
Appropriation, current	352 BA	22	23	26	26	26	25	25
Outlays	O	21	23	26	26	26	25	25
Chief financial officer:								
Appropriation, current	352 BA	4	4	5	5	5	5	5
Spending authority from offsetting collections	BA	1	2	2	2	2	2	2
Outlays	O	5	7	6	7	7	7	7
Chief financial officer (gross)	BA	5	6	7	7	7	7	7
	O	5	7	6	7	7	7	7
Total, offsetting collections		-1	-2	-2	-2	-2	-2	-2
Total Chief financial officer (net)	BA	4	4	5	5	5	5	5
	O	4	5	4	5	5	5	5
Office of the chief information officer:								
Appropriation, current	352 BA		6	7	7	7	7	7
Spending authority from offsetting collections	BA		8	7	7	7	7	7
Outlays	O		14	14	14	14	14	14
Office of the chief information officer (gross)	BA		14	14	14	14	14	14
	O		14	14	14	14	14	14
Total, offsetting collections			-8	-7	-7	-7	-7	-7
Total Office of the chief information officer (net)	BA		6	7	7	7	7	7
	O		6	7	7	7	7	7
Intragovernmental Funds:								
Working capital fund:								
Spending authority from offsetting collections	352 BA	244	239	249	260	260	260	260
Outlays	O	213	239	249	260	260	260	260
Working capital fund (gross)	BA	244	239	249	260	260	260	260
	O	213	239	249	260	260	260	260
Total, offsetting collections		-244	-239	-249	-260	-260	-260	-260
Total Working capital fund (net)	BA							
	O	-31						
Total Federal funds Executive Operations	BA	26	33	38	38	38	37	37
	O	-6	34	37	38	38	37	37

**DEPARTMENT OF AGRICULTURE—Continued**  
(In millions of dollars)

Account		1997 actual	estimate						
			1998	1999	2000	2001	2002	2003	
<b>Departmental Administration</b>									
<i>Federal funds</i>									
<b>General and Special Funds:</b>									
Departmental administration:									
Appropriation, current .....	352	BA	30	25	32	32	32	32	32
Spending authority from offsetting collections .....		BA	15	18	16	16	16	16	16
Outlays .....		O	45	41	48	48	48	48	48
Departmental administration (gross) .....		BA	45	43	48	48	48	48	48
		O	45	41	48	48	48	48	48
Change in orders on hand from Federal sources .....		BA	-8	20					
Adjustment to orders on hand from Federal sources .....		BA	1	-20					
Total, offsetting collections .....			-8	-18	-16	-16	-16	-16	-16
Total Departmental administration (net) .....		BA	30	25	32	32	32	32	32
		O	37	23	32	32	32	32	32
Hazardous waste management:									
Appropriation, current .....	304	BA	16	16	16	16	16	16	16
Outlays .....		O	14	16	16	16	16	16	16
Agriculture buildings and facilities and rental payments:									
Appropriation, current .....	352	BA	144	131	156	156	156	156	156
Spending authority from offsetting collections .....		BA	4	5	5	5	5	5	5
Outlays .....		O	161	155	164	161	161	161	161
Agriculture buildings and facilities and rental payments (gross) .....		BA	148	136	161	161	161	161	161
		O	161	155	164	161	161	161	161
Total, offsetting collections .....			-4	-5	-5	-5	-5	-5	-5
Total Agriculture buildings and facilities and rental payments (net) .....		BA	144	131	156	156	156	156	156
		O	157	150	159	156	156	156	156
Outreach for socially disadvantaged farmers:									
Appropriation, current .....	351	BA	1	3	10	10	10	10	10
Spending authority from offsetting collections .....		BA	1						
Outlays .....		O	3	5	10	10	10	10	10
Outreach for socially disadvantaged farmers (gross) .....		BA	2	3	10	10	10	10	10
		O	3	5	10	10	10	10	10
Total, offsetting collections .....			-1						
Total Outreach for socially disadvantaged farmers (net) .....		BA	1	3	10	10	10	10	10
		O	2	5	10	10	10	10	10
Total Federal funds Departmental Administration .....		BA	191	175	214	214	214	214	214
		O	210	194	217	214	214	214	214
<b>Office of Communications</b>									
<i>Federal funds</i>									
<b>General and Special Funds:</b>									
Office of Communications:									
Appropriation, current .....	352	BA	8	8	8	8	8	8	8
Spending authority from offsetting collections .....		BA	2	1	1	1	1	1	1
Outlays .....		O	9	8	9	9	9	9	9
Office of Communications (gross) .....		BA	10	9	9	9	9	9	9
		O	9	8	9	9	9	9	9
Total, offsetting collections .....			-2	-1	-1	-1	-1	-1	-1
Total Office of Communications (net) .....		BA	8	8	8	8	8	8	8
		O	7	7	8	8	8	8	8

**DEPARTMENT OF AGRICULTURE—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>Office of the Inspector General</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Office of the Inspector General:								
Appropriation, current .....	352	BA	63	63	88	88	88	88
Spending authority from offsetting collections .....		BA	2	2	2	1	1	1
Outlays .....		O	65	65	88	89	89	89
Office of the Inspector General (gross) .....		BA	65	65	90	89	89	89
		O	65	65	88	89	89	89
Total, offsetting collections .....			-2	-2	-2	-1	-1	-1
Total Office of the Inspector General (net) .....		BA	63	63	88	88	88	88
		O	63	63	86	88	88	88
<b>Office of the General Counsel</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Office of the General Counsel:								
Appropriation, current .....	352	BA	28	29	30	30	30	30
Spending authority from offsetting collections .....		BA	1	1	1	1	1	1
Outlays .....		O	28	28	31	31	31	31
Office of the General Counsel (gross) .....		BA	29	30	31	31	31	31
		O	28	28	31	31	31	31
Total, offsetting collections .....			-1	-1	-1	-1	-1	-1
Total Office of the General Counsel (net) .....		BA	28	29	30	30	30	30
		O	27	27	30	30	30	30
<b>Economic Research Service</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Economic research service:								
Appropriation, current .....	352	BA	53	72	56	56	56	56
Spending authority from offsetting collections .....		BA	6	6	6	6	6	6
Outlays .....		O	54	78	65	62	62	62
Economic research service (gross) .....		BA	59	78	62	62	62	62
		O	54	78	65	62	62	62
Total, offsetting collections .....			-6	-6	-6	-6	-6	-6
Total Economic research service (net) .....		BA	53	72	56	56	56	56
		O	48	72	59	56	56	56
<b>National Agricultural Statistics Service</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
National agricultural statistics service:								
Appropriation, current .....	352	BA	100	118	107	97	97	118
Spending authority from offsetting collections .....		BA	10	10	10	10	10	10
Outlays .....		O	100	125	118	108	107	126
National agricultural statistics service (gross) .....		BA	110	128	117	107	107	128
		O	100	125	118	108	107	126
Total, offsetting collections .....			-10	-10	-10	-10	-10	-10
Total National agricultural statistics service (net) .....		BA	100	118	107	97	97	118
		O	90	115	108	98	97	116

**DEPARTMENT OF AGRICULTURE—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>Agricultural Research Service</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Agricultural Research Service:								
Appropriation, current	352 BA	717	745	777	788	783	785	785
Spending authority from offsetting collections	BA	36	42	42	42	42	42	42
Outlays	O	762	785	813	827	826	827	827
Agricultural Research Service (gross)	BA	753	787	819	830	825	827	827
	O	762	785	813	827	826	827	827
Total, offsetting collections		-36	-42	-42	-42	-42	-42	-42
Total Agricultural Research Service (net)	BA	717	745	777	788	783	785	785
	O	726	743	771	785	784	785	785
Buildings and facilities:								
Appropriation, current	352 BA	69	79	36	36	36	36	36
Outlays	O	31	65	70	63	41	38	36
<i>Trust funds</i>								
Miscellaneous contributed funds:								
Appropriation, permanent	352 BA	14	15	15	15	15	15	16
Outlays	O	13	14	14	14	14	14	14
Total Federal funds Agricultural Research Service	BA	786	824	813	824	819	821	821
	O	757	808	841	848	825	823	821
Total Trust funds Agricultural Research Service	BA	14	15	15	15	15	15	16
	O	13	14	14	14	14	14	14
<b>Cooperative State Research, Education, and Extension Service</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Integrated research, education, and extension competitive grants program:								
Appropriation, current	352 BA			∕4	∕4	∕4	∕4	∕4
Outlays	O			∕2	∕4	∕4	∕4	∕4
Research and education activities:								
Appropriation, current	352 BA	426	436	417	417	412	412	412
Spending authority from offsetting collections	BA	13	16	∕10	∕10	∕10	∕10	∕10
Outlays	O	415	431	437	441	440	428	428
				∕1	∕5	∕8	∕10	∕10
Research and education activities (gross)	BA	439	452	443	443	438	438	438
	O	415	431	438	446	448	438	438
Total, offsetting collections		-13	-16	-16	-16	-16	-16	-16
Total Research and education activities (net)	BA	426	436	427	427	422	422	422
	O	402	415	422	430	432	422	422
Buildings and facilities:								
Appropriation, current	352 BA	62						
Outlays	O	49	55	40	25	15		
Extension activities:								
Appropriation, current	352 BA	426	423	419	419	419	419	419
Spending authority from offsetting collections	BA	14	25	25	25	25	25	26
Outlays	O	434	447	445	444	444	444	445
Extension activities (gross)	BA	440	448	444	444	444	444	445
	O	434	447	445	444	444	444	445
Total, offsetting collections		-14	-25	-25	-25	-25	-25	-26
Total Extension activities (net)	BA	426	423	419	419	419	419	419
	O	420	422	420	419	419	419	419
Total Federal funds Cooperative State Research, Education, and Extension Service	BA	914	859	850	850	845	845	845
	O	871	892	884	878	870	845	845

**DEPARTMENT OF AGRICULTURE—Continued**  
(In millions of dollars)

Account		1997 actual	estimate						
			1998	1999	2000	2001	2002	2003	
<b>Animal and Plant Health Inspection Service</b>									
<i>Federal funds</i>									
<b>General and Special Funds:</b>									
Salaries and expenses:									
Appropriation, current .....	352	BA	435	427	418	418	418	418	318
Appropriation, permanent .....		BA	15	41	44	48	53	59	164
Spending authority from offsetting collections .....		BA	54	54	55	55	55	55	56
					∕10	∕10	∕10	∕10	∕10
Outlays .....		O	543	460	517	521	526	531	537
					∕10	∕10	∕10	∕10	∕10
Salaries and expenses (gross) .....		BA	504	522	527	531	536	542	548
		O	543	460	527	531	536	541	547
Total, offsetting collections .....			-54	-54	-55	-55	-55	-55	-56
					∕-10	∕-10	∕-10	∕-10	∕-10
Total Salaries and expenses (net) .....		BA	450	468	462	466	471	477	482
		O	489	406	462	466	471	476	481
Buildings and facilities:									
Appropriation, current .....	352	BA	3	4	5	7	7	7	7
Outlays .....		O	9	17	8	26	7	7	7
<i>Trust funds</i>									
Miscellaneous trust funds:									
Appropriation, permanent .....	352	BA	11	7	7	7	7	7	7
Outlays .....		O	9	7	7	7	7	7	7
Total Federal funds Animal and Plant Health Inspection Service .....		BA	453	472	467	473	478	484	489
		O	498	423	470	492	478	483	488
Total Trust funds Animal and Plant Health Inspection Service .....		BA	11	7	7	7	7	7	7
		O	9	7	7	7	7	7	7

**Food Safety and Inspection Service**

*Federal funds*

<b>General and Special Funds:</b>									
Salaries and expenses:									
Appropriation, current .....	554	BA	574	589	150	47	42	42	42
Spending authority from offsetting collections .....		BA	81	82	82	82	82	82	82
					∕473	∕573	∕573	∕573	∕573
Outlays .....		O	651	671	233	133	124	124	124
					∕473	∕573	∕573	∕573	∕573
Salaries and expenses (gross) .....		BA	655	671	705	702	697	697	697
		O	651	671	706	706	697	697	697
Total, offsetting collections .....			-81	-82	-82	-82	-82	-82	-82
					∕-473	∕-573	∕-573	∕-573	∕-573
Total Salaries and expenses (net) .....		BA	574	589	150	47	42	42	42
		O	570	589	151	51	42	42	42
<i>Trust funds</i>									
Expenses and refunds, inspection and grading of farm products:									
Appropriation, permanent .....	352	BA	4	5	5	5	5	5	5
Outlays .....		O	4	5	5	5	5	5	5

**Grain Inspection, Packers and Stockyards Administration**

*Federal funds*

<b>General and Special Funds:</b>									
Salaries and expenses:									
Appropriation, current .....	352	BA	23	24	12	5	5	5	5
Spending authority from offsetting collections .....		BA			∕17	∕21	∕21	∕21	∕21



**DEPARTMENT OF AGRICULTURE—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	23	24	14	5	5	5	5
				'17	'21	'21	'21	'21
Salaries and expenses (gross) .....	BA	23	24	29	26	26	26	26
	O	23	24	31	26	26	26	26
Total, offsetting collections .....				'17	'21	'21	'21	'21
Total Salaries and expenses (net) .....	BA	23	24	12	5	5	5	5
	O	23	24	14	5	5	5	5
<b>Public Enterprise Funds:</b>								
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	23	24	12	5	5	5	5
	O	23	24	14	5	5	5	5

**Agricultural Marketing Service**

*Federal funds*

**General and Special Funds:**

Marketing services:

Appropriation, current .....	352 BA	39	47	58	58	58	58	58
Spending authority from offsetting collections .....	BA	52	63	64	64	64	64	66
Outlays .....	O	94	105	120	122	122	122	124
Limitation on administrative level .....		(59)	(60)	(60)	(60)	(60)	(60)	(62)
Marketing services (gross) .....	BA	91	110	122	122	122	122	124
	O	94	105	120	122	122	122	124
Total, offsetting collections .....		-52	-63	-64	-64	-64	-64	-66
Total Marketing services (net) .....	BA	39	47	58	58	58	58	58
	O	42	42	56	58	58	58	58

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	9	9	7	7	7	7	7
Outlays .....	O	10	7	8	7	7	7	7

Funds for strengthening markets, income, and supply (section 32):

Appropriation, permanent .....	605 BA	423	513	450	417	417	417	417
Spending authority from offsetting collections .....	BA	1	1	1	1	1	1	1
Outlays .....	O	550	480	417	417	417	417	417
Funds for strengthening markets, income, and supply (section 32) (gross) .....	BA	424	514	451	418	418	418	418
	O	550	480	417	417	417	417	417
Total, offsetting collections .....		-1	-1	-1	-1	-1	-1	-1
Total Funds for strengthening markets, income, and supply (section 32) (net) .....	BA	423	513	450	417	417	417	417
	O	549	479	416	416	416	416	416

*Trust funds*

Miscellaneous trust funds:

Appropriation, permanent .....	352 BA	103	106	106	106	106	106	106
Outlays .....	O	109	106	106	106	106	106	106

Milk market orders assessment fund:

Spending authority from offsetting collections .....	351 BA	36	39	41	42	42	42	42
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**DEPARTMENT OF AGRICULTURE—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	36	39	41	42	42	42	42
Milk market orders assessment fund (gross) .....	BA	36	39	41	42	42	42	42
	O	36	39	41	42	42	42	42
Total, offsetting collections .....		-36	-39	-41	-42	-42	-42	-42
Total Milk market orders assessment fund (net) .....	BA							
	O							
Total Federal funds Agricultural Marketing Service .....	BA	472	570	516	483	483	483	483
	O	602	529	481	482	482	482	482
Total Trust funds Agricultural Marketing Service .....	BA	103	106	106	106	106	106	106
	O	109	106	106	106	106	106	106

**Risk Management Agency**

*Federal funds*

**General and Special Funds:**

Administrative and operating expenses:

Appropriation, current .....	351 BA	64	252	66	66	66	66	66
Outlays .....	O	53	227	84	66	66	66	66

**Public Enterprise Funds:**

Federal crop insurance corporation fund:

Appropriation, current .....	351 BA	1,785	700	1,504	1,592	1,675	1,736	1,808
				<sup>B</sup> 205	<sup>B</sup> 79	<sup>B</sup> 89	<sup>B</sup> 98	<sup>B</sup> 108
Spending authority from offsetting collections .....	BA	502	846	872	921	970	1,007	1,051
Outlays .....	O	1,474	2,016	2,424	2,475	2,609	2,719	2,830
				<sup>B</sup> 185	<sup>B</sup> 108	<sup>B</sup> 88	<sup>B</sup> 97	<sup>B</sup> 107

Federal crop insurance corporation fund (gross) .....	BA	2,287	1,546	2,581	2,592	2,734	2,841	2,967
	O	1,474	2,016	2,609	2,583	2,697	2,816	2,937

Total, offsetting collections .....		-502	-846	-872	-921	-970	-1,007	-1,051
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Total Federal crop insurance corporation fund (net) .....	BA	1,785	700	1,709	1,671	1,764	1,834	1,916
	O	972	1,170	1,737	1,662	1,727	1,809	1,886

Total Federal funds Risk Management Agency .....	BA	1,849	952	1,775	1,737	1,830	1,900	1,982
	O	1,025	1,397	1,821	1,728	1,793	1,875	1,952

**Farm Service Agency**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	351 BA	747	701	723	602	541	516	516
Spending authority from offsetting collections .....	BA	292	290	304	304	304	304	304
				<sup>J</sup> 10	<sup>J</sup> 15	<sup>J</sup> 15	<sup>J</sup> 25	<sup>J</sup> 25
Outlays .....	O	1,048	891	1,023	924	854	824	820
				<sup>J</sup> 10	<sup>J</sup> 15	<sup>J</sup> 15	<sup>J</sup> 25	<sup>J</sup> 25

Salaries and expenses (gross) .....	BA	1,039	991	1,037	921	860	845	845
	O	1,048	891	1,033	939	869	849	845

Total, offsetting collections .....		-292	-290	-304	-304	-304	-304	-304
				<sup>J</sup> -10	<sup>J</sup> -15	<sup>J</sup> -15	<sup>J</sup> -25	<sup>J</sup> -25

Total Salaries and expenses (net) .....	BA	747	701	723	602	541	516	516
	O	756	601	719	620	550	520	516

State mediation grants:

Appropriation, current .....	351 BA	2	2	4	4	4	4	4
Outlays .....	O	3	2	3	4	4	4	4

Tree assistance program:

Appropriation, current .....	351 BA	9						
Outlays .....	O		3	3				

Conservation reserve program:

Outlays .....	302 O	20	63	24	4	2	2	
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Agricultural conservation program:

Outlays .....	302 O	64	44	12	11	9		
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**DEPARTMENT OF AGRICULTURE—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Emergency conservation program:								
Appropriation, current	453 BA	95						
Outlays	O	32	102					
<b>Public Enterprise Funds:</b>								
Commodity credit corporation fund								
(Conservation and land management):								
(Authority to borrow, permanent)	302 BA	1,968	2,279	2,063	2,093	2,068	2,104	2,049
				<i>B 100</i>	<i>B 100</i>	<i>B 50</i>	<i>B 50</i>	<i>B 50</i>
(Outlays)	O	1,776	2,096	2,041	2,065	2,111	2,094	2,078
				<i>B 13</i>	<i>B 49</i>	<i>B 70</i>	<i>B 59</i>	<i>B 52</i>
Total (Conservation and land management)	BA	1,968	2,279	2,163	2,193	2,118	2,154	2,099
	O	1,776	2,096	2,054	2,114	2,181	2,153	2,130
(Farm income stabilization):								
(Authority to borrow, permanent)	351 BA	6,713	6,463	6,629	6,221	4,840	4,790	4,813
				<i>B -340</i>	<i>B -407</i>	<i>B -258</i>	<i>B -258</i>	<i>B -270</i>
(Spending authority from offsetting collections)	BA	7,117	8,206	9,303	9,324	8,724	8,130	7,819
(Outlays)	O	12,620	14,924	16,197	15,822	13,818	13,162	12,880
				<i>B -340</i>	<i>B -407</i>	<i>B -258</i>	<i>B -258</i>	<i>B -270</i>
Commodity credit corporation fund (gross)	BA	15,798	16,948	17,755	17,331	15,424	14,816	14,461
	O	14,396	17,020	17,911	17,529	15,741	15,057	14,740
Total, offsetting collections		-7,117	-8,206	-9,303	-9,324	-8,724	-8,130	-7,819
Total (Farm income stabilization) (net)	BA	6,713	6,463	6,289	5,814	4,582	4,532	4,543
	O	5,503	6,718	6,554	6,091	4,836	4,774	4,791
Total Commodity credit corporation fund	BA	8,681	8,742	8,452	8,007	6,700	6,686	6,642
	O	7,279	8,814	8,608	8,205	7,017	6,927	6,921
<b>Credit Accounts:</b>								
Commodity Credit Corporation export loans program account:								
Appropriation, current	351 BA	4	4	4	4	4	4	4
Appropriation, permanent	BA		200	244	253	253	253	253
Spending authority from offsetting collections	BA	277						
Outlays	O	593	389	317	257	257	257	257
Commodity Credit Corporation export loans program account (gross)	BA	281	204	248	257	257	257	257
	O	593	389	317	257	257	257	257
Total, offsetting collections		-277						
Total Commodity Credit Corporation export loans program account (net)	BA	4	204	248	257	257	257	257
	O	316	389	317	257	257	257	257
Commodity credit corporation guaranteed loans liquidating account:								
Spending authority from offsetting collections	351 BA	360	643	505	326	380	396	420
Outlays	O	21	6					
Commodity credit corporation guaranteed loans liquidating account (gross)	BA	360	643	505	326	380	396	420
	O	21	6					
Total, offsetting collections		-360	-643	-505	-326	-380	-396	-420
Total Commodity credit corporation guaranteed loans liquidating account (net)	BA							
	O	-339	-637	-505	-326	-380	-396	-420
Agricultural credit insurance fund program account:								
Appropriation, current	351 BA	396	335	339	339	339	339	339
Appropriation, permanent	BA	143						
Spending authority from offsetting collections	BA	2						
Outlays	O	531	336	342	339	339	339	339
Limitation on direct loan activity		(799)	(646)	(666)	(666)	(666)	(666)	(666)
Limitation on guarantee commitments		(1,575)	(2,331)	(2,325)	(2,325)	(2,325)	(2,325)	(2,325)
Agricultural credit insurance fund program account (gross)	BA	541	335	339	339	339	339	339
	O	531	336	342	339	339	339	339

**DEPARTMENT OF AGRICULTURE—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Total, offsetting collections .....		-2						
Total Agricultural credit insurance fund program account (net) .....	BA	539	335	339	339	339	339	339
	O	529	336	342	339	339	339	339
Agricultural credit insurance fund liquidating account:								
Authority to borrow, permanent .....	351 BA	29						
Spending authority from offsetting collections .....	BA		120	32	50	50	50	40
Outlays .....	O	43	120	32	31	26	25	24
Agricultural credit insurance fund liquidating account (gross) .....	BA	29	120	32	50	50	50	40
	O	43	120	32	31	26	25	24
Total, offsetting collections .....		-1,289	-1,251	-1,201	-1,143	-1,091	-1,086	-980
Total Agricultural credit insurance fund liquidating account (net) .....	BA	-1,260	-1,131	-1,169	-1,093	-1,041	-1,036	-940
	O	-1,246	-1,131	-1,169	-1,112	-1,065	-1,061	-956
Total Federal funds Farm Service Agency .....	BA	8,817	8,853	8,597	8,116	6,800	6,766	6,818
	O	7,414	8,586	8,354	8,002	6,733	6,592	6,661

**Natural Resources Conservation Service**  
*Federal funds*

**General and Special Funds:**

Conservation operations								
(Water resources):								
(Appropriation, current) .....	301 BA	12	11	71	71	71	71	71
(Spending authority from offsetting collections) .....	BA	1	2	8	8	8	8	8
(Outlays) .....	O	13	13	71	77	79	79	79
Conservation operations (gross) .....	BA	13	13	79	79	79	79	79
	O	13	13	71	77	79	79	79
Total, offsetting collections .....		-1	-2	-8	-8	-8	-8	-8
Total (Water resources) (net) .....	BA	12	11	71	71	71	71	71
	O	12	11	63	69	71	71	71
(Conservation and land management):								
(Appropriation, current) .....	302 BA	621	633	671	661	631	616	667
(Spending authority from offsetting collections) .....	BA	106	121	112	115	117	119	121
(Outlays) .....	O	730	765	778	777	752	737	782
				✓10	✓15	✓15	✓25	✓25
				✓10	✓15	✓15	✓25	✓25
Conservation operations (gross) .....	BA	739	765	864	862	834	831	884
	O	742	776	851	861	838	833	878
Total, offsetting collections .....		-106	-121	-112	-115	-117	-119	-121
				✓-10	✓-15	✓-15	✓-25	✓-25
Total (Conservation and land management) (net) .....	BA	621	633	671	661	631	616	667
	O	624	644	666	662	635	618	661
Total Conservation operations .....	BA	633	644	742	732	702	687	738
	O	636	655	729	731	706	689	732
Watershed and flood prevention operations:								
Appropriation, current .....	301 BA	330	101	49	49	49	49	49
Spending authority from offsetting collections .....	BA	20	30	24	24	24	24	24
Outlays .....	O	255	366	92	90	80	73	73
Watershed and flood prevention operations (gross) .....	BA	350	131	73	73	73	73	73
	O	255	366	92	90	80	73	73
Total, offsetting collections .....		-20	-30	-24	-24	-24	-24	-24
Total Watershed and flood prevention operations (net) .....	BA	330	101	49	49	49	49	49
	O	235	336	68	66	56	49	49
Resource conservation and development								
(Conservation and land management):								
(Appropriation, current) .....	302 BA	29	34	34	34	34	34	34

**DEPARTMENT OF AGRICULTURE—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
(Spending authority from offsetting collections) .....	BA	1	1	1	1	1	1	1
(Outlays) .....	O	30	35	35	35	35	35	35
Resource conservation and development (gross) .....	BA	30	35	35	35	35	35	35
	O	30	35	35	35	35	35	35
Total, offsetting collections .....		-1	-1	-1	-1	-1	-1	-1
Total (Conservation and land management) (net) .....	BA	29	34	34	34	34	34	34
	O	29	34	34	34	34	34	34
Total Resource conservation and development .....	BA	29	34	34	34	34	34	34
	O	29	34	34	34	34	34	34
Great plains conservation program:								
Outlays .....	302 O	5	4	3	3	1	1	1
Forestry incentives program:								
Appropriation, current .....	302 BA	6	6					
Outlays .....	O	6	6	5	4	2	2	
Water bank program:								
Outlays .....	302 O	10	8	6	6	6	4	
Colorado river basin salinity control program:								
Outlays .....	304 O	3	4	1				
Wetlands reserve program:								
Outlays .....	302 O	47	38	26				
Wildlife habitat incentive program:								
Outlays .....	302 O		8	11	20			
Rural clean water program:								
Outlays .....	304 O	1	1	1				
	<i>Trust funds</i>							
Miscellaneous contributed funds								
(Conservation and land management):								
(Appropriation, permanent) .....	302 BA	1						
(Outlays) .....	O	2	5	4	4			
Total Miscellaneous contributed funds .....	BA	1						
	O	2	5	4	4			
Total Federal funds Natural Resources Conservation Service .....	BA	998	785	825	815	785	770	821
	O	972	1,094	884	864	805	779	816
Total Trust funds Natural Resources Conservation Service .....	BA	1						
	O	2	5	4	4			

**Rural Development**

*Federal funds*

**General and Special Funds:**

Rural empowerment zones/enterprise community grants:

Appropriation, current .....	452 BA			B 20	B 20	B 20	B 20	B 20
Outlays .....	O				B 7	B 16	B 19	B 19

**Credit Accounts:**

Rural community advancement program

(Area and regional development):

(Appropriation, current) .....	452 BA	638	652	715	715	715	715	715
(Appropriation, permanent) .....	BA	24						
(Spending authority from offsetting collections) .....	BA	12	1					
(Outlays) .....	O	645	654	650	664	699	703	714
(Limitation on direct loan activity) .....		(953)	(947)	(1,014)	(1,014)	(1,014)	(1,014)	(1,014)
(Limitation on loan guarantee commitments) .....		(975)	(1,228)	(1,285)	(1,285)	(1,285)	(1,285)	(1,285)

Rural community advancement program (gross) .....	BA	674	653	715	715	715	715	715
	O	645	654	650	664	699	703	714

**DEPARTMENT OF AGRICULTURE—Continued**  
(In millions of dollars)

Account	1997 actual	estimate					
		1998	1999	2000	2001	2002	2003
Total, offsetting collections .....	-12	-1					
Total (Area and regional development) (net) .....	BA 662	652	715	715	715	715	715
	O 633	653	650	664	699	703	714
Total Rural community advancement program .....	BA 662	652	715	715	715	715	715
	O 633	653	650	664	699	703	714
Total Federal funds Rural Development .....	BA 662	652	735	735	735	735	735
	O 633	653	650	671	715	722	733

**Rural Utilities Service**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	452 BA	33	33	33	33	33	33	34
Spending authority from offsetting collections .....	BA	34	33	35	37	37	37	38
Outlays .....	O	70	66	68	72	72	70	72
Salaries and expenses (gross) .....	BA	67	66	68	70	70	70	72
	O	70	66	68	72	72	70	72
Total, offsetting collections .....		-34	-33	-35	-37	-37	-37	-38
Total Salaries and expenses (net) .....	BA	33	33	33	33	33	33	34
	O	36	33	33	35	35	33	34

Salaries and expenses (Rural Electrification Administration):

Outlays .....	271 O	1						
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**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	66	67	67	67	67	67
				1	1	1	1	1
Appropriation, permanent .....	BA	144						
Outlays .....	O	256	126	99	71	65	63	67
						1	1	1
Limitation on direct loan activity .....		(1,319)	(1,420)	(1,075)	(1,075)	(1,075)	(1,075)	(1,075)
				(400)				
Total Rural electrification and telecommunications loans program account .....	BA	210	66	68	68	68	68	68
	O	256	126	99	71	66	64	68

Rural electrification and telecommunications liquidating account:

Appropriation, current .....	271 BA		-6	-4	-4	-4	-4	-4
Appropriation, permanent .....	BA	18	18	18	18	18	18	18
Authority to borrow, permanent .....	BA	2,157						
Spending authority from offsetting collections .....	BA	816	2,105	2,753	1,290	1,084	1,305	794
Outlays .....	O	2,406	2,487	1,226	1,226	1,226	1,226	1,226
Rural electrification and telecommunications liquidating account (gross) .....	BA	2,991	2,117	2,767	1,304	1,098	1,319	808
	O	2,406	2,487	1,226	1,226	1,226	1,226	1,226
Total, offsetting collections .....		-3,310	-2,893	-3,387	-2,171	-1,962	-1,769	-1,592
Total Rural electrification and telecommunications liquidating account (net) .....	BA	-319	-776	-620	-867	-864	-450	-784
	O	-904	-406	-2,161	-945	-736	-543	-366

**DEPARTMENT OF AGRICULTURE—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					2003
			1998	1999	2000	2001	2002	
<b>Rural telephone bank program account:</b>								
Appropriation, current	452 BA	6	7	8	8	8	8	8
Appropriation, permanent	BA	10						
Outlays	O	14	6	6	7	8	9	9
Limitation on direct loan activity		(176)	(175)	(175)	(175)	(175)	(175)	(175)
<b>Total Rural telephone bank program account</b>	<b>BA</b>	<b>16</b>	<b>7</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>
	<b>O</b>	<b>14</b>	<b>6</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>9</b>
<b>Rural telephone bank liquidating account:</b>								
Appropriation, current	452 BA			-8	-8	-8	-8	-8
Appropriation, permanent	BA	-18	-18	-18	-18	-18	-18	-18
Spending authority from offsetting collections	BA	548	159	188	208	208	204	201
Outlays	O	50	42	42				
<b>Rural telephone bank liquidating account (gross)</b>	<b>BA</b>	<b>530</b>	<b>141</b>	<b>162</b>	<b>182</b>	<b>182</b>	<b>178</b>	<b>175</b>
	<b>O</b>	<b>50</b>	<b>42</b>	<b>42</b>				
<b>Total, offsetting collections</b>		<b>-602</b>	<b>-193</b>	<b>-213</b>	<b>-213</b>	<b>-213</b>	<b>-209</b>	<b>-206</b>
<b>Total Rural telephone bank liquidating account (net)</b>	<b>BA</b>	<b>-72</b>	<b>-52</b>	<b>-51</b>	<b>-31</b>	<b>-31</b>	<b>-31</b>	<b>-31</b>
	<b>O</b>	<b>-552</b>	<b>-151</b>	<b>-171</b>	<b>-213</b>	<b>-213</b>	<b>-209</b>	<b>-206</b>
<b>Distance learning and telemedicine program:</b>								
Appropriation, current	452 BA	9	13	15	15	15	15	15
Spending authority from offsetting collections	BA	7						
Outlays	O	11	22	25	15	15	15	15
Limitation on direct loan activity		(150)	(150)	(150)	(150)	(150)	(150)	(154)
<b>Distance learning and telemedicine program (gross)</b>	<b>BA</b>	<b>16</b>	<b>13</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>
	<b>O</b>	<b>11</b>	<b>22</b>	<b>25</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>
<b>Total, offsetting collections</b>		<b>-7</b>						
<b>Total Distance learning and telemedicine program (net)</b>	<b>BA</b>	<b>9</b>	<b>13</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>
	<b>O</b>	<b>4</b>	<b>22</b>	<b>25</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>
<b>Rural development insurance fund liquidating account:</b>								
Appropriation, permanent	452 BA	132		140	195	210	55	-175
Authority to borrow, permanent	BA		236	307	260	918	1,396	145
Spending authority from offsetting collections	BA	503	427	452	427	404	383	363
Outlays	O	647	673	648	601	580	409	171
<b>Rural development insurance fund liquidating account (gross)</b>	<b>BA</b>	<b>635</b>	<b>663</b>	<b>899</b>	<b>882</b>	<b>1,532</b>	<b>1,834</b>	<b>333</b>
	<b>O</b>	<b>647</b>	<b>673</b>	<b>648</b>	<b>601</b>	<b>580</b>	<b>409</b>	<b>171</b>
<b>Total, offsetting collections</b>		<b>-503</b>	<b>-477</b>	<b>-452</b>	<b>-427</b>	<b>-404</b>	<b>-383</b>	<b>-363</b>
<b>Total Rural development insurance fund liquidating account (net)</b>	<b>BA</b>	<b>132</b>	<b>186</b>	<b>447</b>	<b>455</b>	<b>1,128</b>	<b>1,451</b>	<b>-30</b>
	<b>O</b>	<b>144</b>	<b>196</b>	<b>196</b>	<b>174</b>	<b>176</b>	<b>26</b>	<b>-192</b>
<i>Trust funds</i>								
<b>Rural telephone bank equity fund:</b>								
Outlays	452 O	413						
<b>Total Federal funds Rural Utilities Service</b>	<b>BA</b>	<b>11</b>	<b>-521</b>	<b>-98</b>	<b>-317</b>	<b>359</b>	<b>1,096</b>	<b>-718</b>
	<b>O</b>	<b>-999</b>	<b>-172</b>	<b>-1,971</b>	<b>-854</b>	<b>-647</b>	<b>-603</b>	<b>-636</b>
<b>Total Trust funds Rural Utilities Service</b>	<b>O</b>	<b>413</b>						
<b>Rural Housing Service</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
<b>Salaries and expenses:</b>								
Appropriation, current	452 BA	61	59	61	61	61	61	61
Spending authority from offsetting collections	BA	423	412	415	415	388	386	415
Outlays	O	466	418	465	471	453	448	472
<b>Salaries and expenses (gross)</b>	<b>BA</b>	<b>484</b>	<b>471</b>	<b>476</b>	<b>476</b>	<b>449</b>	<b>447</b>	<b>476</b>
	<b>O</b>	<b>466</b>	<b>418</b>	<b>465</b>	<b>471</b>	<b>453</b>	<b>448</b>	<b>472</b>

DEPARTMENT OF AGRICULTURE—Continued  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Total, offsetting collections .....		-423	-412	-415	-415	-388	-386	-415
Total Salaries and expenses (net) .....	BA O	61 43	59 6	61 50	61 56	61 65	61 62	61 57
Salaries and expenses (Farmers Home Administration):								
Outlays .....	452 O	18						
Rural housing assistance grants								
(Housing assistance):								
(Appropriation, current) .....	604 BA	30	46	47	47	47	47	47
(Spending authority from offsetting collections) .....	BA	1						
(Outlays) .....	O	48	63	51	52	48	47	47
Rural housing assistance grants (gross) .....	BA O	31 48	46 63	47 51	47 52	47 48	47 47	47 47
Total, offsetting collections .....		-1						
Total (Housing assistance) (net) .....	BA O	30 47	46 63	47 51	47 52	47 48	47 47	47 47
Total Rural housing assistance grants .....	BA O	30 47	46 63	47 51	47 52	47 48	47 47	47 47
Rental assistance program:								
Appropriation, current .....	604 BA	524	541	583	665	661	672	657
Outlays .....	O	512	538	563	593	617	643	661
Rural housing voucher program:								
Outlays .....	604 O	1	1	1	1			
Mutual and self-help housing grants:								
Appropriation, current .....	604 BA	26	26	26	26	26	26	26
Outlays .....	O	16	22	23	24	24	26	26
Rural community fire protection grants:								
Appropriation, current .....	452 BA	1	2					
Outlays .....	O	2	1	1				
<b>Credit Accounts:</b>								
Rural housing insurance fund program account:								
Appropriation, current .....	371 BA	556	581	571	570	543	541	570
Appropriation, permanent .....	BA	19						
Spending authority from offsetting collections .....	BA	16						
Outlays .....	O	615	620	585	580	545	539	568
Limitation on direct loan activity .....		(810)	(1,200)	(1,197)	(1,197)	(1,197)	(1,197)	(1,197)
Limitation on guarantee commitments .....		(2,728)	(3,020)	(3,150)	(3,150)	(3,150)	(3,150)	(3,150)
Rural housing insurance fund program account (gross) .....	BA O	591 615	581 620	571 585	570 580	543 545	541 539	570 568
Total, offsetting collections .....		-16						
Total Rural housing insurance fund program account (net) .....	BA O	575 599	581 620	571 585	570 580	543 545	541 539	570 568
Rural housing insurance fund liquidating account:								
Appropriation, permanent .....	371 BA	2,250	1,584	1,037	200			
Spending authority from offsetting collections .....	BA				494	467	426	505
Outlays .....	O	2,278	1,585	1,114	740	543	500	495
Rural housing insurance fund liquidating account (gross) .....	BA O	2,250 2,278	1,584 1,585	1,037 1,114	694 740	467 543	426 500	505 495
Total, offsetting collections .....		-2,320	-2,319	-2,212	-2,079	-1,952	-1,826	-1,705
Total Rural housing insurance fund liquidating account (net) .....	BA O	-70 -42	-735 -734	-1,175 -1,098	-1,385 -1,339	-1,485 -1,409	-1,400 -1,326	-1,200 -1,210
Total Federal funds Rural Housing Service .....	BA O	1,147 1,196	520 517	113 176	-16 -33	-147 -110	-53 -9	161 149



**DEPARTMENT OF AGRICULTURE—Continued**  
(In millions of dollars)

Account	1997 actual	estimate						
		1998	1999	2000	2001	2002	2003	
<b>Rural Business — Cooperative Service</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses								
(Area and regional development):								
(Appropriation, current) .....	452 BA	26	26	26	26	26	26	26
(Spending authority from offsetting collections) .....	BA	10	10	10	10	10	10	10
(Outlays) .....	O	28	36	36	36	36	36	36
Salaries and expenses (gross) .....	BA	36	36	36	36	36	36	36
	O	28	36	36	36	36	36	36
Total, offsetting collections .....		-10	-10	-10	-10	-10	-10	-10
Total (Area and regional development) (net) .....	BA	26	26	26	26	26	26	26
	O	18	26	26	26	26	26	26
Total Salaries and expenses .....	BA	26	26	26	26	26	26	26
	O	18	26	26	26	26	26	26
Salaries and expenses (Rural Development Administration):								
Outlays .....	452 O	5	2	1				
Rural cooperative development grants:								
Appropriation, current .....	452 BA	3	3	6	4	4	4	4
Outlays .....	O	2	4	6	5	4	4	4
Rural economic development grants:								
Spending authority from offsetting collections .....	452 BA	1	4	4	4	4	4	4
Outlays .....	O	13	15	11	9	9	7	5
Rural economic development grants (gross) .....	BA	1	4	4	4	4	4	4
	O	13	15	11	9	9	7	5
Change in orders on hand from Federal sources .....	BA	7	-3					
Total, offsetting collections .....		-8	-1	-4	-4	-4	-4	-4
Total Rural economic development grants (net) .....	BA							
	O	5	14	7	5	5	3	1
<b>Public Enterprise Funds:</b>								
Alternative agricultural research and commercialization corporation revolving fund:								
Appropriation, current .....	352 BA	7	7	10	10	10	10	10
Spending authority from offsetting collections .....	BA	1						
Outlays .....	O	9	8	7	9	10	10	10
Alternative agricultural research and commercialization corporation revolving fund (gross) .....	BA	8	7	10	10	10	10	10
	O	9	8	7	9	10	10	10
Total, offsetting collections .....		-1						
Total Alternative agricultural research and commercialization corporation revolving fund (net) .....	BA	7	7	10	10	10	10	10
	O	8	8	7	9	10	10	10
National sheep industry improvement center revolving fund:								
Appropriation, permanent .....	452 BA	20						
Outlays .....	O		1	1				
<b>Credit Accounts:</b>								
Rural development loan fund program account:								
Appropriation, current .....	452 BA	17	20	22	22	22	22	22
Outlays .....	O	25	36	30	25	22	21	20
Limitation on direct loan activity .....		(37)	(35)	(35)	(35)	(35)	(35)	(35)
Rural development loan fund liquidating account:								
Outlays .....	452 O	3	1	1				
Rural development loan fund liquidating account (gross) .....	O	3	1	1				
Total, offsetting collections .....		-3	-4	-4	-4	-4	-4	-3
Total Rural development loan fund liquidating account (net) .....	BA	-3	-4	-4	-4	-4	-4	-3
	O		-3	-3	-4	-4	-4	-3

**DEPARTMENT OF AGRICULTURE—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					2003
			1998	1999	2000	2001	2002	
Rural economic development loans program account:								
Appropriation, current	452 BA	3	6	4	4	4	4	4
Appropriation, permanent	BA	1						
Outlays	O	5	4	5	3	4	4	4
Limitation on direct loan activity		(12)	(25)	(15)	(15)	(15)	(15)	(15)
Total Rural economic development loans program account	BA O	4 5	6 4	4 5	4 3	4 4	4 4	4 4
Rural economic development loans liquidating account:								
Spending authority from offsetting collections	271 BA	1	2	2	2	2	2	2
Outlays	O	-1	-2	-2	-2	-2	-2	-2
Rural economic development loans liquidating account (gross)	BA O	1 -1	2 -2	2 -2	2 -2	2 -2	2 -2	2 -2
Total, offsetting collections		-1	-2	-2	-2	-2	-2	-2
Total Rural economic development loans liquidating account (net)	BA O	-2 -2	-4 -4	-4 -4	-4 -4	-4 -4	-4 -4	-4 -4
Total Federal funds Rural Business — Cooperative Service	BA O	74 66	58 88	64 76	62 65	62 63	62 60	63 58

**Foreign Agricultural Service**

*Federal funds*

**General and Special Funds:**

Foreign agricultural service and general sales manager:								
Appropriation, current	352 BA	137	140	141	141	141	141	141
Spending authority from offsetting collections	BA	53	54	44	44	44	44	44
Outlays	O	174	182	181	185	185	185	185
Foreign agricultural service and general sales manager (gross)	BA O	190 174	194 182	185 181	185 185	185 185	185 185	185 185
Total, offsetting collections		-53	-54	-44	-44	-44	-44	-44
Total Foreign agricultural service and general sales manager (net)	BA O	137 121	140 128	141 137	141 141	141 141	141 141	141 141

Scientific activities overseas (foreign currency program):

Outlays	352 O	1	1	1	1	1	1	1
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P.L. 480 Grants — Titles II and III:

Appropriation, current	151 BA	867	867	867	886	904	923	943
Outlays	O	760	915	866	878	896	915	934

Public law 480 title I ocean freight differential grants:

Appropriation, current	351 BA	13	18	9	9	9	9	9
Outlays	O	11	31	13	9	9	9	9

**Credit Accounts:**

P.L. 480 program account:

Appropriation, current	351 BA	188	179	91	91	91	91	91
Outlays	O	128	193	127	97	91	91	91
Limitation on direct loan activity		(186)	(227)	(102)	(102)	(102)	(102)	(102)

Expenses, Public Law 480, foreign assistance programs, Agriculture liquidating account:

Spending authority from offsetting collections	151 BA	6		18	6			
Outlays	O				6			

Expenses, Public Law 480, foreign assistance programs, Agriculture liquidating account (gross)

	BA O	6 6		18 6	6 6			
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Total, offsetting collections		-565	-604	-539	-514	-506	-502	-495
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Total Expenses, Public Law 480, foreign assistance programs, Agriculture liquidating account (net)

	BA O	-559 -565	-604 -604	-521 -539	-508 -508	-506 -506	-502 -502	-495 -495
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*Trust funds*

Miscellaneous contributed funds:

Appropriation, permanent	352 BA	1	1	1	1	1	1	1
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**DEPARTMENT OF AGRICULTURE—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	1	1	1	1	1	1	1
Total Federal funds Foreign Agricultural Service .....	BA	<b>646</b>	<b>600</b>	<b>587</b>	<b>619</b>	<b>639</b>	<b>662</b>	<b>689</b>
	O	456	664	605	618	632	655	681
Total Trust funds Foreign Agricultural Service .....	BA	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
	O	1	1	1	1	1	1	1

**Food and Nutrition Service**

*Federal funds*

**General and Special Funds:**

Food program administration:								
Appropriation, current .....	605 BA	106	108	112	112	112	112	112
Spending authority from offsetting collections .....	BA	1	1	1	1	1	1	1
Outlays .....	O	106	108	113	113	113	113	113
Food program administration (gross) .....	BA	<b>107</b>	<b>109</b>	<b>113</b>	<b>113</b>	<b>113</b>	<b>113</b>	<b>113</b>
	O	106	108	113	113	113	113	113
Total, offsetting collections .....		-1	-1	-1	-1	-1	-1	-1
Total Food program administration (net) .....	BA	<b>106</b>	<b>108</b>	<b>112</b>	<b>112</b>	<b>112</b>	<b>112</b>	<b>112</b>
	O	105	107	112	112	112	112	112
Food stamp program:								
Appropriation, current .....	605 BA	27,618	24,825	24,702	20,652	21,321	21,976	22,961
			# 100	# 355	# 315	# 265	# 265	# 280
Advance appropriation .....	BA				5,200	5,500	5,600	6,000
Spending authority from offsetting collections .....	BA	9	185	235	245	245	245	245
Outlays .....	O	22,866	22,501	23,893	25,085	25,948	26,711	28,082
			# 100	# 375	# 315	# 265	# 265	# 280
Food stamp program (gross) .....	BA	<b>27,627</b>	<b>25,110</b>	<b>25,292</b>	<b>26,412</b>	<b>27,331</b>	<b>28,086</b>	<b>29,486</b>
	O	22,866	22,601	24,268	25,400	26,213	26,976	28,362
Total, offsetting collections .....		-9	-185	-235	-245	-245	-245	-245
Total Food stamp program (net) .....	BA	<b>27,618</b>	<b>24,925</b>	<b>25,057</b>	<b>26,167</b>	<b>27,086</b>	<b>27,841</b>	<b>29,241</b>
	O	22,857	22,416	24,033	25,155	25,968	26,731	28,117
Child nutrition programs:								
Appropriation, current .....	605 BA	3,219	2,932	3,898	4,335	4,769	5,202	5,661
Appropriation, permanent .....	BA	5,440	5,157	5,338	5,338	5,338	5,338	5,338
Outlays .....	O	8,265	8,796	9,073	9,609	10,045	10,478	10,933
Total Child nutrition programs .....	BA	<b>8,659</b>	<b>8,089</b>	<b>9,236</b>	<b>9,673</b>	<b>10,107</b>	<b>10,540</b>	<b>10,999</b>
	O	8,265	8,796	9,073	9,609	10,045	10,478	10,933
Special supplemental nutrition program for women, infants, and children (WIC):								
Appropriation, current .....	605 BA	3,806	3,924	4,081	4,128	4,226	4,325	4,426
Outlays .....	O	3,866	3,949	4,051	4,124	4,219	4,318	4,419
Commodity assistance program:								
Appropriation, current .....	605 BA	307	282	317	317	317	317	317
Outlays .....	O	319	290	315	317	317	317	317
Total Federal funds Food and Nutrition Service .....	BA	<b>40,496</b>	<b>37,328</b>	<b>38,803</b>	<b>40,397</b>	<b>41,848</b>	<b>43,135</b>	<b>45,095</b>
	O	35,412	35,558	37,584	39,317	40,661	41,956	43,898

**Forest Service**

*Federal funds*

**General and Special Funds:**

National forest system:								
Appropriation, current .....	302 BA	1,321	1,348	1,418	1,440	1,462	1,447	1,418
Appropriation, permanent .....	BA		39	15				
Spending authority from offsetting collections .....	BA	77	81	83	92	92	92	94
Outlays .....	O	1,337	1,481	1,510	1,531	1,551	1,541	1,516
National forest system (gross) .....	BA	<b>1,398</b>	<b>1,468</b>	<b>1,516</b>	<b>1,532</b>	<b>1,554</b>	<b>1,539</b>	<b>1,512</b>
	O	1,337	1,481	1,510	1,531	1,551	1,541	1,516

DEPARTMENT OF AGRICULTURE—Continued  
(In millions of dollars)

Account		1997 actual	estimate					2003
			1998	1999	2000	2001	2002	
Total, offsetting collections .....		-77	-81	-83	-92	-92	-92	-94
Total National forest system (net) .....	BA	1,321	1,387	1,433	1,440	1,462	1,447	1,418
	O	1,260	1,400	1,427	1,439	1,459	1,449	1,422
Reconstruction and construction:								
Appropriation, current .....	302 BA	208	165	161	172	186	176	161
Appropriation, permanent .....	BA	5						
Spending authority from offsetting collections .....	BA	5	4	3	5	5	5	5
Outlays .....	O	202	182	196	173	184	183	174
Reconstruction and construction (gross) .....	BA	218	169	164	177	191	181	166
	O	202	182	196	173	184	183	174
Total, offsetting collections .....		-5	-4	-3	-5	-5	-5	-5
Total Reconstruction and construction (net) .....	BA	213	165	161	172	186	176	161
	O	197	178	193	168	179	178	169
Forest and rangeland research:								
Appropriation, current .....	302 BA	181	188	198	199	200	201	201
Spending authority from offsetting collections .....	BA	11	12	12	15	15	15	21
Outlays .....	O	189	181	208	214	215	216	222
Forest and rangeland research (gross) .....	BA	192	200	210	214	215	216	222
	O	189	181	208	214	215	216	222
Total, offsetting collections .....		-11	-12	-12	-15	-15	-15	-21
Total Forest and rangeland research (net) .....	BA	181	188	198	199	200	201	201
	O	178	169	196	199	200	201	201
State and private forestry:								
Appropriation, current .....	302 BA	155	161	163	163	163	163	163
Spending authority from offsetting collections .....	BA	1	1	1	2	2	2	2
Outlays .....	O	157	160	164	165	165	165	165
State and private forestry (gross) .....	BA	156	162	164	165	165	165	165
	O	157	160	164	165	165	165	165
Total, offsetting collections .....		-1	-1	-1	-2	-2	-2	-2
Total State and private forestry (net) .....	BA	155	161	163	163	163	163	163
	O	156	159	163	163	163	163	163
Wildland fire management:								
Appropriation, current .....	302 BA	830	585	554	554	554	554	554
Spending authority from offsetting collections .....	BA	34	23	22	7	7	7	7
Outlays .....	O	768	702	557	561	561	561	561
Wildland fire management (gross) .....	BA	864	608	576	561	561	561	561
	O	768	702	557	561	561	561	561
Total, offsetting collections .....		-34	-23	-22	-7	-7	-7	-7
Total Wildland fire management (net) .....	BA	830	585	554	554	554	554	554
	O	734	679	535	554	554	554	554
Payments to states northern spotted owl guarantee, Forest Service:								
Appropriation, permanent .....	806 BA	135	130	125	120	115	109	104
				<sup>B</sup> 145	<sup>B</sup> 150	<sup>B</sup> 155	<sup>B</sup> 161	<sup>B</sup> 166
Outlays .....	O	135	130	125	120	115	109	104
				<sup>B</sup> 145	<sup>B</sup> 150	<sup>B</sup> 155	<sup>B</sup> 161	<sup>B</sup> 166
Total Payments to states northern spotted owl guarantee, Forest Service .....	BA	135	130	270	270	270	270	270
	O	135	130	270	270	270	270	270
Southeast Alaska economic disaster fund:								
Outlays .....	451 O	47	13	13				
Range betterment fund:								
Appropriation, current .....	302 BA	3	4	3	3	3	4	4
Outlays .....	O	4	4	3	3	3	4	4

**DEPARTMENT OF AGRICULTURE—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>Land acquisition accounts</b>								
(Conservation and land management):								
(Appropriation, current) .....	302 BA	1	1	1	1	1	1	1
(Outlays) .....	O	1	11	1	1	1	1	1
(Recreational resources):								
(Appropriation, current) .....	303 BA	41	220	56	79	95	116	115
(Outlays) .....	O	41	145	112	71	90	109	115
Total Land acquisition accounts .....	BA	42	221	57	80	96	117	116
	O	42	156	113	72	91	110	116
<b>Forest Service permanent appropriations</b>								
(Conservation and land management):								
(Appropriation, permanent) .....	302 BA	212	317	246	215	188	186	182
(Outlays) .....	O	219	259	242	215	188	186	182
(Recreational resources):								
(Appropriation, permanent) .....	303 BA	31						
					<i>B 23</i>	<i>B 23</i>	<i>B 23</i>	<i>B 23</i>
(Outlays) .....	O	28				1	1	1
					<i>B 23</i>	<i>B 23</i>	<i>B 23</i>	<i>B 23</i>
Total (Recreational resources) .....	BA	31			23	23	23	23
	O	28			23	24	24	24
(General purpose fiscal assistance):								
(Appropriation, permanent) .....	806 BA	125	111	142	135	132	127	125
				<i>B -135</i>	<i>B -128</i>	<i>B -125</i>	<i>B -120</i>	<i>B -118</i>
(Outlays) .....	O	125	111	142	135	131	126	124
				<i>B -135</i>	<i>B -128</i>	<i>B -125</i>	<i>B -120</i>	<i>B -118</i>
Total (General purpose fiscal assistance) .....	BA	125	111	7	7	7	7	7
	O	125	111	7	7	6	6	6
Total Forest Service permanent appropriations .....	BA	368	428	253	245	218	216	212
	O	372	370	249	245	218	216	212
<b>Intragovernmental Funds:</b>								
Working capital fund:								
Spending authority from offsetting collections .....	302 BA	146	134	134	134	134	134	134
Outlays .....	O	142	134	134	134	134	134	134
Working capital fund (gross) .....	BA	146	134	134	134	134	134	134
	O	142	134	134	134	134	134	134
Total, offsetting collections .....		-146	-134	-134	-134	-134	-134	-134
Total Working capital fund (net) .....	BA							
	O	-4						
<i>Trust funds</i>								
Forest service trust funds:								
Appropriation, permanent .....	302 BA	210	226	216	250	250	250	250
Outlays .....	O	88	268	216	236	234	234	250
Total Federal funds Forest Service .....	BA	3,248	3,269	3,092	3,126	3,152	3,148	3,099
	O	3,121	3,258	3,162	3,113	3,137	3,145	3,111
Total Trust funds Forest Service .....	BA	210	226	216	250	250	250	250
	O	88	268	216	236	234	234	250
<b>Summary</b>								
Federal funds:								
(As shown in detail above) .....	BA	61,728	56,341	57,952	58,597	59,276	61,444	61,991
	O	53,104	55,451	54,805	56,866	57,059	58,420	60,680
Deductions for offsetting receipts:								
Intrafund transactions .....	352 BA/O	-5	-6	-6	-6	-7	-7	-7

**DEPARTMENT OF AGRICULTURE—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Proprietary receipts from the public	271 BA/O	-62	-2	-3	-3	-3	-3	-3
	302 BA/O	-456	-474	-502	-482	-471	-455	-453
	303 BA/O	-7	-20	-23	1	1	1	1
					-21	-21	-21	-21
	351 BA/O	-226						
	352 BA/O	-1						
	371 BA/O	-101						
	452 BA/O	-25	-4	-7	-7	-7	-7	-7
<b>Total Federal funds</b>	BA	<b>60,845</b>	<b>55,835</b>	<b>57,411</b>	<b>58,076</b>	<b>58,771</b>	<b>60,955</b>	<b>61,504</b>
	O	52,221	54,945	54,264	56,345	56,554	57,931	60,193
<b>Trust funds:</b>								
(As shown in detail above)	BA	345	361	351	385	385	385	386
	O	640	407	354	374	368	368	384
<b>Deductions for offsetting receipts:</b>								
Proprietary receipts from the public	302 BA/O	-180	-196	-186	-182	-178	-175	-174
	352 BA/O	-134	-141	-141	-141	-141	-141	-142
<b>Total Trust funds</b>	BA	<b>31</b>	<b>24</b>	<b>24</b>	<b>62</b>	<b>66</b>	<b>69</b>	<b>70</b>
	O	326	70	27	51	49	52	68
<b>Total Department of Agriculture</b>	BA	<b>60,876</b>	<b>55,859</b>	<b>57,435</b>	<b>58,138</b>	<b>58,837</b>	<b>61,024</b>	<b>61,574</b>
	O	52,547	55,015	54,291	56,396	56,603	57,983	60,261

**DEPARTMENT OF COMMERCE**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>General Administration</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current	376 BA	29	27	32	32	32	32	32
Appropriation, permanent	BA	1						
Spending authority from offsetting collections	BA	42	47	47	47	47	47	47
Outlays	O	72	78	79	79	79	79	79
<b>Salaries and expenses (gross)</b>	BA	<b>72</b>	<b>74</b>	<b>79</b>	<b>79</b>	<b>79</b>	<b>79</b>	<b>79</b>
	O	72	78	79	79	79	79	79
Change in orders on hand from Federal sources	BA	-1						
Total, offsetting collections		-41	-47	-47	-47	-47	-47	-47
<b>Total Salaries and expenses (net)</b>	BA	<b>30</b>	<b>27</b>	<b>32</b>	<b>32</b>	<b>32</b>	<b>32</b>	<b>32</b>
	O	31	31	32	32	32	32	32
Office of the Inspector General:								
Appropriation, current	376 BA	21	20	22	22	21	21	21
Spending authority from offsetting collections	BA	1	1	1	1	1	1	1
Outlays	O	21	22	22	23	22	22	22
<b>Office of the Inspector General (gross)</b>	BA	<b>22</b>	<b>21</b>	<b>23</b>	<b>23</b>	<b>22</b>	<b>22</b>	<b>22</b>
	O	21	22	22	23	22	22	22
Total, offsetting collections		-1	-1	-1	-1	-1	-1	-1
<b>Total Office of the Inspector General (net)</b>	BA	<b>21</b>	<b>20</b>	<b>22</b>	<b>22</b>	<b>21</b>	<b>21</b>	<b>21</b>
	O	20	21	21	22	21	21	21
<b>Intragovernmental Funds:</b>								
Working capital fund:								
Spending authority from offsetting collections	376 BA	72	79	81	95	95	95	95

**DEPARTMENT OF COMMERCE—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	62	79	81	95	95	95	95
Working capital fund (gross) .....	BA	72	79	81	95	95	95	95
	O	62	79	81	95	95	95	95
Change in orders on hand from Federal sources .....	BA	-8						
Total, offsetting collections .....		-64	-79	-81	-95	-95	-95	-95
Total Working capital fund (net) .....	BA							
	O	-2						
<b>Franchise fund:</b>								
Spending authority from offsetting collections .....	376 BA	14	41	33	33	33	33	33
Outlays .....	O	8	41	33	33	33	33	33
Franchise fund (gross) .....	BA	14	41	33	33	33	33	33
	O	8	41	33	33	33	33	33
Change in orders on hand from Federal sources .....	BA	-4						
Total, offsetting collections .....		-10	-41	-33	-33	-33	-33	-33
Total Franchise fund (net) .....	BA							
	O	-2						
Total Federal funds General Administration .....	BA	51	47	54	54	53	53	53
	O	47	52	53	54	53	53	53

**Economic Development Administration**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	452 BA	22	21	30	30	29	29	29
Spending authority from offsetting collections .....	BA	3	2	1	1	1	1	1
Outlays .....	O	26	26	30	31	30	30	30
Salaries and expenses (gross) .....	BA	25	23	31	31	30	30	30
	O	26	26	30	31	30	30	30
Total, offsetting collections .....		-3	-2	-1	-1	-1	-1	-1
Total Salaries and expenses (net) .....	BA	22	21	30	30	29	29	29
	O	23	24	29	30	29	29	29

Economic development assistance programs:

Appropriation, current .....	452 BA	404	340	368	338	306	277	277
Spending authority from offsetting collections .....	BA	9	12					
Outlays .....	O	409	429	401	388	358	337	321
Economic development assistance programs (gross) .....	BA	413	352	368	338	306	277	277
	O	409	429	401	388	358	337	321
Total, offsetting collections .....		-9	-12					
Total Economic development assistance programs (net) .....	BA	404	340	368	338	306	277	277
	O	400	417	401	388	358	337	321

**Credit Accounts:**

Economic development revolving fund liquidating account:

Appropriation, current .....	452 BA	-3	6					
Spending authority from offsetting collections .....	BA	15	7	7	5	5	5	5
Outlays .....	O	2	6	6	2	2	2	2
Economic development revolving fund liquidating account (gross) .....	BA	12	13	7	5	5	5	5
	O	2	6	6	2	2	2	2

**DEPARTMENT OF COMMERCE—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Total, offsetting collections .....		-15	-7	-7	-5	-5	-5	-5
Total Economic development revolving fund liquidating account (net) .....	BA	-3	6					
	O	-13	-1	-1	-3	-3	-3	-3
Total Federal funds Economic Development Administration .....	BA	423	367	398	368	335	306	306
	O	410	440	429	415	384	363	347

**Bureau of the Census**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	376 BA	135	137	160	167	167	167	168
Appropriation, permanent .....	BA	10	10	10	10	10	10	
Spending authority from offsetting collections .....	BA	156						
Outlays .....	O	272	162	169	174	176	177	170
Salaries and expenses (gross) .....	BA	301	147	170	177	177	177	168
	O	272	162	169	174	176	177	170

Total, offsetting collections ..... -156

Total Salaries and expenses (net) ..... BA 145 147 170 177 177 177 168  
O 116 162 169 174 176 177 170

Periodic censuses and programs:

Appropriation, current .....	376 BA	216	556	1,028	2,296	321	246	246
Outlays .....	O	198	487	927	2,285	483	242	246

**Intragovernmental Funds:**

Census working capital fund:

Spending authority from offsetting collections .....	376 BA	32	185	185	185	185	185	185
Outlays .....	O		185	185	185	185	185	185

Census working capital fund (gross) ..... BA 32 185 185 185 185 185 185  
O 185 185 185 185 185 185

Total, offsetting collections ..... -32 -185 -185 -185 -185 -185 -185

Total Census working capital fund (net) ..... BA  
O -32

Total Federal funds Bureau of the Census ..... BA 361 703 1,198 2,473 498 423 414  
O 282 649 1,096 2,459 659 419 416

**Economic and Statistical Analysis**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	376 BA	46	47	54	54	53	53	53
Spending authority from offsetting collections .....	BA	2	2	2	2	2	2	2
Outlays .....	O	47	50	55	55	55	55	55
Salaries and expenses (gross) .....	BA	48	49	56	56	55	55	55
	O	47	50	55	55	55	55	55

Total, offsetting collections ..... -2 -2 -2 -2 -2 -2 -2

Total Salaries and expenses (net) ..... BA 46 47 54 54 53 53 53  
O 45 48 53 53 53 53 53

**Public Enterprise Funds:**

Economics and statistics administration revolving fund:

Spending authority from offsetting collections .....	376 BA	3	5	6	6	6	6	6
Outlays .....	O	3	5	6	6	6	6	6

Economics and statistics administration revolving fund (gross) ..... BA 3 5 6 6 6 6 6  
O 3 5 6 6 6 6 6



**DEPARTMENT OF COMMERCE—Continued**  
(In millions of dollars)

Account	1997 actual	estimate					
		1998	1999	2000	2001	2002	2003
Total, offsetting collections .....	-3	-5	-6	-6	-6	-6	-6
Total Economics and statistics administration revolving fund (net) .....	BA						
	O						
Total Federal funds Economic and Statistical Analysis .....	BA	46	47	54	54	53	53
	O	45	48	53	53	53	53

**Promotion of Industry and Commerce**

*International Trade Administration*

Federal funds

**General and Special Funds:**

Operations and administration:

Appropriation, current .....	376 BA	274	290	286	280	278	278	278
Spending authority from offsetting collections .....	BA	32	26	32	38	38	38	38
Outlays .....	O	304	305	314	323	317	316	316
Operations and administration (gross) .....	BA	306	316	318	318	316	316	316
	O	304	305	314	323	317	316	316
Change in orders on hand from Federal sources .....	BA	1						
Total, offsetting collections .....		-33	-26	-32	-38	-38	-38	-38
Total Operations and administration (net) .....	BA	274	290	286	280	278	278	278
	O	271	279	282	285	279	278	278

*Export Administration*

Federal funds

**General and Special Funds:**

Operations and administration

(Defense-related activities):

(Appropriation, current) .....	054 BA		2	4	4	4	4	4
(Outlays) .....	O		2	3	4	4	4	4
(Other advancement of commerce):								
(Appropriation, current) .....	376 BA	41	42	48	48	48	48	48
(Spending authority from offsetting collections) .....	BA	2	3	1	1	1	1	1
(Outlays) .....	O	43	47	48	49	49	49	49

Operations and administration (gross) .....	BA	43	47	53	53	53	53	53
	O	43	49	51	53	53	53	53
Total, offsetting collections .....		-2	-3	-1	-1	-1	-1	-1
Total (Other advancement of commerce) (net) .....	BA	41	42	48	48	48	48	48
	O	41	44	47	48	48	48	48
Total Operations and administration .....	BA	41	44	52	52	52	52	52
	O	41	46	50	52	52	52	52
Total Federal funds Export Administration .....	BA	41	44	52	52	52	52	52
	O	41	46	50	52	52	52	52

*Minority Business Development Agency*

Federal funds

**General and Special Funds:**

Minority business development:

Appropriation, current .....	376 BA	28	25	28	28	28	28	28
Outlays .....	O	28	34	29	28	28	28	28

*United States Travel and Tourism Administration*

Federal funds

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	376 BA		-3					
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**DEPARTMENT OF COMMERCE—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	2	1					
Total Federal funds Promotion of Industry and Commerce .....	BA	343	356	366	360	358	358	358
	O	342	360	361	365	359	358	358

**Science and Technology**

*National Oceanic and Atmospheric Administration*

Federal funds

**General and Special Funds:**

Operations, research, and facilities:									
Appropriation, current .....	306	BA	1,971	1,551	1,549	1,526	1,463	1,454	1,455
Appropriation, permanent .....		BA	2	5	5	5	5	5	5
Spending authority from offsetting collections .....		BA	235	252	222	248	252	256	261
Outlays .....		O	2,217	2,042	1,856	1,820	1,765	1,735	1,728
Operations, research, and facilities (gross) .....		BA	2,208	1,808	1,776	1,779	1,720	1,715	1,721
		O	2,217	2,042	1,856	1,820	1,765	1,735	1,728
Change in orders on hand from Federal sources .....		BA	-9						
Total, offsetting collections .....			-226	-252	-222	-248	-252	-256	-261
Total Operations, research, and facilities (net) .....		BA	1,973	1,556	1,554	1,531	1,468	1,459	1,460
		O	1,991	1,790	1,634	1,572	1,513	1,479	1,467
Procurement, acquisition and construction:									
Appropriation, current .....	306	BA		492	622	135	171	255	297
Advance appropriation .....		BA				451	419	307	285
Outlays .....		O		172	390	521	566	577	578
Total Procurement, acquisition and construction .....		BA		492	622	586	590	562	582
		O		172	390	521	566	577	578
Promote and develop fishery products and research pertaining to American fisheries:									
Appropriation, current .....	376	BA	-66	-62	-62	-62	-62	-62	-62
Appropriation, permanent .....		BA	66	66	66	66	66	66	66
Outlays .....		O	7	14	6	3	3	3	3
Total Promote and develop fishery products and research pertaining to American fisheries .....		BA		4	4	4	4	4	4
		O	7	14	6	3	3	3	3
Fishermen's contingency fund:									
Appropriation, current .....	376	BA	1	1	1	1	1	1	1
Outlays .....		O		3	1	1	1	1	1
<b>Public Enterprise Funds:</b>									
Coastal zone management fund:									
Spending authority from offsetting collections .....	306	BA	8	8	4	4	4	4	4
Outlays .....		O	8	12	4	4	4	4	4
Coastal zone management fund (gross) .....		BA	8	8	4	4	4	4	4
		O	8	12	4	4	4	4	4
Total, offsetting collections .....			-5	-5	-4	-4	-4	-4	-4
Total Coastal zone management fund (net) .....		BA	3	3					
		O	3	7					
Damage assessment and restoration revolving fund:									
Appropriation, permanent .....	304	BA	-1	-2	-2	-2	-2	-2	-2
Spending authority from offsetting collections .....		BA	2	2	2	2	2	2	2
Outlays .....		O		3					
Damage assessment and restoration revolving fund (gross) .....		BA	1						
		O		3					
Total, offsetting collections .....			-2	-2	-2	-2	-2	-2	-2
Total Damage assessment and restoration revolving fund (net) .....		BA	-1	-2	-2	-2	-2	-2	-2
		O	-2	1	-2	-2	-2	-2	-2

DEPARTMENT OF COMMERCE—Continued  
(In millions of dollars)

Account	1997 actual	estimate					
		1998	1999	2000	2001	2002	2003
<b>Credit Accounts:</b>							
Fisheries finance, program account:							
Outlays .....	376 O	1					
Federal ship financing fund, fishing vessels liquidating account:							
Appropriation, current .....	376 BA	1					
Spending authority from offsetting collections .....	BA	16					
Outlays .....	O	9	10				
Federal ship financing fund, fishing vessels liquidating account (gross) .....	BA	16	1				
	O	9	10				
Total, offsetting collections .....		-16					
Total Federal ship financing fund, fishing vessels liquidating account (net) .....	BA		1				
	O	-7	10				
Total Federal funds National Oceanic and Atmospheric Administration .....	BA	1,976	2,055	2,179	2,120	2,061	2,045
	O	1,992	1,998	2,029	2,095	2,081	2,047

Patent and Trademark Office  
Federal funds

General and Special Funds:

Salaries and expenses:								
Appropriation, current .....	376 BA	61	27	-116				
Spending authority from offsetting collections .....	BA	641	664	720	690	748	791	849
Outlays .....	O	685	626	579	656	714	754	812
				115	144	182	210	220
Salaries and expenses (gross) .....	BA	702	691	786	879	955	1,010	1,077
	O	685	626	694	800	896	964	1,032
Total, offsetting collections .....		-641	-730	-654	-740	-891	-942	-1,010
				182	189	207	219	228
Total Salaries and expenses (net) .....	BA	61	-39	-50	-50	-143	-151	-161
	O	44	-104	-142	-129	-202	-197	-206

Technology Administration  
Federal funds

General and Special Funds:

Salaries and expenses:								
Appropriation, current .....	376 BA	10	8	10	10	10	10	10
Spending authority from offsetting collections .....	BA	4	1					
Outlays .....	O	8	21	10	10	10	10	10
Salaries and expenses (gross) .....	BA	14	9	10	10	10	10	10
	O	8	21	10	10	10	10	10
Change in orders on hand from Federal sources .....	BA	-1						
Total, offsetting collections .....		-3	-1					
Total Salaries and expenses (net) .....	BA	10	8	10	10	10	10	10
	O	5	20	10	10	10	10	10

National Technical Information Service  
Federal funds

Public Enterprise Funds:

NTIS revolving fund:								
Spending authority from offsetting collections .....	376 BA	37	85	90	95	100	105	110
Outlays .....	O	40	87	88	93	98	103	108
NTIS revolving fund (gross) .....	BA	37	85	90	95	100	105	110
	O	40	87	88	93	98	103	108
Adjustment to orders on hand from Federal sources .....	BA	2						

**DEPARTMENT OF COMMERCE—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Total, offsetting collections .....		-39	-85	-90	-95	-100	-105	-110
Total NTIS revolving fund (net) .....	BA O	1	2	-2	-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	268	272	290	290	281	281	282
Outlays .....		O	264	287	288	290	283	281	282
Industrial technology services:									
Appropriation, current .....	376	BA	313	306	367	410	455	486	494
Outlays .....		O	316	323	326	342	377	420	456
Construction of research facilities:									
Appropriation, current .....	376	BA	-16	95	57	17	17	17	17
Advance appropriation .....		BA				40	40	35	
Outlays .....		O	49	31	37	44	62	60	56
Total Construction of research facilities .....		BA O	-16 49	95 31	57 37	57 44	57 62	52 60	17 56

**Intragovernmental Funds:**

Working capital fund:									
Appropriation, current .....	376	BA			2				
Spending authority from offsetting collections .....		BA	107	113	113	113	113	113	113
Outlays .....		O	159	121	117	114	113	113	113
Working capital fund (gross) .....		BA O	107 159	113 121	115 117	113 114	113 113	113 113	113 113
Total, offsetting collections .....			-107	-113	-113	-113	-113	-113	-113
Total Working capital fund (net) .....		BA O	52	8	4	1			
Total Federal funds National Institute of Standards and Technology .....		BA O	565 681	673 649	716 655	757 677	793 722	819 761	793 794

*National Telecommunications and Information Administration*  
*Federal funds*

**General and Special Funds:**

Salaries and expenses:									
Appropriation, current .....	376	BA	17	17	11	11	11	11	11
Spending authority from offsetting collections .....		BA	12	16	20	20	20	20	20
Outlays .....		O	28	43	32	32	31	31	31
Salaries and expenses (gross) .....		BA O	29 28	33 43	31 32	31 32	31 31	31 31	31 31
Total, offsetting collections .....			-12	-16	-20	-20	-20	-20	-20
Total Salaries and expenses (net) .....		BA O	17 16	17 27	11 12	11 12	11 11	11 11	11 11
Public telecommunications facilities and digital broadcast applications program:									
Appropriation, current .....	503	BA	15	21	15	15	15	15	15
Outlays .....		O	20	23	23	19	17	15	15
Information infrastructure grants:									
Appropriation, current .....	503	BA	21	20	22	24	26	28	30
Outlays .....		O	28	27	25	24	23	25	27
Total Federal funds National Telecommunications and Information Administration .....		BA O	53 64	58 77	48 60	50 55	52 51	54 51	56 53
Total Federal funds Science and Technology .....		BA O	2,665 2,787	2,755 2,642	2,903 2,610	2,887 2,706	2,773 2,660	2,756 2,681	2,743 2,696

**DEPARTMENT OF COMMERCE—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>Summary</b>								
Federal funds:								
(As shown in detail above) .....	BA	3,889	4,275	4,973	6,196	4,070	3,949	3,927
	O	3,913	4,191	4,602	6,052	4,168	3,927	3,923
Deductions for offsetting receipts:								
Proprietary receipts from the public .....	306 BA/O	-15	-7	-18	-21	-21	-21	-21
	376 BA/O	-115	-119					
Total Department of Commerce .....	BA	3,759	4,149	4,955	6,175	4,049	3,928	3,906
	O	3,783	4,065	4,584	6,031	4,147	3,906	3,902

**DEPARTMENT OF DEFENSE—MILITARY**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>Military Personnel</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Military personnel, Army:								
Appropriation, current .....	051 BA	20,826	20,452	21,002	70,715	71,639	73,024	74,884
Spending authority from offsetting collections .....	BA	207	207	193	754	754	754	754
Outlays .....	O	20,577	20,701	21,121	73,448	69,963	73,325	75,274
Military personnel, Army (gross) .....	BA	21,033	20,659	21,195	71,469	72,393	73,778	75,638
	O	20,577	20,701	21,121	73,448	69,963	73,325	75,274
Change in orders on hand from Federal sources .....	BA	3						
Adjustment to orders on hand from Federal sources .....	BA	-41						
Total, offsetting collections .....		-170	-207	-193	-754	-754	-754	-754
Total Military personnel, Army (net) .....	BA	20,825	20,452	21,002	70,715	71,639	73,024	74,884
	O	20,407	20,494	20,928	72,694	69,209	72,571	74,520
Military personnel, Navy:								
Appropriation, current .....	051 BA	17,030	16,713	16,613				
Spending authority from offsetting collections .....	BA	282	264	254				
Outlays .....	O	17,267	16,990	16,839				
Military personnel, Navy (gross) .....	BA	17,312	16,977	16,867				
	O	17,267	16,990	16,839				
Change in orders on hand from Federal sources .....	BA	14						
Adjustment to orders on hand from Federal sources .....	BA	-6						
Total, offsetting collections .....		-289	-264	-254				
Total Military personnel, Navy (net) .....	BA	17,031	16,713	16,613				
	O	16,978	16,726	16,585				
Military personnel, Marine Corps:								
Appropriation, current .....	051 BA	6,018	6,113	6,272				
Spending authority from offsetting collections .....	BA	29	31	32				
Outlays .....	O	5,952	6,109	6,301				
Military personnel, Marine Corps (gross) .....	BA	6,047	6,144	6,304				
	O	5,952	6,109	6,301				
Change in orders on hand from Federal sources .....	BA	1						
Adjustment to orders on hand from Federal sources .....	BA	-5						
Total, offsetting collections .....		-24	-31	-32				
Total Military personnel, Marine Corps (net) .....	BA	6,019	6,113	6,272				
	O	5,928	6,078	6,269				
Military personnel, Air Force:								
Appropriation, current .....	051 BA	17,050	17,102	17,312				
Spending authority from offsetting collections .....	BA	243	237	205				

**DEPARTMENT OF DEFENSE—MILITARY—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	17,296	17,441	17,488				
Military personnel, Air Force (gross) .....	BA	<b>17,293</b>	<b>17,339</b>	<b>17,517</b>				
	O	17,296	17,441	17,488				
Change in orders on hand from Federal sources .....	BA	<b>6</b>						
Adjustment to orders on hand from Federal sources .....	BA	<b>-11</b>						
Total, offsetting collections .....		<b>-238</b>	<b>-237</b>	<b>-205</b>				
Total Military personnel, Air Force (net) .....	BA	<b>17,050</b>	<b>17,102</b>	<b>17,312</b>				
	O	17,058	17,204	17,283				
Reserve personnel, Army:								
Appropriation, current .....	051 BA	<b>2,059</b>	<b>2,032</b>	<b>2,152</b>				
Spending authority from offsetting collections .....	BA	<b>7</b>	<b>16</b>	<b>20</b>				
Outlays .....	O	2,074	2,005	2,128				
Reserve personnel, Army (gross) .....	BA	<b>2,066</b>	<b>2,048</b>	<b>2,172</b>				
	O	2,074	2,005	2,128				
Change in orders on hand from Federal sources .....	BA	<b>-2</b>						
Total, offsetting collections .....		<b>-4</b>	<b>-16</b>	<b>-20</b>				
Total Reserve personnel, Army (net) .....	BA	<b>2,060</b>	<b>2,032</b>	<b>2,152</b>				
	O	2,070	1,989	2,108				
Reserve personnel, Navy:								
Appropriation, current .....	051 BA	<b>1,420</b>	<b>1,377</b>	<b>1,387</b>				
Spending authority from offsetting collections .....	BA	<b>11</b>	<b>16</b>	<b>17</b>				
Outlays .....	O	1,466	1,368	1,373				
Reserve personnel, Navy (gross) .....	BA	<b>1,431</b>	<b>1,393</b>	<b>1,404</b>				
	O	1,466	1,368	1,373				
Change in orders on hand from Federal sources .....	BA	<b>-9</b>						
Total, offsetting collections .....		<b>-2</b>	<b>-16</b>	<b>-17</b>				
Total Reserve personnel, Navy (net) .....	BA	<b>1,420</b>	<b>1,377</b>	<b>1,387</b>				
	O	1,464	1,352	1,356				
Reserve personnel, Marine Corps:								
Appropriation, current .....	051 BA	<b>394</b>	<b>392</b>	<b>402</b>				
Spending authority from offsetting collections .....	BA		<b>1</b>	<b>1</b>				
Outlays .....	O	404	385	396				
Reserve personnel, Marine Corps (gross) .....	BA	<b>394</b>	<b>393</b>	<b>403</b>				
	O	404	385	396				
Total, offsetting collections .....			<b>-1</b>	<b>-1</b>				
Total Reserve personnel, Marine Corps (net) .....	BA	<b>394</b>	<b>392</b>	<b>402</b>				
	O	404	384	395				
Reserve personnel, Air Force:								
Appropriation, current .....	051 BA	<b>788</b>	<b>816</b>	<b>856</b>				
Spending authority from offsetting collections .....	BA	<b>1</b>	<b>2</b>	<b>2</b>				
Outlays .....	O	745	808	840				
Reserve personnel, Air Force (gross) .....	BA	<b>789</b>	<b>818</b>	<b>858</b>				
	O	745	808	840				
Total, offsetting collections .....		<b>-1</b>	<b>-2</b>	<b>-2</b>				
Total Reserve personnel, Air Force (net) .....	BA	<b>788</b>	<b>816</b>	<b>856</b>				
	O	744	806	838				
National Guard personnel, Army:								
Appropriation, current .....	051 BA	<b>3,405</b>	<b>3,334</b>	<b>3,405</b>				
Spending authority from offsetting collections .....	BA	<b>8</b>	<b>9</b>	<b>9</b>				
Outlays .....	O	3,325	3,297	3,378				
National Guard personnel, Army (gross) .....	BA	<b>3,413</b>	<b>3,343</b>	<b>3,414</b>				
	O	3,325	3,297	3,378				

**DEPARTMENT OF DEFENSE—MILITARY—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Change in orders on hand from Federal sources	BA	-5						
Total, offsetting collections		-3	-9	-9				
<b>Total National Guard personnel, Army (net)</b>	<b>BA</b>	<b>3,405</b>	<b>3,334</b>	<b>3,405</b>				
	<b>O</b>	<b>3,322</b>	<b>3,288</b>	<b>3,369</b>				
<b>National Guard personnel, Air Force:</b>								
Appropriation, current	051 BA	1,349	1,335	1,376				
Spending authority from offsetting collections	BA	13	21	21				
Outlays	O	1,363	1,349	1,387				
<b>National Guard personnel, Air Force (gross)</b>	<b>BA</b>	<b>1,362</b>	<b>1,356</b>	<b>1,397</b>				
	<b>O</b>	<b>1,363</b>	<b>1,349</b>	<b>1,387</b>				
Adjustment to orders on hand from Federal sources	BA	1						
Total, offsetting collections		-14	-21	-21				
<b>Total National Guard personnel, Air Force (net)</b>	<b>BA</b>	<b>1,349</b>	<b>1,335</b>	<b>1,376</b>				
	<b>O</b>	<b>1,349</b>	<b>1,328</b>	<b>1,366</b>				
<b>Total Federal funds Military Personnel</b>	<b>BA</b>	<b>70,341</b>	<b>69,666</b>	<b>70,777</b>	<b>70,715</b>	<b>71,639</b>	<b>73,024</b>	<b>74,884</b>
	<b>O</b>	<b>69,724</b>	<b>69,649</b>	<b>70,497</b>	<b>72,694</b>	<b>69,209</b>	<b>72,571</b>	<b>74,520</b>

**Operation and Maintenance**

*Federal funds*

**General and Special Funds:**

Operation and maintenance, Army:

Appropriation, current	051 BA	19,501	16,732	17,273	95,687	97,673	99,458	101,720
Appropriation, permanent	BA				157	157	157	157
Spending authority from offsetting collections	BA	5,984	6,085	6,188	20,380	20,380	20,380	20,380
Outlays	O	25,266	23,447	23,332	113,719	116,787	118,415	120,474
<b>Operation and maintenance, Army (gross)</b>	<b>BA</b>	<b>25,485</b>	<b>22,817</b>	<b>23,461</b>	<b>116,224</b>	<b>118,210</b>	<b>119,995</b>	<b>122,257</b>
	<b>O</b>	<b>25,266</b>	<b>23,447</b>	<b>23,332</b>	<b>113,719</b>	<b>116,787</b>	<b>118,415</b>	<b>120,474</b>
Change in orders on hand from Federal sources	BA	-180						
Adjustment to orders on hand from Federal sources	BA	-58						
Total, offsetting collections		-5,746	-6,085	-6,188	-20,380	-20,380	-20,380	-20,380
<b>Total Operation and maintenance, Army (net)</b>	<b>BA</b>	<b>19,501</b>	<b>16,732</b>	<b>17,273</b>	<b>95,844</b>	<b>97,830</b>	<b>99,615</b>	<b>101,877</b>
	<b>O</b>	<b>19,520</b>	<b>17,362</b>	<b>17,144</b>	<b>93,339</b>	<b>96,407</b>	<b>98,035</b>	<b>100,094</b>

Operation and maintenance, Navy:

Appropriation, current	051 BA	21,109	21,652	21,927				
Spending authority from offsetting collections	BA	3,626	3,712	3,712				
Outlays	O	25,496	25,583	25,495				
<b>Operation and maintenance, Navy (gross)</b>	<b>BA</b>	<b>24,735</b>	<b>25,364</b>	<b>25,639</b>				
	<b>O</b>	<b>25,496</b>	<b>25,583</b>	<b>25,495</b>				
Change in orders on hand from Federal sources	BA	290						
Adjustment to orders on hand from Federal sources	BA	-43						
Total, offsetting collections		-3,874	-3,712	-3,712				
<b>Total Operation and maintenance, Navy (net)</b>	<b>BA</b>	<b>21,108</b>	<b>21,652</b>	<b>21,927</b>				
	<b>O</b>	<b>21,622</b>	<b>21,871</b>	<b>21,783</b>				

Operation and maintenance, Marine Corps:

Appropriation, current	051 BA	2,347	2,380	2,524				
Spending authority from offsetting collections	BA	473	412	412				
Outlays	O	2,927	2,763	2,867				
<b>Operation and maintenance, Marine Corps (gross)</b>	<b>BA</b>	<b>2,820</b>	<b>2,792</b>	<b>2,936</b>				
	<b>O</b>	<b>2,927</b>	<b>2,763</b>	<b>2,867</b>				
Change in orders on hand from Federal sources	BA	12						
Adjustment to orders on hand from Federal sources	BA	-24						
Total, offsetting collections		-461	-412	-412				
<b>Total Operation and maintenance, Marine Corps (net)</b>	<b>BA</b>	<b>2,347</b>	<b>2,380</b>	<b>2,524</b>				
	<b>O</b>	<b>2,466</b>	<b>2,351</b>	<b>2,455</b>				

**DEPARTMENT OF DEFENSE—MILITARY—Continued**  
(In millions of dollars)

Account		1997 actual	estimate				
			1998	1999	2000	2001	2002
Operation and maintenance, Air Force:							
Appropriation, current	051 BA	18,481	18,390	19,177			
Spending authority from offsetting collections	BA	2,608	2,593	2,645			
Outlays	O	21,998	20,874	21,353			
<hr/>							
Operation and maintenance, Air Force (gross)	BA	21,089	20,983	21,822			
	O	21,998	20,874	21,353			
<hr/>							
Change in orders on hand from Federal sources	BA	251					
Adjustment to orders on hand from Federal sources	BA	-134					
Total, offsetting collections		-2,724	-2,593	-2,645			
<hr/>							
Total Operation and maintenance, Air Force (net)	BA	18,482	18,390	19,177			
	O	19,274	18,281	18,708			
<hr/>							
Operation and maintenance, Defense-wide:							
Appropriation, current	051 BA	10,282	10,414	10,751			
Spending authority from offsetting collections	BA	610	783	760			
Outlays	O	10,825	11,214	11,400			
<hr/>							
Operation and maintenance, Defense-wide (gross)	BA	10,892	11,197	11,511			
	O	10,825	11,214	11,400			
<hr/>							
Change in orders on hand from Federal sources	BA	-8					
Adjustment to orders on hand from Federal sources	BA	-50					
Total, offsetting collections		-552	-783	-760			
<hr/>							
Total Operation and maintenance, Defense-wide (net)	BA	10,282	10,414	10,751			
	O	10,273	10,431	10,640			
<hr/>							
Office of the Inspector General:							
Appropriation, current	051 BA	139	138	132			
Outlays	O	136	137	132			
<hr/>							
Operation and maintenance, Army Reserve:							
Appropriation, current	051 BA	1,141	1,208	1,203			
Spending authority from offsetting collections	BA	34	54	55			
Outlays	O	1,202	1,226	1,242			
<hr/>							
Operation and maintenance, Army Reserve (gross)	BA	1,175	1,262	1,258			
	O	1,202	1,226	1,242			
<hr/>							
Change in orders on hand from Federal sources	BA	-4					
Total, offsetting collections		-30	-54	-55			
<hr/>							
Total Operation and maintenance, Army Reserve (net)	BA	1,141	1,208	1,203			
	O	1,172	1,172	1,187			
<hr/>							
Operation and maintenance, Navy Reserve:							
Appropriation, current	051 BA	890	917	929			
Spending authority from offsetting collections	BA	36	20	20			
Outlays	O	885	925	918			
<hr/>							
Operation and maintenance, Navy Reserve (gross)	BA	926	937	949			
	O	885	925	918			
<hr/>							
Change in orders on hand from Federal sources	BA	2					
Total, offsetting collections		-38	-20	-20			
<hr/>							
Total Operation and maintenance, Navy Reserve (net)	BA	890	917	929			
	O	847	905	898			
<hr/>							
Operation and maintenance, Marine Corps Reserve:							
Appropriation, current	051 BA	110	116	115			
Spending authority from offsetting collections	BA	8	2	2			
Outlays	O	118	113	116			
<hr/>							
Operation and maintenance, Marine Corps Reserve (gross)	BA	118	118	117			
	O	118	113	116			
<hr/>							
Change in orders on hand from Federal sources	BA	3					
Total, offsetting collections		-11	-2	-2			
<hr/>							
Total Operation and maintenance, Marine Corps Reserve (net)	BA	110	116	115			
	O	107	111	114			



**DEPARTMENT OF DEFENSE—MILITARY—Continued**  
(In millions of dollars)

Account		1997 actual	estimate				
			1998	1999	2000	2001	2002
Operation and maintenance, Air Force Reserve:							
Appropriation, current	051 BA	1,505	1,652	1,745			
Spending authority from offsetting collections	BA	57	34	32			
Outlays	O	1,568	1,627	1,723			
<hr/>							
Operation and maintenance, Air Force Reserve (gross)	BA	1,562	1,686	1,777			
	O	1,568	1,627	1,723			
<hr/>							
Change in orders on hand from Federal sources	BA	7					
Total, offsetting collections		-64	-34	-32			
<hr/>							
Total Operation and maintenance, Air Force Reserve (net)	BA	1,505	1,652	1,745			
	O	1,504	1,593	1,691			
<hr/>							
Operation and maintenance, Army National Guard:							
Appropriation, current	051 BA	2,298	2,419	2,437			
Spending authority from offsetting collections	BA	164	150	150			
Outlays	O	2,520	2,504	2,521			
<hr/>							
Operation and maintenance, Army National Guard (gross)	BA	2,462	2,569	2,587			
	O	2,520	2,504	2,521			
<hr/>							
Change in orders on hand from Federal sources	BA	-8					
Adjustment to orders on hand from Federal sources	BA	-6					
Total, offsetting collections		-150	-150	-150			
<hr/>							
Total Operation and maintenance, Army National Guard (net)	BA	2,298	2,419	2,437			
	O	2,370	2,354	2,371			
<hr/>							
Operation and maintenance, Air National Guard:							
Appropriation, current	051 BA	2,742	3,060	3,094			
Spending authority from offsetting collections	BA	145	108	105			
Outlays	O	2,938	3,018	3,133			
<hr/>							
Operation and maintenance, Air National Guard (gross)	BA	2,887	3,168	3,199			
	O	2,938	3,018	3,133			
<hr/>							
Change in orders on hand from Federal sources	BA	1					
Adjustment to orders on hand from Federal sources	BA	-5					
Total, offsetting collections		-141	-108	-105			
<hr/>							
Total Operation and maintenance, Air National Guard (net)	BA	2,742	3,060	3,094			
	O	2,797	2,910	3,028			
<hr/>							
Quality of Life Enhancements, Defense:							
Appropriation, current	051 BA	599	360				
Outlays	O	66	340	318			
<hr/>							
Overseas contingency operations transfer account:							
Appropriation, current	051 BA		1,884	747			
Outlays	O		1,404	931			
<hr/>							
OPLAN 34A-35 P.O.W. Payments:							
Appropriation, current	051 BA	20					
Outlays	O		5	5			
<hr/>							
United States Courts of Appeals for the armed forces:							
Appropriation, current	051 BA	7	7	7			
Outlays	O	7	7	7			
<hr/>							
Drug interdiction and counter-drug activities, Defense:							
Appropriation, current	051 BA		713	728			
Outlays	O		245	559			
<hr/>							
Support for international sporting competitions, Defense:							
Reappropriation	051 BA	14					
Outlays	O	10	7	1			
<hr/>							
Foreign currency fluctuations, Defense:							
Reappropriation	051 BA	147					
<hr/>							
Real property maintenance, Defense:							
Outlays	051 O	32	34				
<hr/>							
Defense health program:							
Appropriation, current	051 BA	10,236	10,376	10,056			
Reappropriation	BA	130					
Spending authority from offsetting collections	BA	4,550	6,300	6,300			

**DEPARTMENT OF DEFENSE—MILITARY—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	12,810	16,292	16,360				
Defense health program (gross) .....	BA	<b>14,916</b>	<b>16,676</b>	<b>16,356</b>				
	O	12,810	16,292	16,360				
Change in orders on hand from Federal sources .....	BA	<b>-1,506</b>						
Adjustment to orders on hand from Federal sources .....	BA	<b>-21</b>						
Total, offsetting collections .....		-3,024	-6,300	-6,300				
Total Defense health program (net) .....	BA	<b>10,365</b>	<b>10,376</b>	<b>10,056</b>				
	O	9,786	9,992	10,060				
The Department of Defense Environmental Restoration Accounts:								
Appropriation, current .....	051 BA		<b>1,297</b>	<b>1,259</b>				
Outlays .....	O		285	861				
Overseas humanitarian, disaster and civil aid:								
Appropriation, current .....	051 BA	<b>75</b>	<b>56</b>	<b>63</b>				
Outlays .....	O	34	62	54				
Defense reinvestment for economic growth:								
Outlays .....	051 O	17						
Former Soviet Union threat reduction account:								
Appropriation, current .....	051 BA	<b>364</b>	<b>382</b>	<b>442</b>				
Outlays .....	O	231	313	294				
Payment to kaho'olawe:								
Appropriation, current .....	051 BA	<b>10</b>	<b>35</b>	<b>15</b>				
Outlays .....	O	11	35	15				
Emergency response fund:								
Outlays .....	051 O	-6						
Allied contributions and cooperation account:								
Appropriation, permanent .....	051 BA	<b>127</b>	<b>92</b>	<b>92</b>				
Outlays .....	O	127	92	92				
Miscellaneous Special Funds:								
Appropriation, current .....	051 BA	<b>23</b>	<b>25</b>	<b>25</b>				
Appropriation, permanent .....	BA	<b>21</b>	<b>43</b>	<b>23</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>
Outlays .....	O	36	61	53	8	8	8	8
Total Miscellaneous Special Funds .....	BA	<b>44</b>	<b>68</b>	<b>48</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>
	O	36	61	53	8	8	8	8
Overseas military facility investment recovery:								
Appropriation, current .....	051 BA	<b>36</b>	<b>37</b>	<b>38</b>				
Outlays .....	O	22	33	37				
Total Federal funds Operation and Maintenance .....	BA	<b>92,353</b>	<b>94,385</b>	<b>94,802</b>	<b>95,852</b>	<b>97,838</b>	<b>99,623</b>	<b>101,885</b>
	O	92,461	92,393	93,438	93,347	96,415	98,043	100,102

**Procurement**

*Federal funds*

**General and Special Funds:**

Aircraft procurement, Army:

Appropriation, current .....	051 BA	<b>1,328</b>	<b>1,318</b>	<b>1,326</b>	<b>54,122</b>	<b>61,267</b>	<b>60,661</b>	<b>63,523</b>
Spending authority from offsetting collections .....	BA	<b>8</b>	<b>14</b>	<b>14</b>	<b>1,307</b>	<b>1,307</b>	<b>1,307</b>	<b>1,307</b>
Outlays .....	O	1,553	1,383	1,466	48,792	51,662	54,583	59,574
Aircraft procurement, Army (gross) .....	BA	<b>1,336</b>	<b>1,332</b>	<b>1,340</b>	<b>55,429</b>	<b>62,574</b>	<b>61,968</b>	<b>64,830</b>
	O	1,553	1,383	1,466	48,792	51,662	54,583	59,574
Change in orders on hand from Federal sources .....	BA	<b>4</b>						
Adjustment to orders on hand from Federal sources .....	BA	<b>-2</b>						
Total, offsetting collections .....		-11	-14	-14	-1,307	-1,307	-1,307	-1,307
Total Aircraft procurement, Army (net) .....	BA	<b>1,327</b>	<b>1,318</b>	<b>1,326</b>	<b>54,122</b>	<b>61,267</b>	<b>60,661</b>	<b>63,523</b>
	O	1,542	1,369	1,452	47,485	50,355	53,276	58,267

Missile procurement, Army:

Appropriation, current .....	051 BA	<b>1,004</b>	<b>744</b>	<b>1,206</b>				
Spending authority from offsetting collections .....	BA	<b>72</b>	<b>180</b>	<b>164</b>				

**DEPARTMENT OF DEFENSE—MILITARY—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	979	1,054	1,075				
Missile procurement, Army (gross) .....	BA	<b>1,076</b>	<b>924</b>	<b>1,370</b>				
	O	979	1,054	1,075				
Change in orders on hand from Federal sources .....	BA	-26						
Adjustment to orders on hand from Federal sources .....	BA	-3						
Total, offsetting collections .....		-43	-180	-164				
Total Missile procurement, Army (net) .....	BA	<b>1,004</b>	<b>744</b>	<b>1,206</b>				
	O	936	874	911				
Procurement of weapons and tracked combat vehicles, Army:								
Appropriation, current .....	051 BA	<b>1,401</b>	<b>1,291</b>	<b>1,434</b>				
Spending authority from offsetting collections .....	BA	2	52	33				
Outlays .....	O	1,488	1,472	1,421				
Procurement of weapons and tracked combat vehicles, Army (gross) .....	BA	<b>1,403</b>	<b>1,343</b>	<b>1,467</b>				
	O	1,488	1,472	1,421				
Change in orders on hand from Federal sources .....	BA	13						
Adjustment to orders on hand from Federal sources .....	BA	-9						
Total, offsetting collections .....		-6	-52	-33				
Total Procurement of weapons and tracked combat vehicles, Army (net) .....	BA	<b>1,401</b>	<b>1,291</b>	<b>1,434</b>				
	O	1,482	1,420	1,388				
Procurement of ammunition, Army:								
Appropriation, current .....	051 BA	<b>1,122</b>	<b>1,015</b>	<b>1,009</b>				
Spending authority from offsetting collections .....	BA	7	51	436				
Outlays .....	O	1,172	1,161	1,598				
Procurement of ammunition, Army (gross) .....	BA	<b>1,129</b>	<b>1,066</b>	<b>1,445</b>				
	O	1,172	1,161	1,598				
Change in orders on hand from Federal sources .....	BA	1						
Total, offsetting collections .....		-8	-51	-436				
Total Procurement of ammunition, Army (net) .....	BA	<b>1,122</b>	<b>1,015</b>	<b>1,009</b>				
	O	1,164	1,110	1,162				
Other procurement, Army:								
Appropriation, current .....	051 BA	<b>3,204</b>	<b>2,557</b>	<b>3,199</b>				
Spending authority from offsetting collections .....	BA	82	75	72				
Outlays .....	O	3,125	2,913	2,896				
Other procurement, Army (gross) .....	BA	<b>3,286</b>	<b>2,632</b>	<b>3,271</b>				
	O	3,125	2,913	2,896				
Change in orders on hand from Federal sources .....	BA	7						
Adjustment to orders on hand from Federal sources .....	BA	-6						
Total, offsetting collections .....		-83	-75	-72				
Total Other procurement, Army (net) .....	BA	<b>3,204</b>	<b>2,557</b>	<b>3,199</b>				
	O	3,042	2,838	2,824				
Aircraft procurement, Navy:								
Appropriation, current .....	051 BA	<b>6,692</b>	<b>6,264</b>	<b>7,467</b>				
Spending authority from offsetting collections .....	BA	7	7	7				
Outlays .....	O	5,329	5,443	5,980				
Aircraft procurement, Navy (gross) .....	BA	<b>6,699</b>	<b>6,271</b>	<b>7,474</b>				
	O	5,329	5,443	5,980				
Total, offsetting collections .....		-7	-7	-7				
Total Aircraft procurement, Navy (net) .....	BA	<b>6,692</b>	<b>6,264</b>	<b>7,467</b>				
	O	5,322	5,436	5,973				
Weapons procurement, Navy:								
Appropriation, current .....	051 BA	<b>1,323</b>	<b>1,088</b>	<b>1,328</b>				
Spending authority from offsetting collections .....	BA	16	75	75				

**DEPARTMENT OF DEFENSE—MILITARY—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	2,001	1,695	1,459				
Weapons procurement, Navy (gross) .....	BA	<b>1,339</b>	<b>1,163</b>	<b>1,403</b>				
	O	2,001	1,695	1,459				
Change in orders on hand from Federal sources .....	BA	<b>3</b>						
Total, offsetting collections .....		-19	-75	-75				
Total Weapons procurement, Navy (net) .....	BA	<b>1,323</b>	<b>1,088</b>	<b>1,328</b>				
	O	1,982	1,620	1,384				
Procurement of ammunition, Navy and Marine Corps:								
Appropriation, current .....	051 BA	257	382	430				
Spending authority from offsetting collections .....	BA		10	10				
Outlays .....	O	265	312	383				
Procurement of ammunition, Navy and Marine Corps (gross) .....	BA	<b>257</b>	<b>392</b>	<b>440</b>				
	O	265	312	383				
Change in orders on hand from Federal sources .....	BA	<b>6</b>						
Total, offsetting collections .....		-6	-10	-10				
Total Procurement of ammunition, Navy and Marine Corps (net) .....	BA	<b>257</b>	<b>382</b>	<b>430</b>				
	O	259	302	373				
Shipbuilding and conversion, Navy:								
Appropriation, current .....	051 BA	5,430	7,995	6,253				
Outlays .....	O	7,357	6,585	6,959				
Shipbuilding and conversion, Navy (gross) .....	BA	<b>5,430</b>	<b>7,995</b>	<b>6,253</b>				
	O	7,357	6,585	6,959				
Change in orders on hand from Federal sources .....	BA	<b>272</b>						
Total, offsetting collections .....		-272						
Total Shipbuilding and conversion, Navy (net) .....	BA	<b>5,430</b>	<b>7,995</b>	<b>6,253</b>				
	O	7,085	6,585	6,959				
Other procurement, Navy:								
Appropriation, current .....	051 BA	2,834	2,983	3,938				
Spending authority from offsetting collections .....	BA	48	42	42				
Outlays .....	O	3,099	3,075	3,283				
Other procurement, Navy (gross) .....	BA	<b>2,882</b>	<b>3,025</b>	<b>3,980</b>				
	O	3,099	3,075	3,283				
Change in orders on hand from Federal sources .....	BA	<b>-4</b>						
Total, offsetting collections .....		-45	-42	-42				
Total Other procurement, Navy (net) .....	BA	<b>2,833</b>	<b>2,983</b>	<b>3,938</b>				
	O	3,054	3,033	3,241				
Procurement, Marine Corps:								
Appropriation, current .....	051 BA	575	473	746				
Spending authority from offsetting collections .....	BA	3	9	9				
Outlays .....	O	604	474	486				
Procurement, Marine Corps (gross) .....	BA	<b>578</b>	<b>482</b>	<b>755</b>				
	O	604	474	486				
Adjustment to orders on hand from Federal sources .....	BA	<b>1</b>						
Total, offsetting collections .....		-4	-9	-9				
Total Procurement, Marine Corps (net) .....	BA	<b>575</b>	<b>473</b>	<b>746</b>				
	O	600	465	477				
Aircraft procurement, Air Force:								
Appropriation, current .....	051 BA	6,239	6,285	7,756				
Spending authority from offsetting collections .....	BA	111	45	40				
Outlays .....	O	7,816	6,793	6,965				
Aircraft procurement, Air Force (gross) .....	BA	<b>6,350</b>	<b>6,330</b>	<b>7,796</b>				
	O	7,816	6,793	6,965				

**DEPARTMENT OF DEFENSE—MILITARY—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Change in orders on hand from Federal sources .....	BA	-79						
Adjustment to orders on hand from Federal sources .....	BA	-15						
Total, offsetting collections .....		-17	-45	-40				
<b>Total Aircraft procurement, Air Force (net) .....</b>	<b>BA</b>	<b>6,239</b>	<b>6,285</b>	<b>7,756</b>				
	<b>O</b>	<b>7,799</b>	<b>6,748</b>	<b>6,925</b>				
<b>Missile procurement, Air Force:</b>								
Appropriation, current .....	051 BA	1,771	2,341	2,360				
Spending authority from offsetting collections .....	BA	106	85	60				
Outlays .....	O	2,761	2,484	2,381				
<b>Missile procurement, Air Force (gross) .....</b>	<b>BA</b>	<b>1,877</b>	<b>2,426</b>	<b>2,420</b>				
	<b>O</b>	<b>2,761</b>	<b>2,484</b>	<b>2,381</b>				
Change in orders on hand from Federal sources .....	BA	-84						
Adjustment to orders on hand from Federal sources .....	BA	-4						
Total, offsetting collections .....		-18	-85	-60				
<b>Total Missile procurement, Air Force (net) .....</b>	<b>BA</b>	<b>1,771</b>	<b>2,341</b>	<b>2,360</b>				
	<b>O</b>	<b>2,743</b>	<b>2,399</b>	<b>2,321</b>				
<b>Procurement of ammunition, Air Force:</b>								
Appropriation, current .....	051 BA	304	392	384				
Spending authority from offsetting collections .....	BA	9	13	13				
Outlays .....	O	198	287	329				
<b>Procurement of ammunition, Air Force (gross) .....</b>	<b>BA</b>	<b>313</b>	<b>405</b>	<b>397</b>				
	<b>O</b>	<b>198</b>	<b>287</b>	<b>329</b>				
Change in orders on hand from Federal sources .....	BA	-3						
Total, offsetting collections .....		-6	-13	-13				
<b>Total Procurement of ammunition, Air Force (net) .....</b>	<b>BA</b>	<b>304</b>	<b>392</b>	<b>384</b>				
	<b>O</b>	<b>192</b>	<b>274</b>	<b>316</b>				
<b>Other procurement, Air Force:</b>								
Appropriation, current .....	051 BA	5,933	6,485	6,974				
Spending authority from offsetting collections .....	BA	103	230	235				
Outlays .....	O	7,324	6,091	6,781				
<b>Other procurement, Air Force (gross) .....</b>	<b>BA</b>	<b>6,036</b>	<b>6,715</b>	<b>7,209</b>				
	<b>O</b>	<b>7,324</b>	<b>6,091</b>	<b>6,781</b>				
Change in orders on hand from Federal sources .....	BA	48						
Adjustment to orders on hand from Federal sources .....	BA	-4						
Total, offsetting collections .....		-147	-230	-235				
<b>Total Other procurement, Air Force (net) .....</b>	<b>BA</b>	<b>5,933</b>	<b>6,485</b>	<b>6,974</b>				
	<b>O</b>	<b>7,177</b>	<b>5,861</b>	<b>6,546</b>				
<b>Procurement, Defense-wide:</b>								
Appropriation, current .....	051 BA	2,037	2,016	2,042				
Spending authority from offsetting collections .....	BA	77	185	93				
Outlays .....	O	2,197	2,119	2,015				
<b>Procurement, Defense-wide (gross) .....</b>	<b>BA</b>	<b>2,114</b>	<b>2,201</b>	<b>2,135</b>				
	<b>O</b>	<b>2,197</b>	<b>2,119</b>	<b>2,015</b>				
Change in orders on hand from Federal sources .....	BA	3						
Adjustment to orders on hand from Federal sources .....	BA	14						
Total, offsetting collections .....		-94	-185	-93				
<b>Total Procurement, Defense-wide (net) .....</b>	<b>BA</b>	<b>2,037</b>	<b>2,016</b>	<b>2,042</b>				
	<b>O</b>	<b>2,103</b>	<b>1,934</b>	<b>1,922</b>				
<b>National guard and reserve equipment:</b>								
Appropriation, current .....	051 BA	776	642					
Outlays .....	O	667	832	620				
<b>Defense production act purchases:</b>								
Outlays .....	051 O	30	16	7				
<b>Chemical agents and munitions destruction, Army:</b>								
Appropriation, current .....	051 BA	702	552	855				
Spending authority from offsetting collections .....	BA	3	5	5				

**DEPARTMENT OF DEFENSE—MILITARY—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	511	622	671				
Chemical agents and munitions destruction, Army (gross) .....	BA	<b>705</b>	<b>557</b>	<b>860</b>				
	O	511	622	671				
Change in orders on hand from Federal sources .....	BA	<b>-3</b>						
Total, offsetting collections .....			-5	-5				
Total Chemical agents and munitions destruction, Army (net) .....	BA	<b>702</b>	<b>552</b>	<b>855</b>				
	O	511	617	666				
<b>Credit Accounts:</b>								
Defense export loan guarantee program account:								
Appropriation, current .....	051 BA		<b>1</b>	<b>1</b>				
Total Federal funds Procurement .....	BA	<b>42,930</b>	<b>44,824</b>	<b>48,708</b>	<b>54,122</b>	<b>61,267</b>	<b>60,661</b>	<b>63,523</b>
	O	47,690	43,733	45,467	47,485	50,355	53,276	58,267

**Research, Development, Test, and Evaluation**

*Federal funds*

**General and Special Funds:**

Research, development, test, and evaluation, Army

(Department of Defense-Military):

(Appropriation, current) .....	051 BA	<b>4,898</b>	<b>5,019</b>	<b>4,781</b>	<b>33,920</b>	<b>32,993</b>	<b>33,531</b>	<b>34,344</b>
(Spending authority from offsetting collections) .....	BA	<b>1,714</b>	<b>1,439</b>	<b>1,383</b>	<b>4,261</b>	<b>4,261</b>	<b>4,261</b>	<b>4,261</b>
(Outlays) .....	O	6,274	6,404	6,277	38,789	37,740	37,580	38,010
Research, development, test, and evaluation, Army (gross) .....	BA	<b>6,612</b>	<b>6,458</b>	<b>6,164</b>	<b>38,181</b>	<b>37,254</b>	<b>37,792</b>	<b>38,605</b>
	O	6,274	6,404	6,277	38,789	37,740	37,580	38,010
(Change in orders on hand from Federal sources) .....	BA	<b>-278</b>						
(Adjustment to orders on hand from Federal sources) .....	BA	<b>-9</b>						
Total, offsetting collections .....		-1,427	-1,439	-1,383	-4,261	-4,261	-4,261	-4,261
Total (Department of Defense-Military) (net) .....	BA	<b>4,898</b>	<b>5,019</b>	<b>4,781</b>	<b>33,920</b>	<b>32,993</b>	<b>33,531</b>	<b>34,344</b>
	O	4,847	4,965	4,894	34,528	33,479	33,319	33,749

(Health research and training):

(Outlays) .....	552 O	12						
Total Research, development, test, and evaluation, Army .....	BA	<b>4,898</b>	<b>5,019</b>	<b>4,781</b>	<b>33,920</b>	<b>32,993</b>	<b>33,531</b>	<b>34,344</b>
	O	4,859	4,965	4,894	34,528	33,479	33,319	33,749

Research, development, test, and evaluation, Navy:

Appropriation, current .....	051 BA	<b>7,917</b>	<b>7,840</b>	<b>8,109</b>				
Spending authority from offsetting collections .....	BA	<b>128</b>	<b>110</b>	<b>110</b>				
Outlays .....	O	8,353	7,735	8,084				
Research, development, test, and evaluation, Navy (gross) .....	BA	<b>8,045</b>	<b>7,950</b>	<b>8,219</b>				
	O	8,353	7,735	8,084				
Change in orders on hand from Federal sources .....	BA	<b>9</b>						
Adjustment to orders on hand from Federal sources .....	BA	<b>-4</b>						
Total, offsetting collections .....		-133	-110	-110				
Total Research, development, test, and evaluation, Navy (net) .....	BA	<b>7,917</b>	<b>7,840</b>	<b>8,109</b>				
	O	8,220	7,625	7,974				

Research, development, test, and evaluation, Air Force:

Appropriation, current .....	051 BA	<b>14,017</b>	<b>14,031</b>	<b>13,598</b>				
Spending authority from offsetting collections .....	BA	<b>1,727</b>	<b>2,300</b>	<b>2,300</b>				
Outlays .....	O	16,069	16,231	15,808				
Research, development, test, and evaluation, Air Force (gross) .....	BA	<b>15,744</b>	<b>16,331</b>	<b>15,898</b>				
	O	16,069	16,231	15,808				
Change in orders on hand from Federal sources .....	BA	<b>426</b>						
Adjustment to orders on hand from Federal sources .....	BA	<b>-124</b>						

**DEPARTMENT OF DEFENSE—MILITARY—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Total, offsetting collections .....		-2,029	-2,300	-2,300				
Total Research, development, test, and evaluation, Air Force (net) .....	BA	<b>14,017</b>	<b>14,031</b>	<b>13,598</b>				
	O	14,040	13,931	13,508				
Research, development, test, and evaluation, Defense-wide:								
Appropriation, current .....	051 BA	<b>9,279</b>	<b>9,434</b>	<b>9,315</b>				
Spending authority from offsetting collections .....	BA	<b>266</b>	<b>389</b>	<b>456</b>				
Outlays .....	O	9,836	9,358	9,716				
Research, development, test, and evaluation, Defense-wide (gross) .....	BA	<b>9,545</b>	<b>9,823</b>	<b>9,771</b>				
	O	9,836	9,358	9,716				
Change in orders on hand from Federal sources .....	BA	-42						
Adjustment to orders on hand from Federal sources .....	BA	-2						
Total, offsetting collections .....		-222	-389	-456				
Total Research, development, test, and evaluation, Defense-wide (net) .....	BA	<b>9,279</b>	<b>9,434</b>	<b>9,315</b>				
	O	9,614	8,969	9,260				
Developmental test and evaluation, Defense:								
Appropriation, current .....	051 BA	<b>269</b>	<b>246</b>	<b>251</b>				
Spending authority from offsetting collections .....	BA	<b>12</b>	<b>23</b>	<b>8</b>				
Outlays .....	O	282	275	259				
Developmental test and evaluation, Defense (gross) .....	BA	<b>281</b>	<b>269</b>	<b>259</b>				
	O	282	275	259				
Change in orders on hand from Federal sources .....	BA	-3						
Adjustment to orders on hand from Federal sources .....	BA	1						
Total, offsetting collections .....		-10	-23	-8				
Total Developmental test and evaluation, Defense (net) .....	BA	<b>269</b>	<b>246</b>	<b>251</b>				
	O	272	252	251				
Operational test and evaluation, Defense:								
Appropriation, current .....	051 BA	<b>24</b>	<b>30</b>	<b>25</b>				
Spending authority from offsetting collections .....	BA			<b>4</b>				
Outlays .....	O	22	28	30				
Operational test and evaluation, Defense (gross) .....	BA	<b>24</b>	<b>30</b>	<b>29</b>				
	O	22	28	30				
Total, offsetting collections .....				-4				
Total Operational test and evaluation, Defense (net) .....	BA	<b>24</b>	<b>30</b>	<b>25</b>				
	O	22	28	26				
Total Federal funds Research, Development, Test, and Evaluation .....	BA	<b>36,404</b>	<b>36,600</b>	<b>36,079</b>	<b>33,920</b>	<b>32,993</b>	<b>33,531</b>	<b>34,344</b>
	O	37,027	35,770	35,913	34,528	33,479	33,319	33,749

**Military Construction**

*Federal funds*

**General and Special Funds:**

Military construction, Army:								
Appropriation, current .....	051 BA	<b>578</b>	<b>631</b>	<b>791</b>	<b>4,567</b>	<b>4,188</b>	<b>3,630</b>	<b>3,967</b>
Advance appropriation .....	BA				<b>307</b>	<b>190</b>	<b>72</b>	
Spending authority from offsetting collections .....	BA	<b>2,483</b>	<b>2,200</b>	<b>2,200</b>	<b>2,565</b>	<b>2,565</b>	<b>2,565</b>	<b>2,565</b>
Outlays .....	O	2,980	2,783	2,809	7,147	7,062	6,754	6,488
Military construction, Army (gross) .....	BA	<b>3,061</b>	<b>2,831</b>	<b>2,991</b>	<b>7,439</b>	<b>6,943</b>	<b>6,267</b>	<b>6,532</b>
	O	2,980	2,783	2,809	7,147	7,062	6,754	6,488
Change in orders on hand from Federal sources .....	BA	-91						
Adjustment to orders on hand from Federal sources .....	BA	-11						
Total, offsetting collections .....		-2,382	-2,200	-2,200	-2,565	-2,565	-2,565	-2,565
Total Military construction, Army (net) .....	BA	<b>577</b>	<b>631</b>	<b>791</b>	<b>4,874</b>	<b>4,378</b>	<b>3,702</b>	<b>3,967</b>
	O	598	583	609	4,582	4,497	4,189	3,923
Military construction, Navy:								
Appropriation, current .....	051 BA	<b>687</b>	<b>605</b>	<b>468</b>				

**DEPARTMENT OF DEFENSE—MILITARY—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Spending authority from offsetting collections .....	BA	478	376	354				
Outlays .....	O	1,021	1,003	918				
Military construction, Navy (gross) .....	BA	1,165	981	822				
	O	1,021	1,003	918				
Change in orders on hand from Federal sources .....	BA	-10						
Adjustment to orders on hand from Federal sources .....	BA	-2						
Total, offsetting collections .....		-466	-376	-354				
Total Military construction, Navy (net) .....	BA	687	605	468				
	O	555	627	564				
Military construction, Air Force:								
Appropriation, current .....	051 BA	749	627	455				
Outlays .....	O	772	694	630				
Military construction, Defense-wide:								
Appropriation, current .....	051 BA	712	640	492				
Outlays .....	O	620	651	647				
North Atlantic Treaty Organization Security Investment Program:								
Appropriation, current .....	051 BA	172	152	185				
Spending authority from offsetting collections .....	BA	11	11	11				
Outlays .....	O	188	135	175				
North Atlantic Treaty Organization Security Investment Program (gross) .....	BA	183	163	196				
	O	188	135	175				
Total, offsetting collections .....		-11	-11	-11				
Total North Atlantic Treaty Organization Security Investment Program (net) .....	BA	172	152	185				
	O	177	124	164				
Military construction, Army National Guard:								
Appropriation, current .....	051 BA	78	102	48				
Outlays .....	O	206	159	118				
Military construction, Air National Guard:								
Appropriation, current .....	051 BA	185	190	35				
Outlays .....	O	209	210	170				
Military construction, Army Reserve:								
Appropriation, current .....	051 BA	56	55	71				
Outlays .....	O	90	68	58				
Military construction, Naval Reserve:								
Appropriation, current .....	051 BA	38	27	15				
Outlays .....	O	24	28	32				
Military construction, Air Force Reserve:								
Appropriation, current .....	051 BA	53	15	11				
Outlays .....	O	53	44	27				
Base realignment and closure account:								
Appropriation, current .....	051 BA	2,373	2,045	1,731				
Spending authority from offsetting collections .....	BA	71						
Outlays .....	O	2,945	2,357	2,109				
Base realignment and closure account (gross) .....	BA	2,444	2,045	1,731				
	O	2,945	2,357	2,109				
Change in orders on hand from Federal sources .....	BA	-9						
Total, offsetting collections .....		-62						
Total Base realignment and closure account (net) .....	BA	2,373	2,045	1,731				
	O	2,883	2,357	2,109				
Foreign currency fluctuations, construction:								
Reappropriation .....	051 BA	38						
Total Federal funds Military Construction .....	BA	5,718	5,089	4,302	4,874	4,378	3,702	3,967
	O	6,187	5,545	5,128	4,582	4,497	4,189	3,923



**DEPARTMENT OF DEFENSE—MILITARY—Continued**  
(In millions of dollars)

Account		1997 actual	estimate						
			1998	1999	2000	2001	2002	2003	
<b>Family Housing</b>									
<i>Federal funds</i>									
<b>General and Special Funds:</b>									
Family housing, Army:									
Appropriation, current .....	051 BA	1,371	1,301	1,208	3,910	3,923	3,866	4,151	
Spending authority from offsetting collections .....	BA	16	17	17	104	104	104	104	
Outlays .....	O	1,407	1,313	1,304	3,852	3,958	3,973	4,053	
Family housing, Army (gross) .....		BA	1,387	1,318	1,225	4,014	4,027	3,970	4,255
		O	1,407	1,313	1,304	3,852	3,958	3,973	4,053
Change in orders on hand from Federal sources .....		BA	-1						
Total, offsetting collections .....			-15	-17	-17	-104	-104	-104	-104
Total Family housing, Army (net) .....		BA	1,371	1,301	1,208	3,910	3,923	3,866	4,151
		O	1,392	1,296	1,287	3,748	3,854	3,869	3,949
Family housing, Navy and Marine Corps:									
Appropriation, current .....	051 BA	1,519	1,357	1,196					
Spending authority from offsetting collections .....	BA	12	21	21					
Outlays .....	O	1,390	1,518	1,399					
Family housing, Navy and Marine Corps (gross) .....		BA	1,531	1,378	1,217				
		O	1,390	1,518	1,399				
Adjustment to orders on hand from Federal sources .....		BA	1						
Total, offsetting collections .....			-13	-21	-21				
Total Family housing, Navy and Marine Corps (net) .....		BA	1,519	1,357	1,196				
		O	1,377	1,497	1,378				
Family housing, Air Force:									
Appropriation, current .....	051 BA	1,135	1,111	1,016					
Spending authority from offsetting collections .....	BA	9	9	9					
Outlays .....	O	1,165	1,067	1,061					
Family housing, Air Force (gross) .....		BA	1,144	1,120	1,025				
		O	1,165	1,067	1,061				
Total, offsetting collections .....			-9	-9	-9				
Total Family housing, Air Force (net) .....		BA	1,135	1,111	1,016				
		O	1,156	1,058	1,052				
Family housing, Defense-wide:									
Appropriation, current .....	051 BA	35	38	37					
Spending authority from offsetting collections .....	BA	1	1	1					
Outlays .....	O	26	35	37					
Family housing, Defense-wide (gross) .....		BA	36	39	38				
		O	26	35	37				
Total, offsetting collections .....			-1	-1	-1				
Total Family housing, Defense-wide (net) .....		BA	35	38	37				
		O	25	34	36				
Rossmoor liquidating trust settlement account:									
Appropriation, current .....	051 BA	3							
<b>Public Enterprise Funds:</b>									
Homeowners assistance fund, Defense:									
Appropriation, current .....	051 BA	36		13					
Spending authority from offsetting collections .....	BA	72	72	55					
Outlays .....	O	100	138	91					
Homeowners assistance fund, Defense (gross) .....		BA	108	72	68				
		O	100	138	91				
Change in orders on hand from Federal sources .....		BA	-5	5					

**DEPARTMENT OF DEFENSE—MILITARY—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Total, offsetting collections .....		-67	-77	-55				
Total Homeowners assistance fund, Defense (net) .....	BA	36		13				
	O	33	61	36				
<b>Credit Accounts:</b>								
Department of Defense, Family Housing Improvement Fund:								
Appropriation, current .....	051 BA	28		7				
Outlays .....	O	20	13	17				
Department of Defense, Military Unaccompanied Housing Improvement Fund:								
Appropriation, current .....	051 BA	5						
Outlays .....	O		1	1				
Total Federal funds Family Housing .....	BA	4,132	3,807	3,477	3,910	3,923	3,866	4,151
	O	4,003	3,960	3,807	3,748	3,854	3,869	3,949

**Revolving and Management Funds**

*Federal funds*

**Public Enterprise Funds:**

National defense stockpile transaction fund:								
Appropriation, current .....	051 BA	-150	-150	-150	787	369	374	1,081
Spending authority from offsetting collections .....	BA	516	466	358	73,122	73,122	73,122	73,122
Outlays .....	O	118	350	208	73,810	73,692	73,448	73,967
National defense stockpile transaction fund (gross) .....	BA	366	316	208	73,909	73,491	73,496	74,203
	O	118	350	208	73,810	73,692	73,448	73,967
Change in orders on hand from Federal sources .....	BA	-19	34					
Total, offsetting collections .....		-497	-500	-358	-73,122	-73,122	-73,122	-73,122
Total National defense stockpile transaction fund (net) .....	BA	-150	-150	-150	787	369	374	1,081
	O	-379	-150	-150	688	570	326	845
William Langer jewel bearing plant revolving fund:								
Outlays .....	051 O	1						
Reserve mobilization income insurance fund:								
Appropriation, current .....	051 BA	72		37				
Spending authority from offsetting collections .....	BA	8						
Outlays .....	O	73	6	37				
Reserve mobilization income insurance fund (gross) .....	BA	80		37				
	O	73	6	37				
Total, offsetting collections .....		-8						
Total Reserve mobilization income insurance fund (net) .....	BA	72		37				
	O	65	6	37				

**Intragovernmental Funds:**

Pentagon reservation maintenance revolving fund:								
Spending authority from offsetting collections .....	051 BA	213	275	375	375	375	375	375
Outlays .....	O	242	275	375	375	375	375	375
Pentagon reservation maintenance revolving fund (gross) .....	BA	213	275	375	375	375	375	375
	O	242	275	375	375	375	375	375
Change in orders on hand from Federal sources .....	BA	-29						
Total, offsetting collections .....		-184	-275	-375	-375	-375	-375	-375
Total Pentagon reservation maintenance revolving fund (net) .....	BA							
	O	58						
National defense sealift fund:								
Appropriation, current .....	051 BA	1,392	1,070	418				
Spending authority from offsetting collections .....	BA	711	638	690				
Outlays .....	O	1,567	1,570	1,636				
National defense sealift fund (gross) .....	BA	2,103	1,708	1,108				
	O	1,567	1,570	1,636				
Change in orders on hand from Federal sources .....	BA	271	9					

**DEPARTMENT OF DEFENSE—MILITARY—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Total, offsetting collections .....		-982	-647	-690				
Total National defense sealift fund (net) .....	BA	<b>1,392</b>	<b>1,070</b>	<b>418</b>				
	O	585	923	946				
<b>Working capital fund, Army:</b>								
Appropriation, current .....	051 BA	966	972	95				
Contract authority, permanent .....	BA	5,254						
Spending authority from offsetting collections .....	BA	<b>67,957</b>	<b>72,543</b>	<b>72,091</b>				
Outlays .....	O	72,736	76,410	74,168				
Working capital fund, Army (gross) .....	BA	<b>74,177</b>	<b>73,515</b>	<b>72,186</b>				
	O	72,736	76,410	74,168				
Change in orders on hand from Federal sources .....	BA	2,358	3,278	3,400				
Total, offsetting collections .....		-70,315	-75,821	-75,491				
Total Working capital fund, Army (net) .....	BA	<b>6,220</b>	<b>972</b>	<b>95</b>				
	O	2,421	589	-1,323				
<b>Buildings maintenance fund:</b>								
Spending authority from offsetting collections .....	051 BA	28	27	30	30	30	30	30
Outlays .....	O	18	27	30	30	30	30	30
Buildings maintenance fund (gross) .....	BA	28	27	30	30	30	30	30
	O	18	27	30	30	30	30	30
Change in orders on hand from Federal sources .....	BA	-11						
Total, offsetting collections .....		-17	-27	-30	-30	-30	-30	-30
Total Buildings maintenance fund (net) .....	BA							
	O	1						
<b>Navy management fund:</b>								
Outlays .....	051 O	-10						
Navy management fund (gross) .....	O	-10						
Change in orders on hand from Federal sources .....	BA	7						
Total, offsetting collections .....		-7						
Total Navy management fund (net) .....	BA							
	O	-17						
<b>Army conventional ammunition working capital fund:</b>								
Spending authority from offsetting collections .....	051 BA	742	770					
Outlays .....	O	984	904	1,122				
Army conventional ammunition working capital fund (gross) .....	BA	742	770					
	O	984	904	1,122				
Change in orders on hand from Federal sources .....	BA	304	134	1,122				
Total, offsetting collections .....		-1,046	-904	-1,122				
Total Army conventional ammunition working capital fund (net) .....	BA							
	O	-62						
Total Federal funds Revolving and Management Funds .....	BA	<b>7,534</b>	<b>1,892</b>	<b>400</b>	<b>787</b>	<b>369</b>	<b>374</b>	<b>1,081</b>
	O	2,673	1,368	-490	688	570	326	845

**Allowances**

*Federal funds*

**General and Special Funds:**

Other legislation:

Appropriation, current .....	051 BA			✓4	✓2	✓2	✓832	✓1,449
Outlays .....	O			✓4	✓101	✓43	✓-4,557	✓1,788

General transfer authority outlay allowance:

Outlays .....	051 O		280	220				
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Total Federal funds Allowances .....	BA			-4	2	2	832	1,449
	O		280	224	101	43	-4,557	1,788

**DEPARTMENT OF DEFENSE—MILITARY—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>Trust Funds</b>								
<i>Trust funds</i>								
Voluntary separation incentive fund:								
Appropriation, permanent .....	051 BA	203	158	182	144	143	142	140
Outlays .....	O	157	161	165	164	165	165	165
Host Nation support fund for relocation:								
Appropriation, permanent .....	051 BA		12	6				
Outlays .....	O		12	6				
Other DOD trust funds:								
Appropriation, permanent .....	051 BA	26	26	26	26	26	26	26
Outlays .....	O	23	25	25	26	26	26	26
National security education trust fund:								
Appropriation, current .....	051 BA	5	2	5	10	10	10	10
Outlays .....	O	7	3	4	8	10	10	10
Foreign national employees separation pay:								
Appropriation, permanent .....	051 BA	18	18	18	18	18	18	18
Outlays .....	O	28	18	18	18	18	18	18
Other DoD trust revolving funds:								
Spending authority from offsetting collections .....	051 BA	16	14	14	14	14	14	14
Outlays .....	O	18	14	14	14	14	14	14
Other DoD trust revolving funds (gross) .....	BA	16	14	14	14	14	14	14
.....	O	18	14	14	14	14	14	14
Change in orders on hand from Federal sources .....	BA	1						
Total, offsetting collections .....		-17	-14	-14	-14	-14	-14	-14
Total Other DoD trust revolving funds (net) .....	BA							
.....	O	1						
Surcharge collections, sales of commissary stores, defense:								
Appropriation, permanent .....	051 BA				28	28	28	28
Contract authority, permanent .....	BA		29	70				
Spending authority from offsetting collections .....	BA	275	282	302	302	302	302	302
Outlays .....	O	309	348	340	302	302	302	302
Surcharge collections, sales of commissary stores, defense (gross) .....	BA	275	311	372	330	330	330	330
.....	O	309	348	340	302	302	302	302
Change in orders on hand from Federal sources .....	BA	3	-2					
Total, offsetting collections .....		-278	-280	-302	-302	-302	-302	-302
Total Surcharge collections, sales of commissary stores, defense (net) .....	BA		29	70	28	28	28	28
.....	O	31	68	38				
Total Trust funds Trust Funds .....	BA	252	245	307	226	225	224	222
.....	O	247	287	256	216	219	219	219
<b>Summary</b>								
Federal funds:								
(As shown in detail above) .....	BA	259,412	256,263	258,541	264,182	272,409	275,613	285,284
.....	O	259,765	252,698	253,984	257,173	258,422	261,036	277,143
Deductions for offsetting receipts:								
Intrafund transactions .....	051 BA/O	-10	-35	-15				
.....	908 BA/O	-1						
Proprietary receipts from the public .....	051 BA/O	-1,482	-1,416	-1,403	-1,407	-1,407	-1,407	-1,403
Offsetting governmental receipts .....	051 BA/O	-11	-8	-8	-8	-8	-8	-8
Total Federal funds .....	BA	257,908	254,804	257,115	262,767	270,994	274,198	283,873
.....	O	258,261	251,239	252,558	255,758	257,007	259,621	275,732
Trust funds:								
(As shown in detail above) .....	BA	252	245	307	226	225	224	222
.....	O	247	287	256	216	219	219	219
Interfund transactions .....	051 BA/O	-186	-141	-164	-127	-127	-127	-127
Total Department of Defense—Military .....	BA	257,974	254,908	257,258	262,866	271,092	274,295	283,968
.....	O	258,322	251,385	252,650	255,847	257,099	259,713	275,824

**DEPARTMENT OF EDUCATION**  
(In millions of dollars)

Account	1997 actual	estimate						
		1998	1999	2000	2001	2002	2003	
<b>Office of Elementary and Secondary Education</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Education Reform:								
Appropriation, current	501 BA	691	1,275	1,347	1,302	1,147	747	747
Outlays	O	431	668	1,228	1,419	1,304	1,176	875
Education for the disadvantaged:								
Appropriation, current	501 BA	6,501	6,573	7,033	7,033	7,033	7,033	7,033
Appropriation, permanent	BA	-8		✓15	✓15	✓15	✓15	✓15
Advance appropriation	BA	1,298	1,298	1,448	1,448	1,448	1,448	1,448
Spending authority from offsetting collections	BA	18						
Outlays	O	7,216	6,250	7,943	8,332	8,458	8,481	8,481
				✓1	✓11	✓14	✓15	✓15
Education for the disadvantaged (gross)	BA	7,809	7,871	8,496	8,496	8,496	8,496	8,496
	O	7,216	6,250	7,944	8,343	8,472	8,496	8,496
Total, offsetting collections		-18						
Total Education for the disadvantaged (net)	BA	7,791	7,871	8,496	8,496	8,496	8,496	8,496
	O	7,198	6,250	7,944	8,343	8,472	8,496	8,496
Class size reduction and teacher financing:								
Appropriation, permanent	501 BA			<sup>#</sup> 1,100	<sup>#</sup> 1,300	<sup>#</sup> 1,500	<sup>#</sup> 1,700	<sup>#</sup> 1,735
Outlays	O			<sup>#</sup> 55	<sup>#</sup> 780	<sup>#</sup> 1,195	<sup>#</sup> 1,440	<sup>#</sup> 1,632
Impact aid:								
Appropriation, current	501 BA	730	808	696	696	696	696	691
Outlays	O	656	1,007	723	702	695	696	696
School improvement programs:								
Appropriation, current	501 BA	1,426	1,538	1,273	1,273	1,273	1,273	1,273
Outlays	O	1,276	1,386	✓203	✓321	✓389	✓362	✓275
				✓10	✓148	✓279	✓361	✓362
Total School improvement programs	BA	1,426	1,538	1,476	1,594	1,662	1,635	1,548
	O	1,276	1,386	1,470	1,487	1,565	1,634	1,635
America Reads Challenge:								
Appropriation, current	501 BA			50	260	260	260	260
Advance appropriation	BA			210				
Outlays	O			14	183	247	260	260
Total America Reads Challenge	BA			260	260	260	260	260
	O			14	183	247	260	260
Chicago litigation settlement:								
Outlays	501 O		5	2	2			
Indian education:								
Appropriation, current	501 BA	61	63	66	66	66	66	66
Outlays	O	56	55	66	69	66	66	66
Total Federal funds Office of Elementary and Secondary Education	BA	10,699	11,555	13,441	13,714	13,827	13,600	13,543
	O	9,617	9,371	11,502	12,985	13,544	13,768	13,660

**Office of Bilingual Education and Minority Languages Affairs**

*Federal funds*

<b>General and Special Funds:</b>								
Bilingual and immigrant education:								
Appropriation, current	501 BA	262	354	387	387	387	387	387
Outlays	O	181	279	347	395	386	387	387

**Office of Special Education and Rehabilitative Services**

*Federal funds*

<b>General and Special Funds:</b>								
Special education:								
Appropriation, current	501 BA	4,036	4,811	4,846	4,846	4,846	4,846	4,846
Outlays	O	3,305	3,813	4,325	5,048	4,844	4,846	4,846

**DEPARTMENT OF EDUCATION—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>Rehabilitation services and disability research:</b>								
Appropriation, current	506 BA	2,509	2,591					
Spending authority from offsetting collections	BA	2						
Outlays	O	2,464	2,515	2,645	2,701	2,760	2,824	2,888
<hr/>								
Rehabilitation services and disability research (gross)	BA	2,511	2,591	2,645	2,701	2,760	2,824	2,888
	O	2,464	2,515	2,818	2,712	2,741	2,803	2,867
<hr/>								
Total, offsetting collections		-2						
<hr/>								
Total Rehabilitation services and disability research (net)	BA	2,509	2,591	2,645	2,701	2,760	2,824	2,888
	O	2,462	2,515	2,818	2,712	2,741	2,803	2,867
<hr/>								
<b>American printing house for the blind:</b>								
Appropriation, current	501 BA	7	8	8	8	8	8	8
Outlays	O	7	9	8	8	8	8	8
<hr/>								
<b>National technical institute for the deaf:</b>								
Appropriation, current	502 BA	43	44	45	45	45	45	45
Outlays	O	43	42	44	45	45	45	45
<hr/>								
<b>Gallaudet University:</b>								
Appropriation, current	502 BA	79	81	83	83	83	83	83
Outlays	O	79	77	84	83	83	83	83
<hr/>								
Total Federal funds Office of Special Education and Rehabilitative Services	BA	6,674	7,535	7,627	7,683	7,742	7,806	7,870
	O	5,896	6,456	7,279	7,896	7,721	7,785	7,849

**Office of Vocational and Adult Education**

*Federal funds*

**General and Special Funds:**

Vocational and adult education:

Appropriation, current	501 BA	1,487	1,508					
				1,544	1,544	1,544	1,544	1,544
Appropriation, permanent	BA	7						
Outlays	O	1,402	1,338	1,420	450	75		
				78	1,081	1,467	1,544	1,544
<hr/>								
Total Vocational and adult education	BA	1,494	1,508	1,544	1,544	1,544	1,544	1,544
	O	1,402	1,338	1,498	1,531	1,542	1,544	1,544

**Office of Postsecondary Education**

*Federal funds*

**General and Special Funds:**

Student financial assistance:

Appropriation, current	502 BA	7,560	8,979	9,203	9,203	9,203	9,203	9,203
Appropriation, permanent	BA			40	40	40	40	40
Outlays	O	7,248	8,395	9,069	9,238	9,245	9,243	9,243
<hr/>								
Total Student financial assistance	BA	7,560	8,979	9,243	9,243	9,243	9,243	9,243
	O	7,248	8,395	9,069	9,238	9,245	9,243	9,243

Higher education:

Appropriation, current	502 BA	879	947	7	7	7	7	8
				1,282	1,455	1,646	1,745	1,769
Outlays	O	877	855	810	210	25	7	7
				163	1,048	1,416	1,614	1,722
<hr/>								
Total Higher education	BA	879	947	1,289	1,462	1,653	1,752	1,777
	O	877	855	973	1,258	1,441	1,621	1,729

Howard University:

Appropriation, current	502 BA	196	210	210	210	210	210	210
Outlays	O	199	202	210	210	210	210	210

Perkins Loan Revolving Fund:

Appropriation, permanent	502 BA			-40	-40	-40	-40	-40
Spending authority from offsetting collections	BA	1	45	45	45	45	45	45

DEPARTMENT OF EDUCATION—Continued  
(In millions of dollars)

Account		1997 actual	estimate					2003
			1998	1999	2000	2001	2002	
Outlays .....	O		3	5	5	5	5	5
Perkins Loan Revolving Fund (gross) .....	BA	1	45	5	5	5	5	5
	O		3	5	5	5	5	5
Total, offsetting collections .....		-1	-45	-45	-45	-45	-45	-45
Total Perkins Loan Revolving Fund (net) .....	BA			-40	-40	-40	-40	-40
	O	-1	-42	-40	-40	-40	-40	-40
<b>Credit Accounts:</b>								
Federal direct student loan program, program account:								
Appropriation, permanent .....	502 BA	762	920	1,104 <i>B 31</i>	1,170 <i>B 56</i>	1,187 <i>B 104</i>	1,168 <i>B 186</i>	1,143 <i>B 280</i>
Spending authority from offsetting collections .....	BA	211	95					
Outlays .....	O	870	1,036	971 <i>B 20</i>	1,084 <i>B 44</i>	1,134 <i>B 82</i>	1,149 <i>B 149</i>	1,143 <i>B 233</i>
Limitation on mandatory administrative expenses .....		(491)						
Federal direct student loan program, program account (gross) .....	BA	973	1,015	1,135	1,226	1,291	1,354	1,423
	O	870	1,036	991	1,128	1,216	1,298	1,376
Total, offsetting collections .....		-211	-95					
Total Federal direct student loan program, program account (net) .....	BA	762	920	1,135	1,226	1,291	1,354	1,423
	O	659	941	991	1,128	1,216	1,298	1,376
Federal family education loan program account:								
Appropriation, current .....	502 BA	46	46	48	49	49	49	48
Appropriation, permanent .....	BA	3,290	2,004 <i>B -158</i>	1,987 <i>B -223</i>	2,063 <i>B -316</i>	2,148 <i>B -265</i>	2,215 <i>B -123</i>	2,309 <i>B 17</i>
Spending authority from offsetting collections .....	BA	1,247						
Outlays .....	O	4,194	2,316 <i>B -158</i>	1,834 <i>B -142</i>	1,876 <i>B -263</i>	1,952 <i>B -257</i>	2,018 <i>B -157</i>	2,093 <i>B -29</i>
Federal family education loan program account (gross) .....	BA	4,583	1,892	1,812	1,796	1,932	2,141	2,374
	O	4,194	2,158	1,692	1,613	1,695	1,861	2,064
Total, offsetting collections .....		-1,247						
Total Federal family education loan program account (net) .....	BA	3,336	1,892	1,812	1,796	1,932	2,141	2,374
	O	2,947	2,158	1,692	1,613	1,695	1,861	2,064
Federal family education loan liquidating account:								
Appropriation, permanent .....	502 BA	745						
Spending authority from offsetting collections .....	BA	1,217	1,598	1,600 <i>B 18</i>	1,543 <i>B 70</i>	1,449 <i>B 66</i>	1,343 <i>B 61</i>	1,232 <i>B 56</i>
Outlays .....	O	1,589	1,408	1,066 <i>B 1</i>	758 <i>B 4</i>	537 <i>B 4</i>	379 <i>B 3</i>	265 <i>B 3</i>
Federal family education loan liquidating account (gross) .....	BA	1,962	1,598	1,618	1,613	1,515	1,404	1,288
	O	1,589	1,408	1,067	762	541	382	268
Total, offsetting collections .....		-1,217	-1,598	-1,600 <i>B -18</i>	-1,543 <i>B -70</i>	-1,449 <i>B -66</i>	-1,343 <i>B -61</i>	-1,232 <i>B -56</i>
Total Federal family education loan liquidating account (net) .....	BA	745						
	O	372	-190	-551	-851	-974	-1,022	-1,020
College housing and academic facilities loans, program account:								
Appropriation, current .....	502 BA	1	1	1	1	1	1	1
Outlays .....	O	2	1	1	2	2	1	1
College housing and academic facilities loans liquidating account:								
Spending authority from offsetting collections .....	502 BA	68	59	57	55	51	47	45
Outlays .....	O	24	24	24	22	20	19	18
College housing and academic facilities loans liquidating account (gross) .....	BA	68	59	57	55	51	47	45
	O	24	24	24	22	20	19	18

**DEPARTMENT OF EDUCATION—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Total, offsetting collections .....		-68	-59	-57	-55	-51	-47	-45
Total College housing and academic facilities loans liquidating account (net) .....	BA O	-44	-35	-33	-33	-31	-28	-27
Total Federal funds Office of Postsecondary Education .....	BA O	<b>13,479</b> 12,259	<b>12,949</b> 12,285	<b>13,650</b> 12,312	<b>13,898</b> 12,525	<b>14,290</b> 12,764	<b>14,661</b> 13,144	<b>14,988</b> 13,536

**Office of Educational Research and Improvement**

*Federal funds*

**General and Special Funds:**

Education research, statistics, and improvement:

Appropriation, current .....	503 BA	598	431	689	689	689	689	668
Outlays .....	O	340	581	529	642	685	689	686

**Departmental Management**

*Federal funds*

**General and Special Funds:**

Program administration:

Appropriation, current .....	503 BA	326	341	362	362	362	362	362
Spending authority from offsetting collections .....	BA	6						
Outlays .....	O	328	342	354	362	361	362	362

Program administration (gross) .....	BA O	332 328	341 342	362 354	362 362	362 361	362 362	362 362
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Total, offsetting collections .....		-6						
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Total Program administration (net) .....	BA O	326 322	341 342	362 354	362 362	362 361	362 362	362 362
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Office for Civil Rights:

Appropriation, current .....	751 BA	55	62	68	68	68	68	68
Outlays .....	O	59	59	64	67	68	68	68

Office of the Inspector General:

Appropriation, current .....	751 BA	30	30	31	31	31	31	31
Outlays .....	O	30	30	30	31	31	31	31

Headquarters Renovation:

Outlays .....	503 O	1	6					
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Total Federal funds Departmental Management .....	BA O	411 412	433 437	461 448	461 460	461 460	461 461	461 461
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**Summary**

Federal funds:

(As shown in detail above) .....	BA O	33,617 30,107	34,765 30,747	37,799 33,915	38,376 36,434	38,940 37,102	39,148 37,778	39,461 38,123
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Deductions for offsetting receipts:

Proprietary receipts from the public .....	502 BA/O	-98					-1,000	
					-275	-275	-275	-275

Total Department of Education .....	BA O	33,519 30,009	34,765 30,747	37,799 33,915	38,101 36,159	38,665 36,827	37,873 36,503	39,186 37,848
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**DEPARTMENT OF ENERGY**

(In millions of dollars)

Account		1997 actual	estimate				
			1998	1999	2000	2001	2002

**Atomic Energy Defense Activities**

*Federal funds*

**General and Special Funds:**

Weapons activities:

Appropriation, current .....	053 BA	3,911	4,147	4,500	3,981	4,249	4,354	4,442
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**DEPARTMENT OF ENERGY—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Advance appropriation .....	BA				519	251	146	58
Spending authority from offsetting collections .....	BA	1,141	1,119	1,119	1,119	1,119	1,119	1,119
Outlays .....	O	5,092	5,198	5,518	5,601	5,619	5,619	5,619
Weapons activities (gross) .....	BA	5,052	5,266	5,619	5,619	5,619	5,619	5,619
	O	5,092	5,198	5,518	5,601	5,619	5,619	5,619
Total, offsetting collections .....		-1,141	-1,119	-1,119	-1,119	-1,119	-1,119	-1,119
Total Weapons activities (net) .....	BA	3,911	4,147	4,500	4,500	4,500	4,500	4,500
	O	3,951	4,079	4,399	4,482	4,500	4,500	4,500
Defense environmental restoration and waste management:								
Appropriation, current .....	053 BA	5,608	4,629	4,260	4,156	3,953	3,857	4,067
Spending authority from offsetting collections .....	BA	8	19	21	19	12	11	
Outlays .....	O	5,579	4,906	4,451	4,222	4,041	3,919	4,103
Defense environmental restoration and waste management (gross) .....	BA	5,616	4,648	4,281	4,175	3,965	3,868	4,067
	O	5,579	4,906	4,451	4,222	4,041	3,919	4,103
Total, offsetting collections .....		-8	-19	-21	-19	-12	-11	
Total Defense environmental restoration and waste management (net) .....	BA	5,608	4,629	4,260	4,156	3,953	3,857	4,067
	O	5,571	4,887	4,430	4,203	4,029	3,908	4,103
Defense facilities closure projects:								
Appropriation, current .....	053 BA		891	1,006	1,000	970	920	920
Outlays .....	O		624	927	996	979	937	923
Defense environmental management privatization:								
Appropriation, current .....	053 BA			517	298	159	500	500
Outlays .....	O				16	30	43	67
Other Defense Activities:								
Appropriation, current .....	053 BA	1,637	1,666	1,667	1,599	1,612	1,588	1,735
Advance appropriation .....	BA				58	13	5	
Outlays .....	O	1,584	1,741	1,693	1,660	1,637	1,606	1,687
Total Other Defense Activities .....	BA	1,637	1,666	1,667	1,657	1,625	1,593	1,735
	O	1,584	1,741	1,693	1,660	1,637	1,606	1,687
Defense nuclear waste disposal:								
Appropriation, current .....	053 BA	200	190	190	190	190	190	195
Outlays .....	O	171	190	190	190	190	190	194
Total Federal funds Atomic Energy Defense Activities .....	BA	11,356	11,523	12,140	11,801	11,397	11,560	11,917
	O	11,277	11,521	11,639	11,547	11,365	11,184	11,474

**Energy Programs**

*Federal funds*

**General and Special Funds:**

Science:

Appropriation, current .....	251 BA	977	2,236	2,482	2,179	2,269	2,355	2,410
Advance appropriation .....	BA				318	353	333	250
Outlays .....	O	1,022	1,813	2,168	2,355	2,635	2,675	2,662
Total Science .....	BA	977	2,236	2,482	2,497	2,622	2,688	2,660
	O	1,022	1,813	2,168	2,355	2,635	2,675	2,662

Energy supply:

Appropriation, current .....	271 BA	2,738	906	1,129	1,006	996	963	992
Spending authority from offsetting collections .....	BA	1,029	1,350	1,350	1,350	1,350	1,350	1,350
Outlays .....	O	4,021	2,237	2,356	2,391	2,370	2,333	2,331
Energy supply (gross) .....	BA	3,767	2,256	2,479	2,356	2,346	2,313	2,342
	O	4,021	2,237	2,356	2,391	2,370	2,333	2,331
Total, offsetting collections .....		-1,029	-1,350	-1,350	-1,350	-1,350	-1,350	-1,350
Total Energy supply (net) .....	BA	2,738	906	1,129	1,006	996	963	992
	O	2,992	887	1,006	1,041	1,020	983	981

Non-defense environmental management:

Appropriation, current .....	271 BA		497	462	410	375	375	350
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**DEPARTMENT OF ENERGY—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O		538	490	427	388	377	358
Uranium supply and enrichment activities:								
Appropriation, current .....	271 BA	42						
Outlays .....	O	91	51					
Fossil energy research and development:								
Appropriation, current .....	271 BA	359	362	383	299	298	269	272
Outlays .....	O	421	371	370	345	315	287	276
Naval petroleum and oil shale reserves:								
Appropriation, current .....	271 BA	144	107	23	15	10	9	7
Spending authority from offsetting collections .....	BA	4	3					
Outlays .....	O	181	124	58	24	13	10	8
Naval petroleum and oil shale reserves (gross) .....	BA	148	110	23	15	10	9	7
	O	181	124	58	24	13	10	8
Total, offsetting collections .....		-4	-3					
Total Naval petroleum and oil shale reserves (net) .....	BA	144	107	23	15	10	9	7
	O	177	121	58	24	13	10	8
Energy conservation:								
Appropriation, current .....	272 BA	533	591	774	738	741	745	725
Spending authority from offsetting collections .....	BA	30	21	35	25	25	25	25
Outlays .....	O	602	572	673	770	769	767	763
Energy conservation (gross) .....	BA	563	612	809	763	766	770	750
	O	602	572	673	770	769	767	763
Total, offsetting collections .....		-30	-21	-35	-25	-25	-25	-25
Total Energy conservation (net) .....	BA	533	591	774	738	741	745	725
	O	572	551	638	745	744	742	738
Strategic petroleum reserve:								
Appropriation, current .....	274 BA	209	208	160	155	155	150	150
Outlays .....	O	242	216	182	162	156	152	151
SPR petroleum account:								
Appropriation, current .....	274 BA				5	5	5	5
Outlays .....	O		5	5	5	5	5	5
Energy information administration:								
Appropriation, current .....	276 BA	66	67	71	69	69	67	64
Outlays .....	O	75	66	70	69	69	68	65
Emergency preparedness:								
Outlays .....	274 O	1						
Economic regulation:								
Appropriation, current .....	276 BA	3	3	2	2	1		
Outlays .....	O	5	3	2	2	1		
Federal Energy Regulatory Commission:								
Appropriation, current .....	276 BA			169				
Spending authority from offsetting collections .....	BA	146	162		174	178	183	188
Outlays .....	O	158	160	168	173	177	182	187
Federal Energy Regulatory Commission (gross) .....	BA	146	162	169	174	178	183	188
	O	158	160	168	173	177	182	187
Total, offsetting collections .....		-146	-162	-197	-203	-208	-214	-219
Total Federal Energy Regulatory Commission (net) .....	BA			-28	-29	-30	-31	-31
	O	12	-2	-29	-30	-31	-32	-32
Clean coal technology:								
Appropriation, current .....	271 BA	-2	-101	-40				
Advance appropriation .....	BA				10	15	15	
Outlays .....	O	98	150	183	170	180	96	109
Total Clean coal technology .....	BA	-2	-101	-40	10	15	15	
	O	98	150	183	170	180	96	109
Alternative fuels production:								
Appropriation, current .....	271 BA	-3						
Alternative fuels production (gross) .....	BA	-3						

**DEPARTMENT OF ENERGY—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					2003
			1998	1999	2000	2001	2002	
Total, offsetting collections .....		-1	-2	-1	-1	-1	-1	-1
Total Alternative fuels production (net) .....		-4	-2	-1	-1	-1	-1	-1
<b>Elk Hills school lands fund:</b>								
Appropriation, current .....	271 BA			36	36	36	36	36
Outlays .....	O			36	36	36	36	36
<b>Payments to States under Federal Power Act:</b>								
Appropriation, permanent .....	806 BA	3	3	3	3	3	3	3
Outlays .....	O	3	3	3	3	3	3	3
<b>Nuclear waste disposal fund:</b>								
Appropriation, current .....	271 BA	182	156	190	190	190	190	195
Outlays .....	O	165	169	173	190	190	190	193
<b>Uranium enrichment decontamination and decommissioning fund:</b>								
Appropriation, current .....	271 BA	210	220	277	230	230	220	230
Outlays .....	O	180	214	260	244	230	223	227
<b>Public Enterprise Funds:</b>								
<b>Isotope production and distribution program fund:</b>								
Spending authority from offsetting collections .....	271 BA	24	28	33	23	23	23	24
Outlays .....	O	30	28	33	23	23	23	24
Isotope production and distribution program fund (gross) .....	BA	24	28	33	23	23	23	24
	O	30	28	33	23	23	23	24
Total, offsetting collections .....		-24	-28	-33	-23	-23	-23	-24
Total Isotope production and distribution program fund (net) .....	BA							
	O	6						
Total Federal funds Energy Programs .....	BA	5,460	5,253	5,923	5,635	5,715	5,703	5,658
	O	6,061	5,154	5,614	5,787	5,953	5,814	5,780

**Power Marketing Administration**

*Federal funds*

**General and Special Funds:**

Operation and maintenance, Alaska Power Administration:

Appropriation, current .....	271 BA	4	14					
Outlays .....	O	3	14	3				

Operation and maintenance, Southeastern Power Administration:

Appropriation, current .....	271 BA	16	12	9	11	12	13	16
Spending authority from offsetting collections .....	BA		20	28				
Outlays .....	O	24	32	37	11	12	13	16

Operation and maintenance, Southeastern Power Administration (gross) .....	BA	16	32	37	11	12	13	16
	O	24	32	37	11	12	13	16

Total, offsetting collections .....			-20	-28				
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Total Operation and maintenance, Southeastern Power Administration (net) .....	BA	16	12	9	11	12	13	16
	O	24	12	9	11	12	13	16

Operation and maintenance, Southwestern Power Administration:

Appropriation, current .....	271 BA	25	25	26	28	29	30	31
Spending authority from offsetting collections .....	BA	4	5	11	4	4	4	4
Outlays .....	O	32	32	37	31	33	34	35

Operation and maintenance, Southwestern Power Administration (gross) .....	BA	29	30	37	32	33	34	35
	O	32	32	37	31	33	34	35

Total, offsetting collections .....		-4	-5	-11	-4	-4	-4	-4
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Total Operation and maintenance, Southwestern Power Administration (net) .....	BA	25	25	26	28	29	30	31
	O	28	27	26	27	29	30	31

Construction, rehabilitation, operation and maintenance, Western Area Power Administration:

Appropriation, current .....	271 BA	186	195	215	190	190	185	190
Spending authority from offsetting collections .....	BA	51	124	129	129	129	129	129

**DEPARTMENT OF ENERGY—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	269	314	333	333	319	317	316
Construction, rehabilitation, operation and maintenance, Western Area Power Administration (gross) .....	BA O	237 269	319 314	344 333	319 333	319 319	314 317	319 316
Total, offsetting collections .....		-51	-124	-129	-129	-129	-129	-129
Total Construction, rehabilitation, operation and maintenance, Western Area Power Administration (net) .....	BA O	186 218	195 190	215 204	190 204	190 190	185 188	190 187
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
<b>Public Enterprise Funds:</b>								
Bonneville Power Administration fund:								
Authority to borrow, permanent .....	271 BA	221	202	118	78	6	44	1
Spending authority from offsetting collections .....	BA	2,089	2,082	2,195	2,243	2,285	2,165	2,222
Outlays .....	O	2,137	2,294	2,313	2,321	2,291	2,206	2,212
Bonneville Power Administration fund (gross) .....	BA O	2,310 2,137	2,284 2,294	2,313 2,313	2,321 2,321	2,291 2,291	2,209 2,206	2,223 2,212
Total, offsetting collections .....		-2,294	-2,309	-2,359	-2,408	-2,438	-2,387	-2,385
Total Bonneville Power Administration fund (net) .....	BA O	16 -157	-25 -15	-46 -46	-87 -87	-147 -147	-178 -181	-162 -173
Colorado river basins power marketing fund, Western Area Power Administration:								
Spending authority from offsetting collections .....	271 BA	104	125	101	101	101	101	101
Outlays .....	O	95	125	101	101	101	101	101
Colorado river basins power marketing fund, Western Area Power Administration (gross) .....	BA O	104 95	125 125	101 101	101 101	101 101	101 101	101 101
Total, offsetting collections .....		-130	-141	-117	-117	-117	-117	-117
Total Colorado river basins power marketing fund, Western Area Power Administration (net) .....	BA O	-26 -35	-16 -16	-16 -16	-16 -16	-16 -16	-16 -16	-16 -16
Total Federal funds Power Marketing Administration .....	BA O	222 82	206 213	189 181	127 140	69 69	35 35	60 46

**Departmental Administration**

*Federal funds*

**General and Special Funds:**

Departmental administration:								
Appropriation, current .....	276 BA	130	87	246	102	108	105	105
Spending authority from offsetting collections .....	BA	85	131	.....	137	131	131	131
Outlays .....	O	234	218	241	240	239	237	236
Departmental administration (gross) .....	BA O	215 234	218 218	246 241	239 240	239 239	236 237	236 236
Total, offsetting collections .....		-85	-131	-137	-131	-131	-131	-131
Total Departmental administration (net) .....	BA O	130 149	87 87	109 104	108 109	108 108	105 106	105 105
Office of the Inspector General:								
Appropriation, current .....	276 BA	24	28	30	30	31	32	33
Outlays .....	O	29	27	30	31	31	32	33
<b>Intragovernmental Funds:</b>								
Working capital fund:								
Spending authority from offsetting collections .....	276 BA	92	77	81	80	80	80	80

**DEPARTMENT OF ENERGY—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	71	80	81	80	80	80	80
Working capital fund (gross) .....	BA	92	77	81	80	80	80	80
	O	71	80	81	80	80	80	80
Total, offsetting collections .....		-92	-77	-81	-80	-80	-80	-80
Total Working capital fund (net) .....	BA							
	O	-21	3					
Total Federal funds Departmental Administration .....	BA	154	115	139	138	139	137	138
	O	157	117	134	140	139	138	138

		Summary							
Federal funds:									
(As shown in detail above) .....	BA	17,192	17,097	18,391	17,701	17,320	17,435	17,773	
	O	17,577	17,005	17,568	17,614	17,526	17,171	17,438	
Deductions for offsetting receipts:									
Intrafund transactions .....	271 BA/O	-377	-388	-398	-410	-421	-435	-435	
	908 BA/O	-508	-506	-580	-661	-748	-842	-944	
Proprietary receipts from the public .....	053 BA/O	-26	-15	-15	-15	-15	-15		
	271 BA/O	-1,933	-1,501	-1,335	-1,338	-1,404	-1,467	-1,503	
Offsetting governmental receipts .....	274 BA/O	-220	-208						
	276 BA/O	-46	-21						
Total Department of Energy .....	BA	14,082	14,458	16,063	15,277	14,732	14,676	14,891	
	O	14,467	14,366	15,240	15,190	14,938	14,412	14,556	

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>Health Programs</b>								
<b>Public Health Service</b>								
<i>Food and Drug Administration</i>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current .....	554 BA	888	925	970	1,027	1,079	1,078	1,109
Appropriation, permanent .....	BA		1	1	1	1	1	1
Spending authority from offsetting collections .....	BA	118	141	161	174	196	205	217
			^ 26					
				^ 128	^ 128	^ 128	^ 128	^ 128
Outlays .....	O	993	1,116	1,156	1,198	1,283	1,303	1,345
			^ 26					
				^ 128	^ 128	^ 128	^ 128	^ 128
Salaries and expenses (gross) .....	BA	1,006	1,093	1,260	1,330	1,404	1,412	1,455
	O	993	1,142	1,284	1,326	1,411	1,431	1,473
Total, offsetting collections .....		-118	-141	-161	-174	-196	-205	-217
			^ -26					
				^ -128	^ -128	^ -128	^ -128	^ -128
Total Salaries and expenses (net) .....	BA	888	926	971	1,028	1,080	1,079	1,110
	O	875	975	995	1,024	1,087	1,098	1,128
<b>Public Enterprise Funds:</b>								
Revolving fund for certification and other services:								
Spending authority from offsetting collections .....	554 BA	5	4	4	4	4	5	5
Outlays .....	O	4	3	4	4	5	5	5
Revolving fund for certification and other services (gross) .....	BA	5	4	4	4	4	5	5
	O	4	3	4	4	5	5	5

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued  
(In millions of dollars)

Account	1997 actual	estimate					
		1998	1999	2000	2001	2002	2003
Total, offsetting collections .....	-5	-4	-4	-4	-4	-5	-5
Total Revolving fund for certification and other services (net) .....	BA O	-1	-1		1		
Total Federal funds Food and Drug Administration .....	BA O	888 874	926 974	971 995	1,028 1,024	1,080 1,088	1,079 1,128

Health Resources and Services Administration  
Federal funds

General and Special Funds:

Health Resources and Services

(Health care services):

(Appropriation, current) .....	551 BA	3,113	3,325	3,483	3,459	3,438	3,409	3,480
(Appropriation, permanent) .....	BA		50	50	50	50	50	
(Spending authority from offsetting collections) .....	BA	44	61	62	62	62	62	62
(Outlays) .....	O	3,067	3,285	3,512	3,569	3,576	3,541	3,532
(Limitation on loan guarantee commitments) .....		(80)	(80)					

Health Resources and Services (gross) .....	BA O	3,157 3,067	3,436 3,285	3,595 3,512	3,571 3,569	3,550 3,576	3,521 3,541	3,542 3,532
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Total, offsetting collections .....		-44	-61	-62	-62	-62	-62	-62
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Total (Health care services) (net) .....	BA O	3,113 3,023	3,375 3,224	3,533 3,450	3,509 3,507	3,488 3,514	3,459 3,479	3,480 3,470
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(Health research and training):

(Appropriation, current) .....	552 BA	292	293	290	287	284	279	288
(Spending authority from offsetting collections) .....	BA	21	21	21	21	21	21	21
(Outlays) .....	O	366	306	309	308	307	303	304

Health Resources and Services (gross) .....	BA O	3,426 3,389	3,689 3,530	3,844 3,759	3,817 3,815	3,793 3,821	3,759 3,782	3,789 3,774
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Total, offsetting collections .....		-21	-21	-21	-21	-21	-21	-21
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Total (Health research and training) (net) .....	BA O	292 345	293 285	290 288	287 287	284 286	279 282	288 283
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Total Health Resources and Services .....	BA O	3,405 3,368	3,668 3,509	3,823 3,738	3,796 3,794	3,772 3,800	3,738 3,761	3,768 3,753
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Vaccine injury compensation:

Appropriation, current .....	551 BA	110						
Outlays .....	O	67	75	22				

Public Enterprise Funds:

Medical facilities guarantee and loan fund

(Health care services):

(Appropriation, current) .....	551 BA	7	6	1	1	1		
(Spending authority from offsetting collections) .....	BA	11	8	8	7	7	7	6
(Outlays) .....	O	5	6	6	1	4	4	4

Medical facilities guarantee and loan fund (gross) .....	BA O	18 5	14 6	9 6	8 1	8 4	7 4	6 4
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Total, offsetting collections .....		-11	-8	-8	-7	-7	-7	-6
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Total (Health care services) (net) .....	BA O	7 -6	6 -2	1 -2	1 -6	1 -3		-2
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Total Medical facilities guarantee and loan fund .....	BA O	7 -6	6 -2	1 -2	1 -6	1 -3		-2
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Credit Accounts:

Health Education assistance loans program account:

Appropriation, current .....	552 BA	3	4	4	4	4	4	4
Appropriation, permanent .....	BA		1					
Outlays .....	O	4	6	4	4	4	4	4

**DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Limitation on loan guarantee commitments .....		(140)	(85)					
Total Health Education assistance loans program account .....	BA	3	5	4	4	4	4	4
	O	4	6	4	4	4	4	4
<b>Health education assistance loans program:</b>								
Appropriation, permanent .....	552 BA	38	30	37	32	29	27	22
Spending authority from offsetting collections .....	BA	13	20	20	20	19	19	19
Outlays .....	O	51	61	57	52	48	46	41
Health education assistance loans program (gross) .....	BA	51	50	57	52	48	46	41
	O	51	61	57	52	48	46	41
Total, offsetting collections .....		-13	-20	-20	-20	-19	-19	-19
Total Health education assistance loans program (net) .....	BA	38	30	37	32	29	27	22
	O	38	41	37	32	29	27	22
<i>Trust funds</i>								
<b>Vaccine injury compensation program trust fund:</b>								
Appropriation, current .....	551 BA	58	61	61	61	61	61	61
Outlays .....	O	54	65	61	61	61	61	61
Total Federal funds Health Resources and Services Administration .....	BA	3,563	3,709	3,865	3,833	3,806	3,769	3,794
	O	3,471	3,629	3,799	3,824	3,830	3,789	3,777
Total Trust funds Health Resources and Services Administration .....	BA	58	61	61	61	61	61	61
	O	54	65	61	61	61	61	61

*Indian Health Services*  
*Federal funds*

**General and Special Funds:**

Indian Health Services:

Appropriation, current .....	551 BA	1,807	1,841	1,844	1,828	1,809	1,783	1,837
Appropriation, permanent .....	BA		30	30	30	30	30	30
Spending authority from offsetting collections .....	BA	351	298	323	333	343	353	364
Outlays .....	O	2,271	2,141	2,146	2,180	2,200	2,178	2,213
Indian Health Services (gross) .....	BA	2,158	2,169	2,197	2,191	2,182	2,166	2,231
	O	2,271	2,141	2,146	2,180	2,200	2,178	2,213
Total, offsetting collections .....		-351	-298	-323	-333	-343	-353	-364
Total Indian Health Services (net) .....	BA	1,807	1,871	1,874	1,858	1,839	1,813	1,867
	O	1,920	1,843	1,823	1,847	1,857	1,825	1,849
<b>Indian health facilities:</b>								
Appropriation, current .....	551 BA	250	258	274	274	274	274	274
Appropriation, permanent .....	BA	5	5	5	5	5	5	5
Spending authority from offsetting collections .....	BA	12	12	12	12	12	12	12
Outlays .....	O	266	285	314	314	290	290	291
Indian health facilities (gross) .....	BA	267	275	291	291	291	291	291
	O	266	285	314	314	290	290	291
Total, offsetting collections .....		-12	-12	-12	-12	-12	-12	-12
Total Indian health facilities (net) .....	BA	255	263	279	279	279	279	279
	O	254	273	302	302	278	278	279
Total Federal funds Indian Health Services .....	BA	2,062	2,134	2,153	2,137	2,118	2,092	2,146
	O	2,174	2,116	2,125	2,149	2,135	2,103	2,128

*Centers for Disease Control and Prevention*  
*Federal funds*

**General and Special Funds:**

Disease control, research, and training

(Health care services):

(Appropriation, current) .....	551 BA	2,091	2,163	2,268	2,262	2,249	2,229	2,284
(Spending authority from offsetting collections) .....	BA	96	91	91	91	91	91	91

**DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					2003
			1998	1999	2000	2001	2002	
(Outlays)	O	2,173	2,166	2,247	2,208	2,284	2,333	2,344
Disease control, research, and training (gross)	BA	<b>2,187</b>	<b>2,254</b>	<b>2,359</b>	<b>2,353</b>	<b>2,340</b>	<b>2,320</b>	<b>2,375</b>
	O	2,173	2,166	2,247	2,208	2,284	2,333	2,344
(Change in orders on hand from Federal sources)	BA	-5						
Total, offsetting collections		-91	-91	-91	-91	-91	-91	-91
Total (Health care services) (net)	BA	<b>2,091</b>	<b>2,163</b>	<b>2,268</b>	<b>2,262</b>	<b>2,249</b>	<b>2,229</b>	<b>2,284</b>
	O	2,082	2,075	2,156	2,117	2,193	2,242	2,253
(Health research and training):								
(Appropriation, current)	552 BA	211	216	189	189	187	185	190
(Appropriation, permanent)	BA	1	1	1	1	1	1	1
(Spending authority from offsetting collections)	BA	56	59	91	91	91	91	91
(Outlays)	O	223	254	286	274	276	279	279
Disease control, research, and training (gross)	BA	<b>2,359</b>	<b>2,439</b>	<b>2,549</b>	<b>2,543</b>	<b>2,528</b>	<b>2,506</b>	<b>2,566</b>
	O	2,305	2,329	2,442	2,391	2,469	2,521	2,532
Total, offsetting collections		-56	-59	-91	-91	-91	-91	-91
Total (Health research and training) (net)	BA	<b>212</b>	<b>217</b>	<b>190</b>	<b>190</b>	<b>188</b>	<b>186</b>	<b>191</b>
	O	167	195	195	183	185	188	188
Total Disease control, research, and training	BA	<b>2,303</b>	<b>2,380</b>	<b>2,458</b>	<b>2,452</b>	<b>2,437</b>	<b>2,415</b>	<b>2,475</b>
	O	2,249	2,270	2,351	2,300	2,378	2,430	2,441
Total Federal funds Centers for Disease Control and Prevention	BA	<b>2,303</b>	<b>2,380</b>	<b>2,458</b>	<b>2,452</b>	<b>2,437</b>	<b>2,415</b>	<b>2,475</b>
	O	2,249	2,270	2,351	2,300	2,378	2,430	2,441

*National Institutes of Health*  
*Federal funds*

**General and Special Funds:**

National Institutes of Health:								
Appropriation, current	552 BA	12,751	13,648	14,798	15,621	16,632	17,997	20,188
Appropriation, permanent	BA	28	28	28	28	28	28	28
Advance appropriation	BA				40			
Spending authority from offsetting collections	BA	1,069	1,159	1,145	1,145	1,145	1,145	1,145
Outlays	O	12,251	14,080	15,071	16,107	16,989	18,069	19,633
National Institutes of Health (gross)	BA	<b>13,848</b>	<b>14,835</b>	<b>15,971</b>	<b>16,834</b>	<b>17,805</b>	<b>19,170</b>	<b>21,361</b>
	O	12,251	14,080	15,071	16,107	16,989	18,069	19,633
Change in orders on hand from Federal sources	BA	-17						
Total, offsetting collections		-1,052	-1,159	-1,145	-1,145	-1,145	-1,145	-1,145
Total National Institutes of Health (net)	BA	<b>12,779</b>	<b>13,676</b>	<b>14,826</b>	<b>15,689</b>	<b>16,660</b>	<b>18,025</b>	<b>20,216</b>
	O	11,199	12,921	13,926	14,962	15,844	16,924	18,488

*Substance Abuse and Mental Health Services Administration*  
*Federal funds*

**General and Special Funds:**

Substance abuse and mental health services								
(Health care services):								
(Appropriation, current)	551 BA	2,145	2,147	2,280	2,271	2,256	2,233	2,285
(Advance appropriation)	BA	50	50					
(Spending authority from offsetting collections)	BA	22	22	22	22	22	22	22
(Outlays)	O	1,644	2,186	2,215	2,199	2,240	2,268	2,279
Substance abuse and mental health services (gross)	BA	<b>2,217</b>	<b>2,219</b>	<b>2,302</b>	<b>2,293</b>	<b>2,278</b>	<b>2,255</b>	<b>2,307</b>
	O	1,644	2,186	2,215	2,199	2,240	2,268	2,279
Total, offsetting collections		-22	-22	-22	-22	-22	-22	-22
Total (Health care services) (net)	BA	<b>2,195</b>	<b>2,197</b>	<b>2,280</b>	<b>2,271</b>	<b>2,256</b>	<b>2,233</b>	<b>2,285</b>
	O	1,622	2,164	2,193	2,177	2,218	2,246	2,257
Total Substance abuse and mental health services	BA	<b>2,195</b>	<b>2,197</b>	<b>2,280</b>	<b>2,271</b>	<b>2,256</b>	<b>2,233</b>	<b>2,285</b>
	O	1,622	2,164	2,193	2,177	2,218	2,246	2,257



**DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued**  
(In millions of dollars)

Account	1997 actual	estimate						
		1998	1999	2000	2001	2002	2003	
<i>Agency for Health Care Policy and Research</i>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Health care policy and research:								
Appropriation, current .....	552 BA	97	90	101	103	105	107	111
Spending authority from offsetting collections .....	BA	57	65	80	80	80	80	80
Outlays .....	O	165	158	174	167	179	183	186
Health care policy and research (gross) .....	BA	154	155	181	183	185	187	191
	O	165	158	174	167	179	183	186
Change in orders on hand from Federal sources .....	BA	-2						
Total, offsetting collections .....		-55	-65	-80	-80	-80	-80	-80
Total Health care policy and research (net) .....	BA	97	90	101	103	105	107	111
	O	110	93	94	87	99	103	106
Total Federal funds Public Health Service .....	BA	23,887	25,112	26,654	27,513	28,462	29,720	32,137
	O	21,699	24,167	25,483	26,523	27,592	28,693	30,325
Total Trust funds Public Health Service .....	BA	58	61	61	61	61	61	61
	O	54	65	61	61	61	61	61

**Other Health Programs**

*Health Care Financing Administration*  
*Federal funds*

<b>General and Special Funds:</b>								
Grants to States for Medicaid:								
Appropriation, current .....	551 BA	75,057	71,602	74,594	86,201	92,647	99,530	107,435
				<i>B -210</i>	<i>B -180</i>	<i>B -130</i>	<i>B -155</i>	<i>B -165</i>
Advance appropriation .....	BA	26,155	27,989	27,801	28,734	30,882	33,177	35,812
Spending authority from offsetting collections .....	BA		200	250	300	350	400	
Outlays .....	O	95,552	101,160	108,167	115,234	123,879	133,107	143,247
				<i>B -210</i>	<i>B -180</i>	<i>B -130</i>	<i>B -155</i>	<i>B -165</i>
Grants to States for Medicaid (gross) .....	BA	101,212	99,791	102,435	115,055	123,749	132,952	143,082
	O	95,552	101,160	107,957	115,054	123,749	132,952	143,082
Total, offsetting collections .....			-200	-250	-300	-350	-400	
Total Grants to States for Medicaid (net) .....	BA	101,212	99,591	102,185	114,755	123,399	132,552	143,082
	O	95,552	100,960	107,707	114,754	123,399	132,552	143,082
Payments to health care trust funds:								
Appropriation, current .....	571 BA	60,079	60,904	62,953	68,148	75,021	82,753	91,465
				<i>B -135</i>	<i>B -250</i>	<i>B -295</i>	<i>B -325</i>	<i>B -365</i>
Appropriation, permanent .....	BA	3,652	5,265	5,256	5,589	5,931	6,317	6,740
Outlays .....	O	63,720	65,203	68,209	73,737	80,952	89,070	98,205
				<i>B -135</i>	<i>B -250</i>	<i>B -295</i>	<i>B -325</i>	<i>B -365</i>
Total Payments to health care trust funds .....	BA	63,731	66,169	68,074	73,487	80,657	88,745	97,840
	O	63,720	65,203	68,074	73,487	80,657	88,745	97,840
Program management (Health care services):								
(Appropriation, permanent) .....	551 BA			<i>B 220</i>	<i>B 270</i>	<i>B 320</i>	<i>B 20</i>	<i>B 20</i>
(Spending authority from offsetting collections) .....	BA	1,643	1,833	1,823	1,766	1,754	1,735	1,778
				<i>J 265</i>	<i>J 270</i>	<i>J 277</i>	<i>J 283</i>	<i>J 289</i>
(Outlays) .....	O	1,647	1,833	1,823	1,766	1,754	1,735	1,778
				<i>B 220</i>	<i>B 270</i>	<i>B 320</i>	<i>B 20</i>	<i>B 20</i>
				<i>J 265</i>	<i>J 270</i>	<i>J 277</i>	<i>J 283</i>	<i>J 289</i>
Program management (gross) .....	BA	1,643	1,833	2,308	2,306	2,351	2,038	2,087
	O	1,647	1,833	2,308	2,306	2,351	2,038	2,087



**DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					2003
			1998	1999	2000	2001	2002	
Outlays .....	O	72,553	84,977	94,631 <i>B -45</i>	99,940 <i>B 233</i>	109,311 <i>B 235</i>	112,113 <i>B 293</i>	122,423 <i>B 349</i>
Federal supplementary medical insurance trust fund (gross) .....	BA	<b>72,559</b>	<b>84,938</b>	<b>94,675</b>	<b>100,131</b>	<b>109,497</b>	<b>112,491</b>	<b>122,739</b>
	O	72,553	84,977	94,586	100,173	109,546	112,406	122,772
Total, offsetting collections .....			-7,690	-10,424	-7,777	-5,960	-3,773	-1,028
Total Federal supplementary medical insurance trust fund (net) .....	BA	<b>72,559</b>	<b>77,248</b>	<b>84,251</b>	<b>92,354</b>	<b>103,537</b>	<b>108,718</b>	<b>121,711</b>
	O	72,553	77,287	84,162	92,396	103,586	108,633	121,744
Total Federal funds Health Care Financing Administration .....	BA	<b>164,943</b>	<b>169,995</b>	<b>174,728</b>	<b>192,761</b>	<b>208,625</b>	<b>224,432</b>	<b>244,117</b>
	O	159,275	166,541	177,868	190,505	206,484	223,559	243,387
Total Trust funds Health Care Financing Administration .....	BA	<b>210,409</b>	<b>218,539</b>	<b>229,182</b>	<b>240,615</b>	<b>258,612</b>	<b>264,113</b>	<b>287,318</b>
	O	210,437	218,807	228,782	240,802	258,843	263,688	287,516
Total Federal funds Health Programs .....	BA	<b>188,830</b>	<b>195,107</b>	<b>201,382</b>	<b>220,274</b>	<b>237,087</b>	<b>254,152</b>	<b>276,254</b>
	O	180,974	190,708	203,351	217,028	234,076	252,252	273,712
Total Trust funds Health Programs .....	BA	<b>210,467</b>	<b>218,600</b>	<b>229,243</b>	<b>240,676</b>	<b>258,673</b>	<b>264,174</b>	<b>287,379</b>
	O	210,491	218,872	228,843	240,863	258,904	263,749	287,577

**Administration for Children and Families**

*Federal funds*

**General and Special Funds:**

Temporary assistance for needy families:									
Appropriation, permanent .....	609 BA	13,411	16,700	16,998	17,084	17,156	16,834	16,834	
Outlays .....	O	9,726	13,802	15,933	17,028	17,105	17,242	17,211	
Contingency fund:									
Appropriation, permanent .....	609 BA		20	28	39	62	98	98	
Outlays .....	O		14	23	34	54	86	94	
Family support payments to states:									
Appropriation, current .....	609 BA	2,158		1,989 <i>B -8</i>	2,127 <i>B -8</i>	2,202 <i>B -8</i>	2,289 <i>B -8</i>	2,525 <i>B -9</i>	
Advance appropriation .....	BA	4,800	607	660	800	800	900	900	
Spending authority from offsetting collections .....	BA	1,099	423	469 <i>B -40</i>	478 <i>B -48</i>	493 <i>B -57</i>	509 <i>B -58</i>	503 <i>B -56</i>	
Outlays .....	O	6,442	4,799	3,645 <i>B -48</i>	3,424 <i>B -56</i>	3,477 <i>B -65</i>	3,657 <i>B -66</i>	3,881 <i>B -65</i>	
Family support payments to states (gross) .....	BA	<b>8,057</b>	<b>1,030</b>	<b>3,070</b>	<b>3,349</b>	<b>3,430</b>	<b>3,632</b>	<b>3,863</b>	
	O	6,442	4,799	3,597	3,368	3,412	3,591	3,816	
Total, offsetting collections .....		-1,099	-423	-469 <i>B 40</i>	-478 <i>B 48</i>	-493 <i>B 57</i>	-509 <i>B 58</i>	-503 <i>B 56</i>	
Total Family support payments to states (net) .....	BA	<b>6,958</b>	<b>607</b>	<b>2,641</b>	<b>2,919</b>	<b>2,994</b>	<b>3,181</b>	<b>3,416</b>	
	O	5,343	4,376	3,168	2,938	2,976	3,140	3,369	
Low income home energy assistance:									
Appropriation, current .....	609 BA	1,000							
Appropriation, permanent .....	BA	215							
Advance appropriation .....	BA		1,000	1,100	1,100	1,100	1,100	1,100	
Outlays .....	O	1,221	1,074	1,077	1,137	1,100	1,100	1,100	
Total Low income home energy assistance .....	BA	<b>1,215</b>	<b>1,000</b>	<b>1,100</b>	<b>1,100</b>	<b>1,100</b>	<b>1,100</b>	<b>1,100</b>	
	O	1,221	1,074	1,077	1,137	1,100	1,100	1,100	
Refugee and entrant assistance:									
Appropriation, current .....	609 BA	415	420	415	415	415	415	415	
Reappropriation .....	BA	10	3						
Outlays .....	O	323	410	408	415	415	415	415	
Total Refugee and entrant assistance .....	BA	<b>425</b>	<b>423</b>	<b>415</b>	<b>415</b>	<b>415</b>	<b>415</b>	<b>415</b>	
	O	323	410	408	415	415	415	415	
Family preservation and support:									
Appropriation, current .....	506 BA	240	255	275	295	305	305	305	
Outlays .....	O	216	236	252	270	288	300	304	
Job opportunities and basic skills training program:									
Appropriation, current .....	504 BA	1,000							

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays	O	445	152	6				
State legalization impact assistance grants:								
Outlays	506 O	-5						
Child care entitlement to States:								
Appropriation, permanent	609 BA	1,967	2,067	2,167	2,367	2,567	2,717	2,717
				<sup>#</sup> 1,755	<sup>#</sup> 1,880	<sup>#</sup> 2,000	<sup>#</sup> 2,200	<sup>#</sup> 2,665
Reappropriation	BA		4					
Outlays	O	1,398	1,835	2,056	2,289	2,477	2,638	2,691
				<sup>#</sup> 1,170	<sup>#</sup> 1,606	<sup>#</sup> 1,892	<sup>#</sup> 2,119	<sup>#</sup> 2,492
Total Child care entitlement to States	BA	1,967	2,071	3,922	4,247	4,567	4,917	5,382
	O	1,398	1,835	3,226	3,895	4,369	4,757	5,183
Payments to States for the child care and development block grant:								
Appropriation, current	609 BA	19	66	3				
				<sup>✓</sup> 180	<sup>✓</sup> 180	<sup>✓</sup> 180	<sup>✓</sup> 180	<sup>✓</sup> 180
Advance appropriation	BA		937	1,000	1,003	1,003	1,003	1,003
Outlays	O	909	978	994	1,002	1,003	1,003	1,003
				<sup>✓</sup> 75	<sup>✓</sup> 133	<sup>✓</sup> 178	<sup>✓</sup> 180	<sup>✓</sup> 180
Total Payments to States for the child care and development block grant	BA	19	1,003	1,183	1,183	1,183	1,183	1,183
	O	909	978	1,069	1,135	1,181	1,183	1,183
Social services block grant:								
Appropriation, current	506 BA	2,500	2,299	1,909	1,895	1,814	1,760	1,760
Outlays	O	2,571	2,443	2,049	1,999	1,858	1,766	1,760
Children and families services programs:								
Appropriation, current	506 BA	5,364	5,683	5,944	6,281	6,466	6,654	6,654
Spending authority from offsetting collections	BA	10	11	11	11	11	11	11
Outlays	O	5,129	5,530	5,797	6,100	6,355	6,536	6,653
Children and families services programs (gross)	BA	5,374	5,694	5,955	6,292	6,477	6,665	6,665
	O	5,129	5,530	5,797	6,100	6,355	6,536	6,653
Change in orders on hand from Federal sources	BA	-3	19					
Total, offsetting collections		-7	-30	-11	-11	-11	-11	-11
Total Children and families services programs (net)	BA	5,364	5,683	5,944	6,281	6,466	6,654	6,654
	O	5,122	5,500	5,786	6,089	6,344	6,525	6,642
Violent crime reduction programs:								
Appropriation, current	754 BA	20	93	105	99	99	99	102
Spending authority from offsetting collections	BA	11						
Outlays	O	23	53	84	94	100	99	100
Violent crime reduction programs (gross)	BA	31	93	105	99	99	99	102
	O	23	53	84	94	100	99	100
Total, offsetting collections		-11						
Total Violent crime reduction programs (net)	BA	20	93	105	99	99	99	102
	O	12	53	84	94	100	99	100
Children's research and technical assistance:								
Appropriation, current	609 BA	-6	-3					
Appropriation, permanent	BA	39	55	76	67	67	68	69
Spending authority from offsetting collections	BA	1	2	2	2	2	3	3
Outlays	O	18	51	56	66	75	70	71
Children's research and technical assistance (gross)	BA	34	54	78	69	69	71	72
	O	18	51	56	66	75	70	71
Total, offsetting collections		-1	-2	-2	-2	-2	-3	-3
Total Children's research and technical assistance (net)	BA	33	52	76	67	67	68	69
	O	17	49	54	64	73	67	68
Payments to states for foster care and adoption assistance:								
Appropriation, current	506 BA	4,445	3,200	3,984	4,086	4,435	4,830	5,259
Advance appropriation	BA		1,111	1,158	1,355	1,472	1,603	1,746

**DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	4,047	4,224	4,803	5,180	5,632	6,146	6,710
Total Payments to states for foster care and adoption assistance .....	BA	<b>4,445</b>	<b>4,311</b>	<b>5,142</b>	<b>5,441</b>	<b>5,907</b>	<b>6,433</b>	<b>7,005</b>
	O	4,047	4,224	4,803	5,180	5,632	6,146	6,710
Total Federal funds Administration for Children and Families .....	BA	<b>37,597</b>	<b>34,517</b>	<b>39,738</b>	<b>41,065</b>	<b>42,135</b>	<b>43,047</b>	<b>44,323</b>
	O	31,345	35,146	37,938	40,278	41,495	42,826	44,139

**Administration on Aging**

*Federal funds*

**General and Special Funds:**

Aging services programs:

Appropriation, current .....	506 BA	<b>832</b>	<b>865</b>	<b>871</b>	<b>871</b>	<b>871</b>	<b>871</b>	<b>871</b>
Outlays .....	O	828	851	860	878	871	871	871

**Departmental Management**

*Federal funds*

**General and Special Funds:**

General departmental management:

Appropriation, current .....	551 BA	<b>227</b>	<b>202</b>	<b>185</b>	<b>185</b>	<b>183</b>	<b>181</b>	<b>186</b>
Appropriation, permanent .....	BA	30	30	30	30	30	30	30
Spending authority from offsetting collections .....	BA	<b>93</b>	<b>97</b>	<b>97</b>	<b>97</b>	<b>97</b>	<b>97</b>	<b>97</b>
Outlays .....	O	270	325	337	324	315	310	302
General departmental management (gross) .....	BA	<b>320</b>	<b>329</b>	<b>312</b>	<b>312</b>	<b>310</b>	<b>308</b>	<b>313</b>
	O	270	325	337	324	315	310	302
Total, offsetting collections .....		-93	-97	-97	-97	-97	-97	-97
Total General departmental management (net) .....	BA	<b>227</b>	<b>232</b>	<b>215</b>	<b>215</b>	<b>213</b>	<b>211</b>	<b>216</b>
	O	177	228	240	227	218	213	205

**Program Support Center**

*Federal funds*

**General and Special Funds:**

Retirement pay and medical benefits for commissioned officers:

Appropriation, current .....	551 BA	<b>180</b>	<b>191</b>	<b>202</b>	<b>213</b>	<b>225</b>	<b>238</b>	<b>251</b>
Outlays .....	O	180	192	201	212	224	237	250

Health activities funds

(Health research and training):

(Outlays) .....	552 O	1	1	1	1			
Total Health activities funds .....	O	1	1	1	1			

**Intragovernmental Funds:**

HHS service and supply fund:

Spending authority from offsetting collections .....	551 BA	<b>279</b>	<b>369</b>	<b>406</b>	<b>406</b>	<b>406</b>	<b>406</b>	<b>406</b>
Outlays .....	O	292	355	406	406	406	406	406
HHS service and supply fund (gross) .....	BA	<b>279</b>	<b>369</b>	<b>406</b>	<b>406</b>	<b>406</b>	<b>406</b>	<b>406</b>
	O	292	355	406	406	406	406	406
Change in orders on hand from Federal sources .....	BA	<b>18</b>						
Total, offsetting collections .....		-297	-369	-406	-406	-406	-406	-406
Total HHS service and supply fund (net) .....	BA							
	O	-5	-14					

*Trust funds*

Miscellaneous trust funds:

Appropriation, permanent .....	551 BA	<b>44</b>	<b>44</b>	<b>44</b>	<b>44</b>	<b>44</b>	<b>44</b>	<b>44</b>
Spending authority from offsetting collections .....	BA	2						
Outlays .....	O	51	49	47	46	45	45	45
Miscellaneous trust funds (gross) .....	BA	<b>46</b>	<b>44</b>	<b>44</b>	<b>44</b>	<b>44</b>	<b>44</b>	<b>44</b>
	O	51	49	47	46	45	45	45

**DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Total, offsetting collections .....		-2						
Total Miscellaneous trust funds (net) .....	BA	44	44	44	44	44	44	44
	O	49	49	47	46	45	45	45
Total Federal funds Program Support Center .....	BA	180	191	202	213	225	238	251
	O	176	179	202	213	224	237	250
Total Trust funds Program Support Center .....	BA	44	44	44	44	44	44	44
	O	49	49	47	46	45	45	45

**Office of the Inspector General**

*Federal funds*

**General and Special Funds:**

Office of the Inspector General:								
Appropriation, current .....	551 BA	33	32	29	29	29	28	29
Spending authority from offsetting collections .....	BA	11	11	12	12	12	12	12
Outlays .....	O	39	47	46	42	41	40	41
Office of the Inspector General (gross) .....	BA	44	43	41	41	41	40	41
	O	39	47	46	42	41	40	41
Total, offsetting collections .....		-11	-11	-12	-12	-12	-12	-12
Total Office of the Inspector General (net) .....	BA	33	32	29	29	29	28	29
	O	28	36	34	30	29	28	29

**Summary**

Federal funds:								
(As shown in detail above) .....	BA	227,699	230,944	242,437	262,667	280,560	298,547	321,944
	O	213,528	227,148	242,625	258,654	276,913	296,427	319,206
Deductions for offsetting receipts:								
Proprietary receipts from the public .....	551 BA/O	-5	-5	-5	-5	-5	-5	-5
	552 BA/O	-29	-29	-29	-29	-29	-29	-29
	609 BA/O	-325	-1,022	-1,063	-1,058	-1,065	-1,102	-1,089
				-40	-48	-57	-58	-56
Total Federal funds .....	BA	227,340	229,888	241,300	261,527	279,404	297,353	320,765
	O	213,169	226,092	241,488	257,514	275,757	295,233	318,027
Trust funds:								
(As shown in detail above) .....	BA	210,511	218,644	229,287	240,720	258,717	264,218	287,423
	O	210,540	218,921	228,890	240,909	258,949	263,794	287,622
Deductions for offsetting receipts:								
Proprietary receipts from the public .....	551 BA/O	-32	-32	-32	-32	-32	-32	-32
	571 BA/O	-20,421	-20,672	-21,384	-23,255	-25,464	-27,791	-30,497
	908 BA/O	-1		-127	-679	-814	-1,025	-1,234
Total Trust funds .....	BA	190,057	197,940	207,744	216,754	232,407	235,370	255,660
	O	190,086	198,217	207,347	216,943	232,639	234,946	255,859
Interfund transactions .....	571 BA/O	-63,720	-65,203	-68,209	-73,737	-80,952	-89,070	-98,205
				135	250	295	325	365
Total Department of Health and Human Services .....	BA	353,677	362,625	380,970	404,794	431,154	443,978	478,585
	O	339,535	359,106	380,761	400,970	427,739	441,434	476,046

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>Public and Indian Housing Programs</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Housing certificate fund:								
Appropriation, current	604 BA	4,690	9,373	8,981	13,653	15,014	16,236	17,317
Outlays	O	193	4,780	6,394	7,894	10,914	11,915	12,806
Welfare-to-work housing vouchers:								
Appropriation, current	604 BA			283	285	292	300	308
Outlays	O			27	126	212	260	294
Section 8 reserve preservation account:								
Appropriation, current	604 BA		-550					
Outlays	O		350	2,176	1,826			
Annual contributions for assisted housing:								
Appropriation, current	604 BA	-3,725						
Outlays	O	20,375	10,869	7,552	6,526	5,466	4,649	3,991
Preserving existing housing investment:								
Appropriation, current	604 BA	5,753						
Spending authority from offsetting collections	BA	4						
Outlays	O	1,487						
Preserving existing housing investment (gross)	BA	5,757						
	O	1,487						
Total, offsetting collections		-4						
Total Preserving existing housing investment (net)	BA	5,753						
	O	1,483						
Public housing capital fund:								
Appropriation, current	604 BA		2,500	2,550	2,503	2,515	2,519	2,587
Outlays	O		3,810	3,511	3,237	3,012	2,930	2,868
Public housing operating fund:								
Appropriation, current	604 BA		2,900	2,818	2,742	2,719	2,686	2,759
Outlays	O	1,529	3,090	2,861	2,782	2,732	2,703	2,721
Drug elimination grants for low-income housing:								
Appropriation, current	604 BA	290	310	310	290	290	290	290
Outlays	O	291	288	273	301	308	294	290
Revitalization of severely distressed public housing (HOPE VI):								
Appropriation, current	604 BA	550	550	550	392			
Outlays	O	205	405	524	620	607	569	445
Native American housing block grant:								
Appropriation, current	604 BA		600	600	500	500	500	500
Outlays	O		81	240	344	434	491	508
Limitation on loan guarantee commitments			(217)					
<b>Public Enterprise Funds:</b>								
Low-rent public housing—loans and other expenses:								
Authority to borrow, permanent	604 BA	85	60	50	50	50	50	50
Spending authority from offsetting collections	BA	67	70	71	71	71	71	74
Outlays	O	189	164	149	145	90	86	81
Low-rent public housing—loans and other expenses (gross)	BA	152	130	121	121	121	121	124
	O	189	164	149	145	90	86	81
Total, offsetting collections		-67	-70	-71	-71	-71	-71	-74
Total Low-rent public housing—loans and other expenses (net)	BA	85	60	50	50	50	50	50
	O	122	94	78	74	19	15	7
<b>Credit Accounts:</b>								
Indian housing loan guarantee fund program account:								
Appropriation, current	371 BA	3	5	6	3	3	3	3
Reappropriation	BA	1						
Outlays	O	1	3	4	5	5	4	4
Limitation on loan guarantee commitments		(47)	(62)	(69)	(34)	(34)	(34)	(34)
Total Indian housing loan guarantee fund program account	BA	4	5	6	3	3	3	3
	O	1	3	4	5	5	4	4
Title VI Indian Federal guarantees program account:								
Appropriation, current	604 BA			5				

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—Continued  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays	O			1	3	1		
Total Federal funds Public and Indian Housing Programs	BA O	7,647 24,199	15,748 23,770	16,153 23,641	20,418 23,738	21,383 23,710	22,584 23,830	23,814 23,934

Community Planning and Development  
*Federal funds*

General and Special Funds:

Housing opportunities for persons with AIDS:									
Appropriation, current	604 BA	196	204	225	204	204	204	204	204
Outlays	O	130	168	176	189	203	211	213	
Community development block grants:									
Appropriation, current	451 BA	4,854	4,924	4,725	4,015	3,981	3,933	4,040	
Outlays	O	4,517	4,989	4,959	4,959	4,639	4,155	4,026	
Economic development initiative:									
Appropriation, current	451 BA			400	100				
Outlays	O			8	138	218	98	29	
Urban empowerment zones:									
Appropriation, current	451 BA		5						
Outlays	O			# 150	# 150	# 150	# 150	# 150	
				2	2	1			
				# 3	# 54	# 123	# 143	# 149	
Total Urban empowerment zones	BA O		5	150	150	150	150	150	150
				5	56	124	143	149	
Brownfields redevelopment:									
Appropriation, current	451 BA		25	50	50				
Outlays	O		1	10	30	43	31	9	
Homeownership zones:									
Appropriation, current	451 BA			25					
Outlays	O			1	4	10	7	4	
Youthbuild program:									
Appropriation, current	604 BA			45					
Outlays	O	32	8	5	5	10	8	8	
Home investment partnership program:									
Appropriation, current	604 BA	1,400	1,500	1,883	1,555	1,548	1,537	1,565	
Outlays	O	1,211	1,559	1,525	1,595	1,621	1,480	1,472	
Homeless assistance grants:									
Appropriation, current	604 BA	823	823	1,150	1,020	1,025	1,030	1,036	
Outlays	O	319	609	798	964	1,125	1,077	1,035	
Urban development action grants:									
Appropriation, current	451 BA	-4							
Outlays	O	30	50	30	21				
Capacity building for community development and affordable housing:									
Appropriation, current	451 BA	30							
Outlays	O	8	12	15	5	3			
Emergency shelter grants program:									
Outlays	604 O	4	2						
Supportive housing program:									
Appropriation, current	604 BA		-6						
Outlays	O	159	146	112	70				
Supplemental assistance for facilities to assist the homeless:									
Outlays	451 O	2	2						
Shelter plus care:									
Appropriation, current	604 BA		-4						
Outlays	O	58	47	49	49	49	49	49	
Innovative homeless initiatives demonstration program:									
Outlays	604 O	21	17	14	6				
Public Enterprise Funds:									
Revolving fund (liquidating programs):									
Spending authority from offsetting collections	451 BA	71	60	55	45	43	40	28	
Outlays	O	14	24	23	11	10	9	6	
Revolving fund (liquidating programs) (gross)	BA O	71 14	60 24	55 23	45 11	43 10	40 9	28 6	



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—Continued  
(In millions of dollars)

Account		1997 actual	estimate					2003
			1998	1999	2000	2001	2002	
Total, offsetting collections .....		-71	-60	-55	-45	-43	-40	-28
Total Revolving fund (liquidating programs) (net) .....	BA O	-57	-36	-32	-34	-33	-31	-22
<b>Credit Accounts:</b>								
Community development loan guarantees program account:								
Appropriation, current .....	451 BA	32	30	30	29	29	29	30
Outlays .....	O	3	16	19	24	29	29	29
Limitations on guaranteed loan commitments .....		(1,380)	(1,261)	(1,261)	(1,217)	(1,217)	(1,217)	(1,261)
Community development loan guarantees liquidating account:								
Spending authority from offsetting collections .....	451 BA	3	4	4	4	4	4	4
Community development loan guarantees liquidating account (gross) .....	BA	3	4	4	4	4	4	4
Total, offsetting collections .....		-3	-4	-4	-4	-4	-4	-4
Home loan guarantee program account:								
Appropriation, current .....	604 BA			11	11			
Outlays .....	O			3	9	8	3	
Total Federal funds Community Planning and Development .....	BA O	7,331 6,434	7,501 7,586	8,694 7,693	7,134 8,086	6,937 8,045	6,883 7,256	7,025 6,997

Housing Programs

Federal funds

General and Special Funds:

Development of additional new subsidized housing:								
Appropriation, current .....	604 BA	1,039						
Outlays .....	O	2						
Housing for special populations:								
Appropriation, current .....	604 BA		839					
Outlays .....	O		650	759	892	729	537	359
Other assisted housing programs (Housing assistance):								
(Appropriation, current) .....	604 BA	-152	-125					
(Outlays) .....	O	755	754	676	673	673	673	671
Total Other assisted housing programs .....	BA O	-152 755	-125 754					
Homeownership and opportunity for people everywhere grants (HOPE grants):								
Appropriation, current .....	604 BA	-30						
Outlays .....	O	49	51	42	29	22		
Congregate services:								
Outlays .....	604 O	7	7	7	1			
Housing counseling assistance:								
Outlays .....	506 O	3	2					
Section 8 moderate rehabilitation, single room occupancy:								
Outlays .....	604 O	25	58	56	56	56	56	56
Capital grants/Capital loans preservation account:								
Appropriation, current .....	604 BA		10					
Outlays .....	O		4	6				
Manufactured home inspection and monitoring:								
Appropriation, permanent .....	376 BA	14	16	17	17	18	18	18
Outlays .....	O	13	13	15	16	17	18	19
Interstate land sales:								
Appropriation, permanent .....	376 BA	1	1	1	1	1	1	1
Outlays .....	O	1	1	1	1	1	1	1
<b>Public Enterprise Funds:</b>								
Rental housing assistance fund:								
Spending authority from offsetting collections .....	604 BA	52	47	42	38	34	32	31
Outlays .....	O	37	69	42	38			
Rental housing assistance fund (gross) .....	BA O	52 37	47 69	42 42	38 38	34 34	32 32	31 31

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					2003
			1998	1999	2000	2001	2002	
Total, offsetting collections .....		-52	-47	-42	-38	-34	-32	-31
Total Rental housing assistance fund (net) .....	BA O	-15	22			-34	-32	-31
Flexible Subsidy Fund:								
Spending authority from offsetting collections .....	604 BA	52	60	21	27	30	30	29
Outlays .....	O	71	62	33				
Flexible Subsidy Fund (gross) .....	BA O	52 71	60 62	21 33	27	30	30	29
Total, offsetting collections .....		-52	-60	-21	-27	-30	-30	-29
Total Flexible Subsidy Fund (net) .....	BA O	19	2	12	-27	-30	-30	-29
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	3	8	4	4			
<b>Credit Accounts:</b>								
FHA-mutual mortgage insurance program account:								
Appropriation, current .....	371 BA	351	338	529	529	529	529	529
Outlays .....	O	351	338	529	529	529	529	529
FHA-Mutual mortgage and cooperative housing insurance funds liquidating account:								
Spending authority from offsetting collections .....	371 BA	5,348	4,236	3,716 <i>B</i> 228	2,270	2,139	2,044	1,994
Outlays .....	O	2,346	1,941	1,338	1,056	853	676	561
FHA-Mutual mortgage and cooperative housing insurance funds liquidating account (gross) .....	BA O	5,348 2,346	4,236 1,941	3,944 1,338	2,270 1,056	2,139 853	2,044 676	1,994 561
Total, offsetting collections .....		-5,348	-4,236	-3,716 <i>B</i> -228 <i>J</i> -527	-2,270	-2,139	-2,044	-1,994
Total FHA-Mutual mortgage and cooperative housing insurance funds liquidating account (net) .....	BA O	-3,002	-2,295	-527 -3,133	-1,214	-1,286	-1,368	-1,433
FHA-General and special risk program account:								
Appropriation, current .....	371 BA	302	303	396	315	211	211	211
Reappropriation .....	BA	3	16					
Outlays .....	O	378	466	451	430	321	274	249
Limitation on direct loan activity .....		(120)	(120)	(50)	(10)	(10)	(10)	(10)
Limitation on loan guarantee commitments .....		(17,400)	(17,400)	(18,100)	(18,100)	(18,100)	(18,100)	(18,100)
Total FHA-General and special risk program account .....	BA O	305 378	319 466	396 451	315 430	211 321	211 274	211 249
FHA-General and special risk insurance funds liquidating account:								
Appropriation, permanent .....	371 BA			1,873 <i>J</i> 23	1,495 <i>J</i> 21	1,289 <i>J</i> 20	1,755	1,044
Authority to borrow, permanent .....	BA	47	66	66	66	66	66	66
Spending authority from offsetting collections .....	BA	1,339	647	990	994	704	591	844
Outlays .....	O	853	1,120	2,863 <i>J</i> -2	2,490 <i>J</i> -1	1,993 <i>J</i> -2	2,346	1,888
FHA-General and special risk insurance funds liquidating account (gross) .....	BA O	1,386 853	713 1,120	2,952 2,861	2,576 2,489	2,079 1,991	2,412 2,346	1,954 1,888
Total, offsetting collections .....		-1,339	-647	-990	-994	-704	-591	-844
Total FHA-General and special risk insurance funds liquidating account (net) .....	BA O	47 -486	66 473	1,962 1,871	1,582 1,495	1,375 1,287	1,821 1,755	1,110 1,044

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					2003
			1998	1999	2000	2001	2002	
Housing for the elderly or handicapped fund liquidating account:								
Spending authority from offsetting collections	371 BA	786	751	751	751	751	751	751
Outlays	O	646	362	325				
Housing for the elderly or handicapped fund liquidating account (gross)	BA	786	751	751	751	751	751	751
	O	646	362	325				
Total, offsetting collections		-786	-751	-751	-751	-751	-751	-751
Total Housing for the elderly or handicapped fund liquidating account (net)	BA							
	O	-140	-389	-426	-751	-751	-751	-751
Total Federal funds Housing Programs	BA	1,575	1,464	2,378	2,444	2,134	2,580	1,869
	O	-2,039	163	868	2,132	1,532	1,660	682

**Government National Mortgage Association**

*Federal funds*

**Credit Accounts:**

Guarantees of mortgage-backed securities loan guarantee program account:

Appropriation, current	371 BA	9	9	9	9	9	9	9
Outlays	O	9	9	9	9	9	9	9
Limitations on loan guaranteed loan commitments		(110,000)	(130,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)

Guarantees of mortgage-backed securities liquidating account:

Spending authority from offsetting collections	371 BA	766	317	5	6	4		
Outlays	O	164	627	5,372	6	4		

Guarantees of mortgage-backed securities liquidating account (gross)	BA	766	317	5	6	4		
	O	164	627	5,372	6	4		

Total, offsetting collections		-766	-317	-5	-6	-4		
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Total Guarantees of mortgage-backed securities liquidating account (net)	BA							
	O	-602	310	5,367				

Total Federal funds Government National Mortgage Association	BA	9	9	9	9	9	9	9
	O	-593	319	5,376	9	9	9	9

**Policy Development and Research**

*Federal funds*

**General and Special Funds:**

Research and technology:

Appropriation, current	451 BA	34	37	50	31	31	31	32
Spending authority from offsetting collections	BA	2						
Outlays	O	33	40	41	39	33	32	31

Research and technology (gross)	BA	36	37	50	31	31	31	32
	O	33	40	41	39	33	32	31

Total, offsetting collections		-2						
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Total Research and technology (net)	BA	34	37	50	31	31	31	32
	O	31	40	41	39	33	32	31

**Fair Housing and Equal Opportunity**

*Federal funds*

**General and Special Funds:**

Fair housing activities:

Appropriation, current	751 BA	30	30	52	33	33	33	34
Outlays	O	28	22	29	37	42	36	33

**Office of Lead Hazard Control**

*Federal funds*

**General and Special Funds:**

Lead hazard reduction:

Appropriation, current	451 BA			85				
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**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O			1	2	17	17	17
<b>Management and Administration</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses								
(Community development):								
(Appropriation, current) .....	451 BA	98	109	117	116	115	101	86
(Spending authority from offsetting collections) .....	BA	1	1	1	1	1	1	1
(Outlays) .....	O	99	108	116	117	116	105	90
Salaries and expenses (gross) .....	BA	99	110	118	117	116	102	87
	O	99	108	116	117	116	105	90
Total, offsetting collections .....		-1	-1	-1	-1	-1	-1	-1
Total (Community development) (net) .....	BA	98	109	117	116	115	101	86
	O	98	107	115	116	115	104	89
(Housing assistance):								
(Appropriation, current) .....	604 BA	247	252	264	256	248	215	183
(Spending authority from offsetting collections) .....	BA	560	554	528	527	527	527	527
(Outlays) .....	O	807	805	789	785	777	750	717
Salaries and expenses (gross) .....	BA	905	915	909	899	890	843	796
	O	905	912	904	901	892	854	806
Total, offsetting collections .....		-560	-554	-528	-527	-527	-527	-527
Total (Housing assistance) (net) .....	BA	247	252	264	256	248	215	183
	O	247	251	261	258	250	223	190
(Federal law enforcement activities):								
(Appropriation, current) .....	751 BA	75	85	91	95	94	82	70
(Outlays) .....	O	75	82	90	94	94	85	73
Total Salaries and expenses .....	BA	420	446	472	467	457	398	339
	O	420	440	466	468	459	412	352
Office of Inspector General:								
Appropriation, current .....	451 BA	36	41	35	35	35	35	35
Spending authority from offsetting collections .....	BA	17	26	32	32	32	32	32
Outlays .....	O	58	67	68	67	67	67	67
Office of Inspector General (gross) .....	BA	53	67	67	67	67	67	67
	O	58	67	68	67	67	67	67
Total, offsetting collections .....		-17	-26	-32	-32	-32	-32	-32
Total Office of Inspector General (net) .....	BA	36	41	35	35	35	35	35
	O	41	41	36	35	35	35	35
Office of federal housing enterprise oversight:								
Appropriation, current .....	371 BA	16	16	17	17	17	17	17
Outlays .....	O	17	16	17	17	17	17	17
<b>Intragovernmental Funds:</b>								
Working capital fund:								
Spending authority from offsetting collections .....	451 BA	195	259	262	271	277	284	291
Outlays .....	O	224	259	262	271	277	284	291
Working capital fund (gross) .....	BA	195	259	262	271	277	284	291
	O	224	259	262	271	277	284	291
Change in orders on hand from Federal sources .....	BA	32						
Adjustment to orders on hand from Federal sources .....	BA	1						

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					2003
			1998	1999	2000	2001	2002	
Total, offsetting collections .....		-228	-259	-262	-271	-277	-284	-291
Total Working capital fund (net) .....	BA O	-4						
Total Federal funds Management and Administration .....	BA O	472 474	503 497	524 519	519 520	509 511	450 464	391 404
<b>Summary</b>								
Federal funds:								
(As shown in detail above) .....	BA O	17,098 28,534	25,292 32,397	27,945 38,168	30,588 34,563	31,036 33,899	32,570 33,304	33,174 32,107
Deductions for offsetting receipts:								
Proprietary receipts from the public .....	371 BA/O	-992	-1,431	-6,487	-2,427 -241	-2,273 -234	-2,224 -233	-2,390 -237
Offsetting governmental receipts .....	371 BA/O	-15	-16	-17	-17	-17	-17	-17
Total Department of Housing and Urban Development .....	BA O	16,091 27,527	23,845 30,950	21,391 31,614	27,903 31,878	28,512 31,375	30,096 30,830	30,530 29,463

**DEPARTMENT OF THE INTERIOR**  
(In millions of dollars)

Account		1997 actual	estimate					2003
			1998	1999	2000	2001	2002	
<b>Land and Minerals Management</b>								
<i>Bureau of Land Management</i>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Management of lands and resources:								
Appropriation, current .....	302 BA	576	583	660	641	681	696	709
Spending authority from offsetting collections .....	BA	49	55	22	22	22	22	22
Outlays .....	O	612	626	685	664 ✓39	694 ✓40	713 ✓40	727 ✓41
Management of lands and resources (gross) .....	BA O	625 612	638 626	682 685	702 703	743 734	758 753	772 768
Total, offsetting collections .....		-49	-55	-22 ✓-39	-22 ✓-40	-22 ✓-40	-22 ✓-41	-22 ✓-42
Total Management of lands and resources (net) .....	BA O	576 563	583 571	621 624	640 641	681 672	695 690	708 704
Construction:								
Appropriation, current .....	302 BA	9	3	4	5	6	6	4
Outlays .....	O	9	7	6	8	7	6	5
Payments in lieu of taxes:								
Appropriation, current .....	806 BA	114	120	120	120	120	120	120
Outlays .....	O	114	120	120	120	120	120	120
Oregon and California grant lands:								
Appropriation, current .....	302 BA	99	101	99	101	103	105	105
Outlays .....	O	110	116	108	104	103	104	105
Wildland fire management:								
Appropriation, current .....	302 BA	302	280	298	309	321	332	344
Spending authority from offsetting collections .....	BA	5	6	6	6	6	6	6
Outlays .....	O	286	270	317	325	333	335	346
Wildland fire management (gross) .....	BA O	307 286	286 270	304 317	315 325	327 333	338 335	350 346
Change in orders on hand from Federal sources .....	BA	-1						



DEPARTMENT OF THE INTERIOR—Continued  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	8	9	9	9	10	10	10
Total Federal funds Bureau of Land Management .....	BA	1,273	1,222	1,277	1,308	1,369	1,401	1,427
	O	1,247	1,215	1,301	1,332	1,362	1,385	1,415
Total Trust funds Bureau of Land Management .....	BA	11	9	9	9	8	9	9
	O	8	9	9	9	10	10	10

Minerals Management Service

Federal funds

General and Special Funds:

Royalty and Offshore minerals:

Appropriation, current .....	302 BA	157	138	122	124	125	126	127
Spending authority from offsetting collections .....	BA	41	65	94	94	94	94	94
Outlays .....	O	202	163	195	217	219	220	221
Royalty and Offshore minerals (gross) .....	BA	198	203	216	218	219	220	221
	O	202	163	195	217	219	220	221
Total, offsetting collections .....		-41	-65	-94	-94	-94	-94	-94
Total Royalty and Offshore minerals (net) .....	BA	157	138	122	124	125	126	127
	O	161	98	101	123	125	126	127

Mineral leasing and associated payments:

Appropriation, permanent .....	806 BA	565	586	607	610	620	630	644
Outlays .....	O	565	586	607	610	620	630	644

National forests fund, payment to States:

Appropriation, permanent .....	302 BA	4	3	3	3	3	3	3
Outlays .....	O	4	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	4	5	6	6	6	6

Total Federal funds Minerals Management Service .....	BA	727	728	733	738	749	760	775
	O	731	688	712	737	749	760	775

Total Trust funds Minerals Management Service .....	BA	6	6	6	6	6	6	6
	O	6	4	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	94	96	94	93	94	94	95
Spending authority from offsetting collections .....	BA	2	2	1	1	1	1	1
Outlays .....	O	96	96	97	94	95	95	96
Regulation and technology (gross) .....	BA	96	98	95	94	95	95	96
	O	96	96	97	94	95	95	96
Total, offsetting collections .....		-2	-2	-1	-1	-1	-1	-1
Total Regulation and technology (net) .....	BA	94	96	94	93	94	94	95
	O	94	94	96	93	94	94	95

Abandoned mine reclamation fund

(Conservation and land management):

(Appropriation, current) .....	302 BA	177	178	183	185	186	186	187
(Outlays) .....	O	195	180	179	180	182	184	186

(Health care services):

(Appropriation, permanent) .....	551 BA	31	36	70	70	70	70	70
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DEPARTMENT OF THE INTERIOR—Continued  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
(Outlays)	O	31	36	70	70	70	70	70
Total Abandoned mine reclamation fund	BA	208	214	253	255	256	256	257
	O	226	216	249	250	252	254	256
Total Federal funds Office of Surface Mining Reclamation and Enforcement	BA	302	310	347	348	350	350	352
	O	320	310	345	343	346	348	351
Total Federal funds Land and Minerals Management	BA	2,302	2,260	2,357	2,394	2,468	2,511	2,554
	O	2,298	2,213	2,358	2,412	2,457	2,493	2,541
Total Trust funds Land and Minerals Management	BA	17	15	15	15	14	15	15
	O	14	13	14	15	16	16	16

Water and Science

Bureau of Reclamation

Federal funds

General and Special Funds:

Water and Related Resources:

Appropriation, current	301	BA	606	618	614	568	571	566	591
Advance appropriation		BA				9	6	8	1
Spending authority from offsetting collections		BA	163	157	171	171	171	171	171
Outlays		O	682	963	783	755	748	746	760
Water and Related Resources (gross)		BA	769	775	785	748	748	745	763
		O	682	963	783	755	748	746	760
Total, offsetting collections			-163	-157	-171	-171	-171	-171	-171
Total Water and Related Resources (net)		BA	606	618	614	577	577	574	592
		O	519	806	612	584	577	575	589

California Bay-Delta ecosystem restoration:

Appropriation, current	301	BA		85	143	143			
Outlays		O		30	105	143	93		

Policy and Administration:

Appropriation, current	301	BA	46	48	48	48	48	48	48
Outlays		O	46	50	48	48	48	48	48

Central Valley Project Restoration fund:

Appropriation, current	301	BA	37	33	50	50	50	50	50
Outlays		O	37	73	47	50	50	50	50

Colorado River dam fund, Boulder Canyon project:

Appropriation, current	301	BA	-3	-6					
Appropriation, permanent		BA	41	46	48	50	47	54	55
Outlays		O	42	37	45	50	48	51	55
Total Colorado River dam fund, Boulder Canyon project		BA	38	40	48	50	47	54	55
		O	42	37	45	50	48	51	55

Public Enterprise Funds:

Lower Colorado River Basin development fund:

Appropriation, current	301	BA	58	56	50	50	50	50	50
Appropriation, permanent		BA	8	13	13	16	15	13	13
Spending authority from offsetting collections		BA	174	149	146	148	147	147	147
Outlays		O	238	206	204	204	204	202	202
Lower Colorado River Basin development fund (gross)		BA	240	218	209	214	212	210	210
		O	238	206	204	204	204	202	202
Total, offsetting collections			-183	-210	-166	-168	-172	-172	-172
Total Lower Colorado River Basin development fund (net)		BA	57	8	43	46	40	38	38
		O	55	-4	38	36	32	30	30

Upper Colorado River Basin fund:

Appropriation, current	301	BA	22	19	2	2	2	2	2
Appropriation, permanent		BA	2	2	1				
Spending authority from offsetting collections		BA	42	44	46	46	47	155	47



**DEPARTMENT OF THE INTERIOR—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	17	116	55	45	46	29	63
Upper Colorado River Basin fund (gross) .....	BA	66	65	49	48	49	157	49
	O	17	116	55	45	46	29	63
Total, offsetting collections .....		-42	-44	-46	-46	-47	-155	-47
Total Upper Colorado River Basin fund (net) .....	BA	24	21	3	2	2	2	2
	O	-25	72	9	-1	-1	-126	16
<b>Intragovernmental Funds:</b>								
Working capital fund:								
Appropriation, current .....	301 BA			-26				
Spending authority from offsetting collections .....	BA	311	301	311	311	311	311	311
Outlays .....	O	309	275	310	311	311	311	311
Working capital fund (gross) .....	BA	311	301	285	311	311	311	311
	O	309	275	310	311	311	311	311
Total, offsetting collections .....		-311	-301	-311	-311	-311	-311	-311
Total Working capital fund (net) .....	BA			-26				
	O	-2	-26	-1				
<b>Credit Accounts:</b>								
Bureau of reclamation loan program account:								
Appropriation, current .....	301 BA	13	10	12	12	12	12	12
Appropriation, permanent .....	BA		2					
Outlays .....	O	10	20	11	12	12	12	12
Limitations on direct loan activity .....		(37)	(31)	(38)	(38)	(38)	(38)	(38)
Total Bureau of reclamation loan program account .....	BA	13	12	12	12	12	12	12
	O	10	20	11	12	12	12	12
Bureau of reclamation loan liquidating account:								
Total, offsetting collections .....	301		-3	-3	-3	-3	-4	-4
<i>Trust funds</i>								
Reclamation trust funds:								
Appropriation, permanent .....	301 BA	16	15	12	40	20	24	4
Outlays .....	O	35	22	13	34	24	23	8
Total Federal funds Bureau of Reclamation .....	BA	821	862	932	925	773	774	793
	O	682	1,055	911	919	856	636	796
Total Trust funds Bureau of Reclamation .....	BA	16	15	12	40	20	24	4
	O	35	22	13	34	24	23	8

*Central Utah Project*  
*Federal funds*

<b>General and Special Funds:</b>								
Central Utah Project Completion Account:								
Appropriation, current .....	301 BA	32	29	28	28	28	28	29
Outlays .....	O	43	31	28	28	28	28	29
Utah reclamation mitigation and conservation account:								
Appropriation, current .....	301 BA	12	12	12	11	11	11	11
Appropriation, permanent .....	BA			1	1	1	1	1
Outlays .....	O	13	38	13	12	12	12	12
Total Utah reclamation mitigation and conservation account .....	BA	12	12	13	12	12	12	12
	O	13	38	13	12	12	12	12
Total Federal funds Central Utah Project .....	BA	44	41	41	40	40	40	41
	O	56	69	41	40	40	40	41

DEPARTMENT OF THE INTERIOR—Continued  
(In millions of dollars)

Account		1997 actual	estimate						
			1998	1999	2000	2001	2002	2003	
<i>United States Geological Survey</i>									
<i>Federal funds</i>									
<b>General and Special Funds:</b>									
Surveys, investigations and research									
(Recreational resources):									
(Appropriation, current) .....	303	BA	138	145	158	156	157	157	157
(Spending authority from offsetting collections) .....		BA	25	37	37	37	37	37	37
(Outlays) .....		O	163	180	195	193	194	194	194
Surveys, investigations and research (gross) .....		BA	163	182	195	193	194	194	194
		O	163	180	195	193	194	194	194
(Change in orders on hand from Federal sources) .....		BA	-1						
Total, offsetting collections .....			-24	-37	-37	-37	-37	-37	-37
Total (Recreational resources) (net) .....		BA	138	145	158	156	157	157	157
		O	139	143	158	156	157	157	157
(Other natural resources):									
(Appropriation, current) .....	306	BA	607	614	649	657	640	640	640
(Spending authority from offsetting collections) .....		BA	272	287	283	283	283	283	283
(Outlays) .....		O	851	943	931	939	924	923	923
Surveys, investigations and research (gross) .....		BA	1,017	1,046	1,090	1,096	1,080	1,080	1,080
		O	990	1,086	1,089	1,095	1,081	1,080	1,080
(Change in orders on hand from Federal sources) .....		BA	-5						
Total, offsetting collections .....			-267	-287	-283	-283	-283	-283	-283
Total (Other natural resources) (net) .....		BA	607	614	649	657	640	640	640
		O	584	656	648	656	641	640	640
Total Surveys, investigations and research .....		BA	745	759	807	813	797	797	797
		O	723	799	806	812	798	797	797
<b>Intragovernmental Funds:</b>									
Working capital fund:									
Spending authority from offsetting collections .....	306	BA	35	47	53	53	53	53	53
Outlays .....		O	48	65	56	55	55	55	55
Working capital fund (gross) .....		BA	35	47	53	53	53	53	53
		O	48	65	56	55	55	55	55
Change in orders on hand from Federal sources .....		BA	22						
Total, offsetting collections .....			-57	-47	-53	-53	-53	-53	-53
Total Working capital fund (net) .....		BA							
		O	-9	18	3	2	2	2	2
<i>Trust funds</i>									
Donations and contributed funds:									
Appropriation, permanent .....	303	BA	2	1	1	1	1	1	1
Outlays .....		O	1	1	1	1	1	1	1
Total Federal funds United States Geological Survey .....		BA	745	759	807	813	797	797	797
		O	714	817	809	814	800	799	799
Total Trust funds United States Geological Survey .....		BA	2	1	1	1	1	1	1
		O	1	1	1	1	1	1	1

DEPARTMENT OF THE INTERIOR—Continued  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<i>Bureau of Mines</i>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Mines and minerals:								
Outlays .....	306 O	9	15					
Total Federal funds Water and Science .....	BA	<b>1,610</b>	<b>1,662</b>	<b>1,780</b>	<b>1,778</b>	<b>1,610</b>	<b>1,611</b>	<b>1,631</b>
	O	1,461	1,956	1,761	1,773	1,696	1,475	1,636
Total Trust funds Water and Science .....	BA	<b>18</b>	<b>16</b>	<b>13</b>	<b>41</b>	<b>21</b>	<b>25</b>	<b>5</b>
	O	36	23	14	35	25	24	9
<b>Fish and Wildlife and Parks</b>								
<i>United States Fish and Wildlife Service</i>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Resource management:								
Appropriation, current .....	303 BA	531	595	676	708	763	773	778
Spending authority from offsetting collections .....	BA	86	86	86	86	86	86	86
Outlays .....	O	587	668	746	788	838	857	863
Resource management (gross) .....	BA	<b>617</b>	<b>681</b>	<b>762</b>	<b>794</b>	<b>849</b>	<b>859</b>	<b>864</b>
	O	587	668	746	788	838	857	863
Change in orders on hand from Federal sources .....	BA	-8						
Adjustment to orders on hand from Federal sources .....	BA	-24						
Total, offsetting collections .....		-54	-86	-86	-86	-86	-86	-86
Total Resource management (net) .....	BA	<b>531</b>	<b>595</b>	<b>676</b>	<b>708</b>	<b>763</b>	<b>773</b>	<b>778</b>
	O	533	582	660	702	752	771	777
Construction:								
Appropriation, current .....	303 BA	147	45	37	43	48	45	38
Spending authority from offsetting collections .....	BA	1	2	2	2	2	2	2
Outlays .....	O	88	111	79	83	45	48	46
Construction (gross) .....	BA	<b>148</b>	<b>47</b>	<b>39</b>	<b>45</b>	<b>50</b>	<b>47</b>	<b>40</b>
	O	88	111	79	83	45	48	46
Change in orders on hand from Federal sources .....	BA	1						
Total, offsetting collections .....		-2	-2	-2	-2	-2	-2	-2
Total Construction (net) .....	BA	<b>147</b>	<b>45</b>	<b>37</b>	<b>43</b>	<b>48</b>	<b>45</b>	<b>38</b>
	O	86	109	77	81	43	46	44
Natural resource damage assessment fund:								
Appropriation, current .....	303 BA	4	4	8	4	4	4	4
Appropriation, permanent .....	BA	50	36	19	16	11	11	10
Outlays .....	O	26	47	42	36	13	12	11
Total Natural resource damage assessment fund .....	BA	<b>54</b>	<b>40</b>	<b>27</b>	<b>20</b>	<b>15</b>	<b>15</b>	<b>14</b>
	O	26	47	42	36	13	12	11
Multi-national species conservation fund:								
Appropriation, current .....	303 BA	1	1	2				
Outlays .....	O	1	1	2	2			
Land acquisition:								
Appropriation, current .....	303 BA	54	63	60	97	116	138	137
Outlays .....	O	41	57	60	77	102	124	135
Wildlife conservation and appreciation fund:								
Appropriation, current .....	303 BA	2	2	2	2	2	2	2
Outlays .....	O	2	2	2	2	2	2	2
Migratory bird conservation account:								
Appropriation, permanent .....	303 BA	42	40	40	41	41	41	41
					B-2	B-2	B-2	B-2

DEPARTMENT OF THE INTERIOR—Continued  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	41	40	40	41 <i>B-2</i>	41 <i>B-2</i>	41 <i>B-2</i>	41 <i>B-2</i>
Total Migratory bird conservation account .....	BA O	42 41	40 40	40 40	39 39	39 39	39 39	39 39
North American wetlands conservation fund:								
Appropriation, current .....	303 BA	10	12	15	15	15	15	15
Appropriation, permanent .....	BA			1	1	1	1	1
Spending authority from offsetting collections .....	BA	9	10	10	10	10	10	10
Outlays .....	O	16	21	26	27	25	25	25
North American wetlands conservation fund (gross) .....	BA O	19 16	22 21	26 26	26 27	26 25	26 25	26 25
Total, offsetting collections .....		-9	-10	-10	-10	-10	-10	-10
Total North American wetlands conservation fund (net) .....	BA O	10 7	12 11	16 16	16 17	16 15	16 15	16 15
Cooperative endangered species conservation fund:								
Appropriation, current .....	303 BA	14	14	17	14	14	14	14
Appropriation, permanent .....	BA	28	29	27	31	29	30	31
Outlays .....	O	37	40	41	46	44	44	45
Total Cooperative endangered species conservation fund .....	BA O	42 37	43 40	44 41	45 46	43 44	44 44	45 45
National wildlife refuge fund:								
Appropriation, current .....	806 BA	11	11	10	10	10	10	10
Appropriation, permanent .....	BA	9	10	10	10	10	11	11
Outlays .....	O	20	20	20	20	20	20	21
Total National wildlife refuge fund .....	BA O	20 20	21 20	20 20	20 20	20 20	21 20	21 21
Recreational fee demonstration program:								
Appropriation, permanent .....	303 BA	1	3	3	<i>B 4</i>	<i>B 4</i>	<i>B 4</i>	<i>B 4</i>
Outlays .....	O		3	3	1 <i>B 4</i>	<i>B 4</i>	<i>B 4</i>	<i>B 4</i>
Total Recreational fee demonstration program .....	BA O	1 .....	3 3	3 3	4 5	4 4	4 4	4 4
Federal aid in wildlife restoration:								
Appropriation, permanent .....	303 BA	203	189	199	207	196	202	210
Outlays .....	O	220	227	211	231	222	232	242
Miscellaneous permanent appropriations:								
Appropriation, permanent .....	303 BA	2	2	2	2	2	2	2
Outlays .....	O	2	2	2	2	2	2	2
		<i>Trust funds</i>						
Sport fish restoration:								
Appropriation, permanent .....	303 BA	316	321	286	376 <i>B-8</i>	337 <i>B-14</i>	347 <i>B-19</i>	354 <i>B-18</i>
Outlays .....	O	230	289	297	323 <i>B-3</i>	338 <i>B-6</i>	340 <i>B-10</i>	351 <i>B-14</i>
Total Sport fish restoration .....	BA O	316 230	321 289	286 297	368 320	323 332	328 330	336 337
Contributed funds:								
Appropriation, permanent .....	303 BA	3	3	3	3	3	3	3
Outlays .....	O	2	3	3	3	3	3	3
Total Federal funds United States Fish and Wildlife Service .....	BA O	1,109 1,016	1,056 1,141	1,128 1,176	1,203 1,260	1,264 1,258	1,301 1,311	1,306 1,337
Total Trust funds United States Fish and Wildlife Service .....	BA O	319 232	324 292	289 300	371 323	326 335	331 333	339 340

DEPARTMENT OF THE INTERIOR—Continued  
(In millions of dollars)

Account	1997 actual	estimate						
		1998	1999	2000	2001	2002	2003	
<i>National Park Service</i>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Operation of the national park system:								
Appropriation, current	303 BA	1,155	1,246	1,321	1,318	1,389	1,357	1,362
Spending authority from offsetting collections	BA	13	13	18	18	18	18	18
					B -4	B -4	B -4	B -4
Outlays	O	1,156	1,195	1,321	1,337	1,390	1,383	1,379
					B -4	B -4	B -4	B -4
Operation of the national park system (gross)	BA	1,168	1,259	1,339	1,332	1,403	1,371	1,376
	O	1,156	1,195	1,321	1,333	1,386	1,379	1,375
Total, offsetting collections		-13	-13	-18	-18	-18	-18	-18
					B 4	B 4	B 4	B 4
Total Operation of the national park system (net)	BA	1,155	1,246	1,321	1,318	1,389	1,357	1,362
	O	1,143	1,182	1,303	1,319	1,372	1,365	1,361
National recreation and preservation:								
Appropriation, current	303 BA	38	44	47	45	45	42	42
Outlays	O	39	54	46	46	45	43	42
Construction:								
Appropriation, current	303 BA	340	215	175	174	240	228	188
Advance appropriation	BA				40	12		
Spending authority from offsetting collections	BA	74	74	74	74	74	74	74
Outlays	O	317	291	292	292	294	294	294
Construction (gross)	BA	414	289	249	288	326	302	262
	O	317	291	292	292	294	294	294
Total, offsetting collections		-74	-74	-74	-74	-74	-74	-74
Total Construction (net)	BA	340	215	175	214	252	228	188
	O	243	217	218	218	220	220	220
Urban park and recreation fund:								
Appropriation, current	303 BA			2				
Outlays	O	2	3	2				
Concessions improvement accounts:								
Appropriation, permanent	303 BA	22	24	25	28	29	31	34
				B -1	B -4	B -5	B -7	B -10
Outlays	O	22	24	25	28	29	31	34
				B -1	B -4	B -5	B -7	B -10
Total Concessions improvement accounts	BA	22	24	24	24	24	24	24
	O	22	24	24	24	24	24	24
Park concessions franchise fees:								
Appropriation, permanent	303 BA			B 25	B 32	B 40	B 49	B 59
Outlays	O			B 9	B 20	B 32	B 41	B 49
Land acquisition and State assistance:								
Appropriation, current	303 BA	54	143	138	183	199	152	154
Contract authority, current	BA	-30	-30	-30	-30	-30	-30	-30
Contract authority, permanent	BA	30	30	30	30	30	30	30
Outlays	O	58	114	116	139	163	165	165
Total Land acquisition and State assistance	BA	54	143	138	183	199	152	154
	O	58	114	116	139	163	165	165
Historic preservation fund:								
Appropriation, current	303 BA	37	41	101	101	46	41	41
Outlays	O	40	45	62	79	83	64	42
National park renewal fund:								
Appropriation, permanent	303 BA	45	133	137				
					B 154	B 156	B 158	B 160
Outlays	O	3	76	109	88	41		
					B 54	B 109	B 156	B 158
Total National park renewal fund	BA	45	133	137	154	156	158	160
	O	3	76	109	142	150	156	158

DEPARTMENT OF THE INTERIOR—Continued  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Operation and maintenance of quarters:								
Appropriation, permanent	303 BA	15	16	16	16	17	17	18
Outlays	O	15	16	16	16	17	17	18
Fee collection support, national park system:								
Appropriation, permanent	303 BA	18	1	1	13	13	14	14
					<i>B-13</i>	<i>B-13</i>	<i>B-14</i>	<i>B-14</i>
Outlays	O	16	1	1	13	13	14	14
					<i>B-13</i>	<i>B-13</i>	<i>B-14</i>	<i>B-14</i>
Total Fee collection support, national park system	BA	18	1	1				
	O	16	1	1				
Miscellaneous permanent appropriations:								
Appropriation, permanent	303 BA		1	1	1	1	1	1
Outlays	O	1	1	1	1	1	1	1
<i>Trust funds</i>								
Construction (trust fund):								
Outlays	401 O	2	8	5	3			
Miscellaneous trust funds:								
Appropriation, permanent	303 BA	15	18	13	13	13	13	13
Outlays	O	16	18	13	13	13	13	13
Total Federal funds National Park Service	BA	1,724	1,864	1,988	2,088	2,169	2,069	2,049
	O	1,582	1,733	1,907	2,004	2,107	2,096	2,080
Total Trust funds National Park Service	BA	15	18	13	13	13	13	13
	O	18	26	18	16	13	13	13
Total Federal funds Fish and Wildlife and Parks	BA	2,833	2,920	3,116	3,291	3,433	3,370	3,355
	O	2,598	2,874	3,083	3,264	3,365	3,407	3,417
Total Trust funds Fish and Wildlife and Parks	BA	334	342	302	384	339	344	352
	O	250	318	318	339	348	346	353

Indian Affairs

Bureau of Indian Affairs

Federal funds

General and Special Funds:

Operation of Indian programs								
(Conservation and land management):								
(Appropriation, current)	302 BA	130	132	132	142	144	144	144
(Appropriation, permanent)	BA	8						
(Spending authority from offsetting collections)	BA	8	9	10	10	10	10	10
(Outlays)	O	149	139	181	149	153	154	154
Operation of Indian programs (gross)	BA	146	141	142	152	154	154	154
	O	149	139	181	149	153	154	154
Total, offsetting collections		-8	-9	-10	-10	-10	-10	-10
Total (Conservation and land management) (net)	BA	138	132	132	142	144	144	144
	O	141	130	171	139	143	144	144
(Area and regional development):								
(Appropriation, current)	452 BA	783	839	917	905	917	917	917
(Spending authority from offsetting collections)	BA	5	6	6	6	6	6	6
(Outlays)	O	777	824	870	913	919	923	923
Operation of Indian programs (gross)	BA	926	977	1,055	1,053	1,067	1,067	1,067
	O	918	954	1,041	1,052	1,062	1,067	1,067
Total, offsetting collections		-5	-6	-6	-6	-6	-6	-6
Total (Area and regional development) (net)	BA	783	839	917	905	917	917	917
	O	772	818	864	907	913	917	917
(Elementary, secondary, and vocational education):								
(Appropriation, current)	501 BA	546	558	590	569	575	575	575
(Spending authority from offsetting collections)	BA	57	65	69	69	69	69	69

**DEPARTMENT OF THE INTERIOR—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
(Outlays) .....	O	618	612	631	644	642	644	644
Operation of Indian programs (gross) .....	BA	<b>1,524</b>	<b>1,594</b>	<b>1,708</b>	<b>1,685</b>	<b>1,705</b>	<b>1,705</b>	<b>1,705</b>
	O	1,531	1,560	1,666	1,690	1,698	1,705	1,705
Total, offsetting collections .....		-57	-65	-69	-69	-69	-69	-69
Total (Elementary, secondary, and vocational education) (net) .....	BA	<b>546</b>	<b>558</b>	<b>590</b>	<b>569</b>	<b>575</b>	<b>575</b>	<b>575</b>
	O	561	547	562	575	573	575	575
Total Operation of Indian programs .....	BA	<b>1,467</b>	<b>1,529</b>	<b>1,639</b>	<b>1,616</b>	<b>1,636</b>	<b>1,636</b>	<b>1,636</b>
	O	1,474	1,495	1,597	1,621	1,629	1,636	1,636
<b>Construction:</b>								
Appropriation, current .....	452 BA	<b>107</b>	<b>125</b>	<b>152</b>	<b>152</b>	<b>152</b>	<b>152</b>	<b>152</b>
Spending authority from offsetting collections .....	BA	<b>9</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>
Outlays .....	O	122	136	128	122	156	162	162
Construction (gross) .....	BA	<b>116</b>	<b>135</b>	<b>162</b>	<b>162</b>	<b>162</b>	<b>162</b>	<b>162</b>
	O	122	136	128	122	156	162	162
Total, offsetting collections .....		-9	-10	-10	-10	-10	-10	-10
Total Construction (net) .....	BA	<b>107</b>	<b>125</b>	<b>152</b>	<b>152</b>	<b>152</b>	<b>152</b>	<b>152</b>
	O	113	126	118	112	146	152	152
<b>White Earth settlement fund:</b>								
Appropriation, permanent .....	452 BA	<b>3</b>	<b>7</b>	<b>5</b>	<b>5</b>	<b>2</b>	<b>1</b>	<b>1</b>
Outlays .....	O	3	7	5	5	2	1	1
<b>Indian land and water claim settlements and miscellaneous payments to Indians:</b>								
Appropriation, current .....	452 BA	<b>67</b>	<b>43</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>38</b>
Outlays .....	O	72	46	39	38	38	38	38
<b>Indian land consolidation pilot:</b>								
Appropriation, current .....	452 BA			<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>
Spending authority from offsetting collections .....	BA				<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>
Outlays .....	O			10	10	11	11	12
Indian land consolidation pilot (gross) .....	BA			<b>10</b>	<b>10</b>	<b>11</b>	<b>11</b>	<b>12</b>
	O			10	10	11	11	12
Total, offsetting collections .....						-1	-1	-2
Total Indian land consolidation pilot (net) .....	BA			<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>
	O			10	10	10	10	10
<b>Technical assistance of Indian enterprises:</b>								
Outlays .....	452 O	1						
<b>Operation and maintenance of quarters:</b>								
Appropriation, permanent .....	452 BA	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>
Outlays .....	O	6	6	6	6	6	6	6
<b>Miscellaneous permanent appropriations (Area and regional development):</b>								
(Appropriation, permanent) .....	452 BA	<b>98</b>	<b>72</b>	<b>72</b>	<b>73</b>	<b>74</b>	<b>75</b>	<b>75</b>
(Outlays) .....	O	86	70	73	73	73	74	75
Total Miscellaneous permanent appropriations .....	BA	<b>98</b>	<b>72</b>	<b>72</b>	<b>73</b>	<b>74</b>	<b>75</b>	<b>75</b>
	O	86	70	73	73	73	74	75
<b>Credit Accounts:</b>								
<b>Revolving fund for loans liquidating account:</b>								
Spending authority from offsetting collections .....	452 BA	<b>6</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>1</b>
Revolving fund for loans liquidating account (gross) .....	BA	<b>6</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>1</b>
Total, offsetting collections .....		-6	-3	-3	-3	-3	-3	-1
<b>Indian guaranteed loan program account:</b>								
Appropriation, current .....	452 BA	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
Appropriation, permanent .....	BA	<b>32</b>						
Outlays .....	O	33	5	5	5	5	5	5

**DEPARTMENT OF THE INTERIOR—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Limitation on loan guarantee commitments .....		(35)	(35)	(80)	(35)	(35)	(35)	(35)
Total Indian guaranteed loan program account .....	BA	37	5	5	5	5	5	5
	O	33	5	5	5	5	5	5
Indian loan guaranty and insurance fund liquidating account:								
Appropriation, permanent .....	452 BA	11	11	1	2	2	2	2
Outlays .....	O		1	1		1	1	1
Total Federal funds Bureau of Indian Affairs .....	BA	1,796	1,798	1,928	1,907	1,925	1,925	1,925
	O	1,782	1,753	1,851	1,867	1,907	1,920	1,923

**Departmental Offices**

*Departmental Management*

*Federal funds*

**General and Special Funds:**

Salaries and expenses:								
Appropriation, current .....	306 BA	59	58	61	61	61	61	61
Spending authority from offsetting collections .....	BA	110	110	110	110	110	110	110
Outlays .....	O	170	167	171	171	171	171	171
Salaries and expenses (gross) .....	BA	169	168	171	171	171	171	171
	O	170	167	171	171	171	171	171
Total, offsetting collections .....		-110	-110	-110	-110	-110	-110	-110
Total Salaries and expenses (net) .....	BA	59	58	61	61	61	61	61
	O	60	57	61	61	61	61	61
Everglades watershed protection:								
Outlays .....	303 O	35	165					
Everglades restoration account:								
Appropriation, permanent .....	303 BA			1	2	3	4	5
Outlays .....	O			1	2	3	4	5
Priority Federal land acquisitions and exchanges:								
Appropriation, current .....	303 BA		532					
Outlays .....	O		228	114	114	76		
<b>Intragovernmental Funds:</b>								
Working capital fund:								
Spending authority from offsetting collections .....	306 BA	86	108	110	110	110	110	110
Outlays .....	O	82	108	110	110	110	110	110
Working capital fund (gross) .....	BA	86	108	110	110	110	110	110
	O	82	108	110	110	110	110	110
Total, offsetting collections .....		-86	-108	-110	-110	-110	-110	-110
Total Working capital fund (net) .....	BA							
	O	-4						
Interior Franchise Fund:								
Spending authority from offsetting collections .....	306 BA	11	40	50	72	84	96	96
Outlays .....	O	7	35	47	71	84	95	96
Interior Franchise Fund (gross) .....	BA	11	40	50	72	84	96	96
	O	7	35	47	71	84	95	96
Total, offsetting collections .....		-11	-40	-50	-72	-84	-96	-96
Total Interior Franchise Fund (net) .....	BA							
	O	-4	-5	-3	-1		-1	
Total Federal funds Departmental Management .....	BA	59	590	62	63	64	65	66
	O	87	445	173	176	140	64	66



DEPARTMENT OF THE INTERIOR—Continued  
(In millions of dollars)

Account	1997 actual	estimate						
		1998	1999	2000	2001	2002	2003	
<i>Insular Affairs</i>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Assistance to territories:								
Appropriation, current .....	808 BA	65	68	66	66	66	66	66
Spending authority from offsetting collections .....	BA	2	2	2	2	2	2	2
Outlays .....	O	67	69	69	69	68	68	68
Assistance to territories (gross) .....	BA	65	70	68	68	68	68	68
	O	67	69	69	69	68	68	68
Total, offsetting collections .....			-2	-2	-2	-2	-2	-2
Total Assistance to territories (net) .....	BA	65	68	66	66	66	66	66
	O	67	67	67	67	66	66	66
Trust Territory of the Pacific Islands:								
Outlays .....	808 O	6	10	10	4			
Compact of free association:								
Appropriation, current .....	808 BA	24	21	20	20	20	20	20
Appropriation, permanent .....	BA	225	126	125	125	127	154	157
Outlays .....	O	182	173	201	202	149	174	177
Total Compact of free association .....	BA	249	147	145	145	147	174	177
	O	182	173	201	202	149	174	177
Payments to the United States territories, fiscal assistance:								
Appropriation, permanent .....	806 BA	81	89	86	86	86	86	86
Outlays .....	O	81	89	<sup>B 12</sup> 86	<sup>B 12</sup> 86	<sup>B 12</sup> 86	<sup>B 12</sup> 86	<sup>B 12</sup> 86
				<sup>B 12</sup>	<sup>B 12</sup>	<sup>B 12</sup>	<sup>B 12</sup>	<sup>B 12</sup>
Total Payments to the United States territories, fiscal assistance .....	BA	81	89	98	98	98	98	98
	O	81	89	98	98	98	98	98
Total Federal funds Insular Affairs .....	BA	395	304	309	309	311	338	341
	O	336	339	376	371	313	338	341

*Office of the Solicitor*  
*Federal funds*

<b>General and Special Funds:</b>								
Office of the Solicitor:								
Appropriation, current .....	306 BA	35	35	37	37	37	37	37
Spending authority from offsetting collections .....	BA	2	2	2	2	2	2	2
Outlays .....	O	37	37	39	39	39	39	39
Office of the Solicitor (gross) .....	BA	37	37	39	39	39	39	39
	O	37	37	39	39	39	39	39
Total, offsetting collections .....			-2	-2	-2	-2	-2	-2
Total Office of the Solicitor (net) .....	BA	35	35	37	37	37	37	37
	O	35	35	37	37	37	37	37

*Office of Inspector General*  
*Federal funds*

<b>General and Special Funds:</b>								
Office of Inspector General:								
Appropriation, current .....	306 BA	24	25	26	26	26	26	26
Outlays .....	O	24	24	26	26	26	26	26

*Office of Special Trustee for American Indians*  
*Federal funds*

<b>General and Special Funds:</b>								
Office of the Special Trustee for American Indians:								
Appropriation, current .....	306 BA	34	34	42	116	50	50	50
Outlays .....	O	20	37	46	99	70	50	50

**DEPARTMENT OF THE INTERIOR—Continued**  
(In millions of dollars)

Account	1997 actual	estimate					
		1998	1999	2000	2001	2002	2003
<b>Payment to tribe, Lower Brule Sioux Trust Fund:</b>							
Appropriation, permanent .....	452 BA	39					
Outlays .....	O	39					
<b>Miscellaneous permanent appropriations</b>							
<b>(Area and regional development):</b>							
(Appropriation, permanent) .....	452 BA	24	23	23	23	23	23
(Outlays) .....	O	1	10	10	10	10	10
Total Miscellaneous permanent appropriations .....	BA	24	23	23	23	23	23
	O	1	10	10	10	10	10
<b>Trust funds</b>							
<b>Cooperative fund (papago):</b>							
Appropriation, permanent .....	452 BA	2	1	1	1	1	1
Outlays .....	O	2	5	5	1	1	1
<b>Miscellaneous trust funds</b>							
<b>(Area and regional development):</b>							
(Appropriation, permanent) .....	452 BA	482	365	349	353	355	358
(Outlays) .....	O	332	366	350	353	355	358
Total Miscellaneous trust funds .....	BA	482	365	349	353	355	358
	O	332	366	350	353	355	358
Total Federal funds Office of Special Trustee for American Indians .....	BA	58	96	65	139	73	73
	O	21	76	56	109	80	60
Total Trust funds Office of Special Trustee for American Indians .....	BA	484	366	350	354	356	359
	O	334	371	355	354	356	359

*National Indian Gaming Commission*

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	806 BA	1	1				
Spending authority from offsetting collections .....	BA	3	4	8	8	8	8
Outlays .....	O	2	5	7	8	8	8
Salaries and expenses (gross) .....	BA	4	5	8	8	8	8
	O	2	5	7	8	8	8
Total, offsetting collections .....		-3	-4	-8	-8	-8	-8
Total Salaries and expenses (net) .....	BA	1	1				
	O	-1	1	-1			
Total Federal funds Departmental Offices .....	BA	572	1,051	499	574	511	539
	O	502	920	667	719	596	530
Total Trust funds Departmental Offices .....	BA	484	366	350	354	356	359
	O	334	371	355	354	356	359

**Summary**

Federal funds:							
(As shown in detail above) .....	BA	9,113	9,691	9,680	9,944	9,947	9,956
	O	8,641	9,716	9,720	10,035	10,021	9,820
Deductions for offsetting receipts:							
Intrafund transactions .....	301 BA/O	-10	-11	-10	-11	-11	-6
	303 BA/O	-29	-30	-28	-32	-30	-31
	452 BA/O	-23	-23	-23	-23	-23	-23
	908 BA/O	-115	-135	-97	-124	-131	-149

**DEPARTMENT OF THE INTERIOR—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Proprietary receipts from the public	301 BA/O	-214	-221	-239	-257	-246	-249	-252
	302 BA/O	-1,336	-1,336	-1,379	-1,386	-1,406	-1,427	-1,455
					3	3	3	3
	303 BA/O	-245	-277	-241	-174	-172	-177	-175
					-101	-110	-117	-126
	306 BA/O		-5	-4	-2			
	452 BA/O	-72	-75	-75	-76	-77	-77	-77
	908 BA/O	-17	-16	-16	-15	-15	-15	-15
Total Federal funds	BA	7,052	7,562	7,544	7,746	7,729	7,698	7,701
	O	6,580	7,587	7,584	7,837	7,803	7,562	7,740
Trust funds:								
(As shown in detail above)	BA	853	739	680	794	730	743	731
	O	634	725	701	743	745	745	737
Deductions for offsetting receipts:								
Proprietary receipts from the public	301 BA/O	-16	-15	-12	-40	-20	-24	-4
	302 BA/O	-11	-9	-9	-9	-9	-9	-9
	303 BA/O	-5	-4	-4	-4	-4	-4	-4
	306 BA/O	-1						
	452 BA/O	-190	-148	-150	-152	-153	-153	-153
	908 BA/O	-118	-118	-122	-123	-124	-127	-127
Total Trust funds	BA	512	445	383	466	420	426	434
	O	293	431	404	415	435	428	440
Interfund transactions	271 BA/O	-28						
	452 BA/O	-15	-6					
	808 BA/O	-110	-75	-60	-60	-60	-60	-60
Total Department of the Interior	BA	7,411	7,926	7,867	8,152	8,089	8,064	8,075
	O	6,720	7,937	7,928	8,192	8,178	7,930	8,120

**DEPARTMENT OF JUSTICE**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>General Administration</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current	751 BA	111	103	116	116	116	116	116
Appropriation, permanent	BA	-2						
Advance appropriation	BA	2						
Spending authority from offsetting collections	BA	20	18	18	18	18	18	18
Outlays	O	113	112	132	134	134	134	134
Salaries and expenses (gross)	BA	131	121	134	134	134	134	134
	O	113	112	132	134	134	134	134
Total, offsetting collections		-20	-18	-18	-18	-18	-18	-18
Total Salaries and expenses (net)	BA	111	103	116	116	116	116	116
	O	93	94	114	116	116	116	116
Narrow band communications:								
Appropriation, current	751 BA			96	96	96	96	96
Outlays	O			67	125	96	96	96
Counterterrorism fund:								
Appropriation, current	751 BA	29	53	53	53	53	53	53
Outlays	O	32	47	53	53	53	53	53
Telecommunications carrier compliance fund (Defense-related activities):								
(Appropriation, current)	054 BA	30		50	75	75		
(Outlays)	O		30	50	75	75		
(Federal law enforcement activities):								
(Appropriation, current)	751 BA	70		50	75	75		
(Spending authority from offsetting collections)	BA	3						

**DEPARTMENT OF JUSTICE—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
(Outlays)	O		73	50	75	75		
Telecommunications carrier compliance fund (gross)	BA	103		100	150	150		
	O		103	100	150	150		
Total, offsetting collections		-3						
Total (Federal law enforcement activities) (net)	BA	70		50	75	75		
	O	-3	73	50	75	75		
Total Telecommunications carrier compliance fund	BA	100		100	150	150		
	O	-3	103	100	150	150		
<b>Administrative review and appeals:</b>								
Appropriation, current	751 BA	111	129	145	145	145	145	145
Spending authority from offsetting collections	BA	1	1	1	1	1	1	1
Outlays	O	102	131	144	146	146	146	146
Administrative review and appeals (gross)	BA	112	130	146	146	146	146	146
	O	102	131	144	146	146	146	146
Total, offsetting collections		-1	-1	-1	-1	-1	-1	-1
Total Administrative review and appeals (net)	BA	111	129	145	145	145	145	145
	O	101	130	143	145	145	145	145
<b>Office of the Inspector General:</b>								
Appropriation, current	751 BA	32	33	35	35	35	35	35
Spending authority from offsetting collections	BA	17	21	17	16	16	16	16
Outlays	O	44	52	52	51	51	51	51
Office of the Inspector General (gross)	BA	49	54	52	51	51	51	51
	O	44	52	52	51	51	51	51
Total, offsetting collections		-17	-21	-17	-16	-16	-16	-16
Total Office of the Inspector General (net)	BA	32	33	35	35	35	35	35
	O	27	31	35	35	35	35	35
<b>Intragovernmental Funds:</b>								
<b>Working capital fund:</b>								
Appropriation, current	751 BA	-36	-100					
Appropriation, permanent	BA	154						
Spending authority from offsetting collections	BA	579	799	642	671	671	671	671
Outlays	O	614	799	642	671	671	671	671
Working capital fund (gross)	BA	697	699	642	671	671	671	671
	O	614	799	642	671	671	671	671
Total, offsetting collections		-579	-799	-642	-671	-671	-671	-671
Total Working capital fund (net)	BA	118	-100					
	O	35						
Total Federal funds General Administration	BA	501	218	545	595	595	445	445
	O	285	405	512	624	595	445	445

**United States Parole Commission**  
*Federal funds*

<b>General and Special Funds:</b>								
<b>Salaries and expenses:</b>								
Appropriation, current	751 BA	5	5	8	8	8	8	8
Appropriation, permanent	BA	-1						
Advance appropriation	BA	1						
Spending authority from offsetting collections	BA		1					
Outlays	O	5	5	8	8	8	8	8
Salaries and expenses (gross)	BA	5	6	8	8	8	8	8
	O	5	5	8	8	8	8	8

DEPARTMENT OF JUSTICE—Continued  
(In millions of dollars)

Account	1997 actual	estimate					
		1998	1999	2000	2001	2002	2003
Total, offsetting collections .....		-1					
Total Salaries and expenses (net) .....	BA	5	5	8	8	8	8
	O	5	4	8	8	8	8

Legal Activities and U.S. Marshals

Federal funds

General and Special Funds:

Salaries and expenses, General Legal Activities:

Appropriation, current .....	752 BA	432	452	486	486	486	486	486
Appropriation, permanent .....	BA	-5						
Advance appropriation .....	BA	5						
Spending authority from offsetting collections .....	BA	147	138	120	120	120	120	123
				<i>B</i> 51	<i>B</i> 49	<i>B</i> 41	<i>B</i> 35	<i>B</i> 28
Outlays .....	O	589	537	595	605	606	606	609
				<i>B</i> 51	<i>B</i> 49	<i>B</i> 41	<i>B</i> 35	<i>B</i> 28
Salaries and expenses, General Legal Activities (gross) .....	BA	579	590	657	655	647	641	637
	O	589	537	646	654	647	641	637
Total, offsetting collections .....		-147	-138	-120	-120	-120	-120	-123
				<i>B</i> -51	<i>B</i> -49	<i>B</i> -41	<i>B</i> -35	<i>B</i> -28
Total Salaries and expenses, General Legal Activities (net) .....	BA	432	452	486	486	486	486	486
	O	442	399	475	485	486	486	486

Salaries and expenses, Antitrust Division:

Appropriation, current .....	752 BA	18	5	87				
Spending authority from offsetting collections .....	BA	75	88	11	88	89	91	93
Outlays .....	O	105	99	97	89	90	91	92
Salaries and expenses, Antitrust Division (gross) .....	BA	93	93	98	88	89	91	93
	O	105	99	97	89	90	91	92
Total, offsetting collections .....		-77	-88	-87	-91	-92	-95	-98
Total Salaries and expenses, Antitrust Division (net) .....	BA	16	5	11	-3	-3	-4	-5
	O	28	11	10	-2	-2	-4	-6

Salaries and expenses, United States Attorneys:

Appropriation, current .....	752 BA	994	1,047	1,107	1,107	1,107	1,107	1,107
Appropriation, permanent .....	BA	-8						
Advance appropriation .....	BA	8						
Spending authority from offsetting collections .....	BA	103	105	107	107	107	107	107
Outlays .....	O	1,083	1,097	1,177	1,213	1,214	1,214	1,214
Salaries and expenses, United States Attorneys (gross) .....	BA	1,097	1,152	1,214	1,214	1,214	1,214	1,214
	O	1,083	1,097	1,177	1,213	1,214	1,214	1,214
Total, offsetting collections .....		-103	-105	-107	-107	-107	-107	-107
Total Salaries and expenses, United States Attorneys (net) .....	BA	994	1,047	1,107	1,107	1,107	1,107	1,107
	O	980	992	1,070	1,106	1,107	1,107	1,107

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	485	494	513	513	513	513	513
Appropriation, permanent .....	BA	-4						
Advance appropriation .....	BA	4						
Spending authority from offsetting collections .....	BA	100	72	48	48	48	48	48
Outlays .....	O	546	519	559	561	561	561	561
Salaries and expenses, United States Marshals Service (gross) .....	BA	585	566	561	561	561	561	561
	O	546	519	559	561	561	561	561
Total, offsetting collections .....		-100	-72	-48	-48	-48	-48	-48
Total Salaries and expenses, United States Marshals Service (net) .....	BA	485	494	513	513	513	513	513
	O	446	447	511	513	513	513	513

**DEPARTMENT OF JUSTICE—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Construction, U.S. Marshals Service:								
Appropriation, current	751 BA			6	6	6	6	6
Outlays	O			1	3	6	6	6
Justice prisoner and alien transportation system, U.S. Marshals Service:								
Appropriation, current	752 BA			10				
Spending authority from offsetting collections	BA			89	91	93	95	97
Outlays	O			98	92	93	95	97
Justice prisoner and alien transportation system, U.S. Marshals Service (gross)	BA			99	91	93	95	97
	O			98	92	93	95	97
Total, offsetting collections				-89	-91	-93	-95	-97
Total Justice prisoner and alien transportation system, U.S. Marshals Service (net)	BA			10				
	O			9	1			
Federal prisoner detention:								
Appropriation, current	752 BA	405	405	451	451	451	451	451
Spending authority from offsetting collections	BA	11	25	25	25	25	25	25
Outlays	O	376	350	458	470	479	476	476
Federal prisoner detention (gross)	BA	416	430	476	476	476	476	476
	O	376	350	458	470	479	476	476
Total, offsetting collections		-11	-25	-25	-25	-25	-25	-25
Total Federal prisoner detention (net)	BA	405	405	451	451	451	451	451
	O	365	325	433	445	454	451	451
Fees and expenses of witnesses:								
Appropriation, current	752 BA	96	75	95	97	99	101	103
Outlays	O	84	82	90	97	98	101	102
Salaries and expenses, Community Relations Service:								
Appropriation, current	752 BA	5	5	9	9	9	9	9
Spending authority from offsetting collections	BA	1						
Outlays	O	6	4	9	9	9	9	9
Salaries and expenses, Community Relations Service (gross)	BA	6	5	9	9	9	9	9
	O	6	4	9	9	9	9	9
Total, offsetting collections		-1						
Total Salaries and expenses, Community Relations Service (net)	BA	5	5	9	9	9	9	9
	O	5	4	9	9	9	9	9
Independent counsel:								
Appropriation, permanent	752 BA	17	10	10	10	10	10	10
Outlays	O	21	10	10	10	10	10	10
Civil liberties public education fund:								
Outlays	808 O	7	39					
United States trustee system fund:								
Appropriation, current	752 BA			131				
Spending authority from offsetting collections	BA	108	116		131	136	138	141
Outlays	O	108	122	111	144	143	138	141
United States trustee system fund (gross)	BA	108	116	131	131	136	138	141
	O	108	122	111	144	143	138	141
Total, offsetting collections		-110	-116	-131	-136	-138	-141	-145
Total United States trustee system fund (net)	BA	-2			-5	-2	-3	-4
	O	-2	6	-20	8	5	-3	-4
Assets forfeiture fund:								
Appropriation, current	752 BA	23	23	23	23	23	23	23
Appropriation, permanent	BA	380	386	407	416	425	434	444
Spending authority from offsetting collections	BA	8	4	4	4	4	4	4
Outlays	O	376	445	445	447	430	430	430
Assets forfeiture fund (gross)	BA	411	413	434	443	452	461	471
	O	376	445	445	447	430	430	430

**DEPARTMENT OF JUSTICE—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Total, offsetting collections .....		-8	-4	-4	-4	-4	-4	-4
Total Assets forfeiture fund (net) .....	BA	403	409	430	439	448	457	467
	O	368	441	441	443	426	426	426
Total Federal funds Legal Activities and U.S. Marshals .....	BA	2,852	2,903	3,129	3,111	3,125	3,134	3,144
	O	2,745	2,757	3,040	3,119	3,113	3,103	3,101

**Radiation Exposure Compensation**

*Federal funds*

**General and Special Funds:**

Administrative expenses:

Appropriation, current .....	054	BA	2	2	2	2	2	2	2
Outlays .....		O		2	2	2	2	2	2
Payment to radiation exposure compensation trust fund:									
Appropriation, current .....	054	BA	14	4	12	12	12	12	12
Advance appropriation .....		BA	16	12					
Outlays .....		O	30	4	12	12	12	12	12
Total Payment to radiation exposure compensation trust fund .....		BA	30	4	12	12	12	12	12
		O	30	4	12	12	12	12	12

*Trust funds*

Radiation exposure compensation trust fund:

Appropriation, permanent .....	054	BA	30	4	12	12	12	12	12
Outlays .....		O	15	16	16	17	12	12	12
Total Federal funds Radiation Exposure Compensation .....		BA	32	6	14	14	14	14	14
		O	30	6	14	14	14	14	14
Total Trust funds Radiation Exposure Compensation .....		BA	30	4	12	12	12	12	12
		O	15	16	16	17	12	12	12

**Interagency Law Enforcement**

*Federal funds*

**General and Special Funds:**

Interagency crime and drug enforcement:

Appropriation, current .....	751	BA	359	295	304	304	304	304	304
Appropriation, permanent .....		BA	-1						
Advance appropriation .....		BA	1						
Outlays .....		O	375	221	302	304	304	304	304
Total Interagency crime and drug enforcement .....		BA	359	295	304	304	304	304	304
		O	375	221	302	304	304	304	304

**Federal Bureau of Investigation**

*Federal funds*

**General and Special Funds:**

Salaries and expenses

(Defense-related activities):

(Appropriation, current) .....	054	BA	147	221	170	170	170	170	170
(Outlays) .....		O	110	166	161	171	171	170	170

(Federal law enforcement activities):

(Appropriation, current) .....	751	BA	2,593	2,715	2,831	2,831	2,831	2,831	2,831
(Appropriation, permanent) .....		BA	-35						
(Advance appropriation) .....		BA	35						
(Spending authority from offsetting collections) .....		BA	482	476	519	519	519	519	519
(Outlays) .....		O	3,066	3,153	3,049	3,284	3,347	3,350	3,350

Salaries and expenses (gross) .....		BA	3,222	3,412	3,520	3,520	3,520	3,520	3,520
		O	3,176	3,319	3,210	3,455	3,518	3,520	3,520

**DEPARTMENT OF JUSTICE—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Total, offsetting collections .....		-482	-476	-519	-519	-519	-519	-519
Total (Federal law enforcement activities) (net) .....	BA	2,593	2,715	2,831	2,831	2,831	2,831	2,831
	O	2,584	2,677	2,530	2,765	2,828	2,831	2,831
Total Salaries and expenses .....	BA	2,740	2,936	3,001	3,001	3,001	3,001	3,001
	O	2,694	2,843	2,691	2,936	2,999	3,001	3,001
Construction:								
Appropriation, current .....	751 BA	42	45	14	10	10	10	10
Outlays .....	O	6	19	19	27	14	10	10
Total Federal funds Federal Bureau of Investigation .....	BA	2,782	2,981	3,015	3,011	3,011	3,011	3,011
	O	2,700	2,862	2,710	2,963	3,013	3,011	3,011

**Drug Enforcement Administration**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:								
Appropriation, current .....	751 BA	978	1,137	1,170	1,170	1,170	1,170	1,170
Appropriation, permanent .....	BA	-17						
Advance appropriation .....	BA	17						
Spending authority from offsetting collections .....	BA	186	156	156	156	156	156	156
Outlays .....	O	1,098	1,136	1,225	1,323	1,326	1,326	1,326
Salaries and expenses (gross) .....	BA	1,164	1,293	1,326	1,326	1,326	1,326	1,326
	O	1,098	1,136	1,225	1,323	1,326	1,326	1,326
Total, offsetting collections .....		-186	-156	-156	-156	-156	-156	-156
Total Salaries and expenses (net) .....	BA	978	1,137	1,170	1,170	1,170	1,170	1,170
	O	912	980	1,069	1,167	1,170	1,170	1,170
Construction:								
Appropriation, current .....	751 BA	32	8	8	6	6	6	6
Outlays .....	O	1	2	5	8	7	6	6
Diversion control fee account:								
Appropriation, current .....	751 BA	15	15	15	15	15	15	15
Appropriation, permanent .....	BA	53	58	62	63	65	67	70
Outlays .....	O	56	80	69	76	78	81	84
Total Diversion control fee account .....	BA	68	73	77	78	80	82	85
	O	56	80	69	76	78	81	84
Total Federal funds Drug Enforcement Administration .....	BA	1,078	1,218	1,255	1,254	1,256	1,258	1,261
	O	969	1,062	1,143	1,251	1,255	1,257	1,260

**Immigration and Naturalization Service**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:								
Appropriation, current .....	751 BA	2,108	2,269	2,605	2,605	2,605	2,605	2,605
Appropriation, permanent .....	BA	-8						
Advance appropriation .....	BA	8						
Spending authority from offsetting collections .....	BA	1,028	1,479	1,490	1,490	1,490	1,490	1,490
Outlays .....	O	2,790	3,387	3,951	3,997	4,087	4,095	4,095
Salaries and expenses (gross) .....	BA	3,136	3,748	4,095	4,095	4,095	4,095	4,095
	O	2,790	3,387	3,951	3,997	4,087	4,095	4,095
Total, offsetting collections .....		-1,028	-1,479	-1,490	-1,490	-1,490	-1,490	-1,490
Total Salaries and expenses (net) .....	BA	2,108	2,269	2,605	2,605	2,605	2,605	2,605
	O	1,762	1,908	2,461	2,507	2,597	2,605	2,605
Construction:								
Appropriation, current .....	751 BA	9	76	118	78	78	78	78
Outlays .....	O	12	33	42	89	96	80	78
Immigration emergency fund:								
Appropriation, current .....	751 BA	-35						



**DEPARTMENT OF JUSTICE—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	4						
Immigration support:								
Appropriation, permanent .....	751 BA	1,013	1,455	1,465	1,227	1,272	1,319	1,319
Outlays .....	O	992	1,455	1,465	1,227	1,272	1,319	1,319
Total Federal funds Immigration and Naturalization Service .....	BA	3,095	3,800	4,188	3,910	3,955	4,002	4,002
	O	2,770	3,396	3,968	3,823	3,965	4,004	4,002

**Federal Prison System**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	753 BA	2,747	2,848	3,059	3,059	3,359	3,430	3,749
Appropriation, permanent .....	BA	-73						
Advance appropriation .....	BA	73						
Spending authority from offsetting collections .....	BA	19	21	22	23	24	25	26
Outlays .....	O	2,546	2,811	2,950	3,071	3,338	3,429	3,723
Salaries and expenses (gross) .....	BA	2,766	2,869	3,081	3,082	3,383	3,455	3,775
	O	2,546	2,811	2,950	3,071	3,338	3,429	3,723
Total, offsetting collections .....		-19	-21	-22	-23	-24	-25	-26
Total Salaries and expenses (net) .....	BA	2,747	2,848	3,059	3,059	3,359	3,430	3,749
	O	2,527	2,790	2,928	3,048	3,314	3,404	3,697

Buildings and facilities:

Appropriation, current .....	753 BA	436	255	414	416	114	114	114
Spending authority from offsetting collections .....	BA		295					
Outlays .....	O	436	402	693	836	1,042	485	368
Buildings and facilities (gross) .....	BA	436	550	414	416	114	114	114
	O	436	402	693	836	1,042	485	368
Total, offsetting collections .....			-295					
Total Buildings and facilities (net) .....	BA	436	255	414	416	114	114	114
	O	436	107	693	836	1,042	485	368

**Intragovernmental Funds:**

Federal Prison Industries, Incorporated:

Spending authority from offsetting collections .....	753 BA	530	522	523	552	579	607	637
Outlays .....	O	530	518	523	552	579	607	637
Federal Prison Industries, Incorporated (gross) .....	BA	530	522	523	552	579	607	637
	O	530	518	523	552	579	607	637
Change in orders on hand from Federal sources .....	BA	-1	-4					
Total, offsetting collections .....		-529	-518	-523	-552	-579	-607	-637
Total Federal Prison Industries, Incorporated (net) .....	BA							
	O	1						

*Trust funds*

Commissary funds, Federal prisons (trust revolving fund):

Spending authority from offsetting collections .....	753 BA	185	180	186	195	202	208	213
Outlays .....	O	160	163	174	173	192	198	204
Commissary funds, Federal prisons (trust revolving fund) (gross) .....	BA	185	180	186	195	202	208	213
	O	160	163	174	173	192	198	204
Total, offsetting collections .....		-185	-180	-186	-195	-202	-208	-213
Total Commissary funds, Federal prisons (trust revolving fund) (net) .....	BA							
	O	-25	-17	-12	-22	-10	-10	-9
Total Federal funds Federal Prison System .....	BA	3,183	3,103	3,473	3,475	3,473	3,544	3,863
	O	2,964	2,897	3,621	3,884	4,356	3,889	4,065
Total Trust funds Federal Prison System .....	BA							
	O	-25	-17	-12	-22	-10	-10	-9

**DEPARTMENT OF JUSTICE—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>Office of Justice Programs</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Justice assistance:								
Appropriation, current	754 BA	132	180	163	158	158	158	158
Spending authority from offsetting collections	BA	45	48	50	50	50	50	50
Outlays	O	379	186	191	244	211	208	208
Justice assistance (gross)	BA	177	228	213	208	208	208	208
	O	379	186	191	244	211	208	208
Total, offsetting collections		-45	-48	-50	-50	-50	-50	-50
Total Justice assistance (net)	BA	132	180	163	158	158	158	158
	O	334	138	141	194	161	158	158
State and local law enforcement assistance:								
Appropriation, current	754 BA	362	509					
Spending authority from offsetting collections	BA	13	17					
Outlays	O	299	261	500	286	55		
State and local law enforcement assistance (gross)	BA	375	526					
	O	299	261	500	286	55		
Total, offsetting collections		-13	-17					
Total State and local law enforcement assistance (net)	BA	362	509					
	O	286	244	500	286	55		
Violent crime reduction programs:								
Appropriation, current	754 BA	2,036	2,382	2,409	2,409	2,409	2,409	2,409
Outlays	O	1,172	1,164	1,909	2,279	2,408	2,409	2,409
Weed and seed program fund:								
Appropriation, current	751 BA		34					
Spending authority from offsetting collections	BA	28		40	40	40	40	40
Outlays	O	35	28	53	52	42	40	40
Weed and seed program fund (gross)	BA	28	34	40	40	40	40	40
	O	35	28	53	52	42	40	40
Total, offsetting collections		-28		-40	-40	-40	-40	-40
Total Weed and seed program fund (net)	BA		34					
	O	7	28	13	12	2		
Community oriented policing services:								
Appropriation, current	754 BA	1,420	1,430	1,420	315			
Outlays	O	616	838	1,241	785	1,088	734	219
Juvenile crime control and prevention programs:								
Appropriation, current	754 BA	170	233	278	278	278	278	278
Spending authority from offsetting collections	BA	2	4	5	5	5	5	5
Outlays	O	88	197	260	252	281	283	283
Juvenile crime control and prevention programs (gross)	BA	172	237	283	283	283	283	283
	O	88	197	260	252	281	283	283
Total, offsetting collections		-2	-4	-5	-5	-5	-5	-5
Total Juvenile crime control and prevention programs (net)	BA	170	233	278	278	278	278	278
	O	86	193	255	247	276	278	278
Public safety officers' benefits:								
Appropriation, current	754 BA	32	33	32	32	33	34	35
Outlays	O	30	34	33	33	33	34	35
Crime victims fund:								
Appropriation, permanent	754 BA	529	363	181	185	188	191	197
Outlays	O	225	456	364	332	190	195	199
Total Federal funds Office of Justice Programs	BA	4,681	5,164	4,483	3,377	3,066	3,070	3,077
	O	2,756	3,095	4,456	4,168	4,213	3,808	3,298

**DEPARTMENT OF JUSTICE—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>Summary</b>								
<b>Federal funds:</b>								
(As shown in detail above) .....	BA	18,568	19,693	20,414	19,059	18,807	18,790	19,129
	O	15,599	16,705	19,774	20,158	20,836	19,843	19,508
<b>Deductions for offsetting receipts:</b>								
Intrafund transactions .....	908 BA/O	-63	-50	-31	-31	-31	-31	-31
Offsetting governmental receipts .....	751 BA/O	-1,186	-1,176	-1,582	-1,592	-1,595	-1,613	-1,610
<b>Total Federal funds .....</b>	<b>BA</b>	<b>17,319</b>	<b>18,467</b>	<b>18,801</b>	<b>17,436</b>	<b>17,181</b>	<b>17,146</b>	<b>17,488</b>
	<b>O</b>	<b>14,350</b>	<b>15,479</b>	<b>18,161</b>	<b>18,535</b>	<b>19,210</b>	<b>18,199</b>	<b>17,867</b>
<b>Trust funds:</b>								
(As shown in detail above) .....	BA	30	4	12	12	12	12	12
	O	-10	-1	4	-5	2	2	3
<b>Interfund transactions .....</b>	<b>054 BA/O</b>	<b>-30</b>	<b>-4</b>	<b>-12</b>	<b>-12</b>	<b>-12</b>	<b>-12</b>	<b>-12</b>
<b>Total Department of Justice .....</b>	<b>BA</b>	<b>17,319</b>	<b>18,467</b>	<b>18,801</b>	<b>17,436</b>	<b>17,181</b>	<b>17,146</b>	<b>17,488</b>
	<b>O</b>	<b>14,310</b>	<b>15,474</b>	<b>18,153</b>	<b>18,518</b>	<b>19,200</b>	<b>18,189</b>	<b>17,858</b>

**DEPARTMENT OF LABOR**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>Employment and Training Administration</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
<b>Training and employment services:</b>								
Appropriation, current .....	504 BA	4,716	4,988	5,073	5,025	5,053	5,129	5,203
Advance appropriation .....	BA			250	250	250	250	250
Spending authority from offsetting collections .....	BA	2	4	4	4	4	4	4
				J 100	J 100	J 100	J 100	J 100
Outlays .....	O	4,434	4,994	4,942	5,235	5,248	5,304	5,373
				J 64	J 90	J 100	J 100	J 100
<b>Training and employment services (gross) .....</b>	<b>BA</b>	<b>4,718</b>	<b>4,992</b>	<b>5,427</b>	<b>5,379</b>	<b>5,407</b>	<b>5,483</b>	<b>5,557</b>
	<b>O</b>	<b>4,434</b>	<b>4,994</b>	<b>4,942</b>	<b>5,299</b>	<b>5,338</b>	<b>5,404</b>	<b>5,473</b>
<b>Total, offsetting collections .....</b>		<b>-2</b>	<b>-4</b>	<b>-4</b>	<b>-4</b>	<b>-4</b>	<b>-4</b>	<b>-4</b>
				J -100	J -100	J -100	J -100	J -100
<b>Total Training and employment services (net) .....</b>	<b>BA</b>	<b>4,716</b>	<b>4,988</b>	<b>5,323</b>	<b>5,275</b>	<b>5,303</b>	<b>5,379</b>	<b>5,453</b>
	<b>O</b>	<b>4,432</b>	<b>4,990</b>	<b>4,838</b>	<b>5,195</b>	<b>5,234</b>	<b>5,300</b>	<b>5,369</b>
<b>Welfare to work jobs:</b>								
Appropriation, permanent .....	504 BA		1,488	1,488				
Outlays .....	O		466	1,299	890	322		
<b>Community service employment for older Americans:</b>								
Appropriation, current .....	504 BA	463	440	440	440	440	440	440
Outlays .....	O	401	454	441	440	440	440	440
<b>Federal unemployment benefits and allowances</b>								
<b>(Training and employment):</b>								
(Appropriation, current) .....	504 BA	114	119	117	94	94	95	95
				B 65	B 66	B 66	B 67	B 67
(Outlays) .....	O	120	106	112	116	94	94	95
				B 21	B 52	B 66	B 66	B 67
<b>Total (Training and employment) .....</b>	<b>BA</b>	<b>114</b>	<b>119</b>	<b>182</b>	<b>160</b>	<b>160</b>	<b>162</b>	<b>162</b>
	<b>O</b>	<b>120</b>	<b>106</b>	<b>133</b>	<b>168</b>	<b>160</b>	<b>160</b>	<b>162</b>
<b>(Unemployment compensation):</b>								
(Appropriation, current) .....	603 BA	211	230	244	225	233	241	249
				B 73	B 81	B 83	B 84	B 85
(Spending authority from offsetting collections) .....	BA	30	40	40	40	40	40	40

**DEPARTMENT OF LABOR—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
(Outlays) .....	O	222	253	284 # 73	265 # 81	273 # 83	281 # 84	289 # 85
Federal unemployment benefits and allowances (gross) .....	BA	355	389	539	506	516	527	536
	O	342	359	490	514	516	525	536
Total, offsetting collections .....		-30	-40	-40	-40	-40	-40	-40
Total (Unemployment compensation) (net) .....	BA	211	230	317	306	316	325	334
	O	192	213	317	306	316	325	334
Total Federal unemployment benefits and allowances .....	BA	325	349	499	466	476	487	496
	O	312	319	450	474	476	485	496
State unemployment insurance and employment service operations								
(Training and employment):								
(Appropriation, current) .....	504 BA	170	173	162	100	100	100	100
(Spending authority from offsetting collections) .....	BA	801	805	771	801	801	801	801
(Outlays) .....	O	876	1,008	921	937 # 30	939	907	901
State unemployment insurance and employment service operations (gross) .....	BA	971	978	933	931	901	901	901
	O	876	1,008	921	967	939	907	901
Total, offsetting collections .....		-801	-805	-771	-801 # 30	-801	-801	-801
Total (Training and employment) (net) .....	BA	170	173	162	100	100	100	100
	O	75	203	150	136	138	106	100
(Unemployment compensation):								
(Spending authority from offsetting collections) .....	603 BA	2,348	2,491	2,470	2,422	2,422	2,422	2,422
(Outlays) .....	O	2,348	2,491	2,470	2,422	2,422	2,422	2,422
State unemployment insurance and employment service operations (gross) .....	BA	2,518	2,664	2,632	2,522	2,522	2,522	2,522
	O	2,423	2,694	2,620	2,558	2,560	2,528	2,522
Total, offsetting collections .....		-2,348	-2,491	-2,470	-2,422	-2,422	-2,422	-2,422
Total (Unemployment compensation) (net) .....	BA							
	O							
Total State unemployment insurance and employment service operations .....	BA	170	173	162	100	100	100	100
	O	75	203	150	136	138	106	100
Advances to the unemployment trust fund and other funds:								
Appropriation, current .....	603 BA	15						
Outlays .....	O	15						
Program administration:								
Appropriation, current .....	504 BA	81	90	97	97	94	90	90
Spending authority from offsetting collections .....	BA	43	41	46	46 # 10	46	46	46
Outlays .....	O	123	135	143	143 # 10	140	136	136
Program administration (gross) .....	BA	124	131	143	153	140	136	136
	O	123	135	143	153	140	136	136
Total, offsetting collections .....		-43	-41	-46	-46 # 10	-46	-46	-46
Total Program administration (net) .....	BA	81	90	97	97	94	90	90
	O	80	94	97	97	94	90	90
<i>Trust funds</i>								
Unemployment trust fund								
(Training and employment):								
(Appropriation, current) .....	504 BA	1,076	1,077	1,084	1,084	1,084 # 40	1,084 # 40	1,084 # 40

**DEPARTMENT OF LABOR—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
(Outlays) .....	O	1,128	1,077	1,076	1,079	1,083 J-40	1,084 J-40	1,084 J-40
Total (Training and employment) .....	BA	1,076	1,077	1,084	1,084	1,044	1,044	1,044
	O	1,128	1,077	1,076	1,079	1,043	1,044	1,044
(Unemployment compensation):								
(Appropriation, current) .....	603 BA	2,345	2,485	2,424	2,416	2,416	2,416	2,416
(Appropriation, permanent) .....	BA	20,888	21,246	24,002 B 126	25,866 B 101	27,702 B 197	28,717 B 245	30,490 B 8
(Advance appropriation) .....	BA			40				
(Outlays) .....	O	23,172	23,667	26,514 B 126	28,298 B 101	30,118 B 197	31,133 B 245	32,906 B 8
Total (Unemployment compensation) .....	BA	23,233	23,731	26,592	28,383	30,315	31,378	32,914
	O	23,172	23,667	26,640	28,399	30,315	31,378	32,914
Total Unemployment trust fund .....	BA	24,309	24,808	27,676	29,467	31,359	32,422	33,958
	O	24,300	24,744	27,716	29,478	31,358	32,422	33,958
Total Federal funds Employment and Training Administration .....	BA	5,770	7,528	8,009	6,378	6,413	6,496	6,579
	O	5,315	6,526	7,275	7,232	6,704	6,421	6,495
Total Trust funds Employment and Training Administration .....	BA	24,309	24,808	27,676	29,467	31,359	32,422	33,958
	O	24,300	24,744	27,716	29,478	31,358	32,422	33,958

**Pension and welfare benefit administration**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	601 BA	77	82	91	91	91	91	91
Spending authority from offsetting collections .....	BA		1	1	1	1	1	1
Outlays .....	O	73	88	90	92	92	92	92
Salaries and expenses (gross) .....	BA	77	83	92	92	92	92	92
	O	73	88	90	92	92	92	92
Total, offsetting collections .....			-1	-1	-1	-1	-1	-1
Total Salaries and expenses (net) .....	BA	77	82	91	91	91	91	91
	O	73	87	89	91	91	91	91

**Pension Benefit Guaranty Corporation**

*Federal funds*

**Public Enterprise Funds:**

Pension benefit guaranty corporation fund:

Spending authority from offsetting collections .....	601 BA	2,147	2,292	2,399	2,298 B 1	2,355 B 1	2,458 B 1	2,548 B 1
Outlays .....	O	950	1,006	1,151 B 1	1,280 B 2	1,332 B 2	1,431 B 4	1,521 B 5
Pension benefit guaranty corporation fund (gross) .....	BA	2,147	2,292	2,399	2,299	2,356	2,459	2,549
	O	950	1,006	1,152	1,282	1,334	1,435	1,526
Total, offsetting collections .....		-2,147	-2,292	-2,399	-2,298 B-1	-2,355 B-1	-2,459 B-1	-2,549 B-1
Total Pension benefit guaranty corporation fund (net) .....	BA						-1	-1
	O	-1,197	-1,286	-1,247	-1,017	-1,022	-1,025	-1,024

**Employment Standards Administration**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	505 BA	293	300	314	313	313	313	313
Spending authority from offsetting collections .....	BA	30	32	37	37	37	37	37

**DEPARTMENT OF LABOR—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	313	333	349	350	350	350	350
Salaries and expenses (gross) .....	BA	323	332	351	350	350	350	350
	O	313	333	349	350	350	350	350
Total, offsetting collections .....		-30	-32	-37	-37	-37	-37	-37
Total Salaries and expenses (net) .....	BA	293	300	314	313	313	313	313
	O	283	301	312	313	313	313	313
<b>Special benefits</b>								
(General retirement and disability insurance (excluding social se):								
(Appropriation, current) .....	601 BA	4	4	4	4	3	3	3
(Outlays) .....	O	4	4	4	4	3	3	3
(Federal employee retirement and disability):								
(Appropriation, current) .....	602 BA	209	197	175	162	154	147	142
(Spending authority from offsetting collections) .....	BA	1,864	1,842	1,846	1,859	1,878	1,937	2,006
(Outlays) .....	O	1,955	1,912	1,917	1,973	2,042	2,122	2,203
Special benefits (gross) .....	BA	2,077	2,043	2,025	2,025	2,035	2,087	2,151
	O	1,959	1,916	1,921	1,977	2,045	2,125	2,206
Total, offsetting collections .....		-1,864	-1,842	-1,846	-1,859	-1,878	-1,937	-2,006
Total (Federal employee retirement and disability) (net) .....	BA	209	197	175	162	154	147	142
	O	91	70	71	114	164	185	197
Total Special benefits .....	BA	213	201	179	166	157	150	145
	O	95	74	75	118	167	188	200
<b>Panama Canal Commission compensation fund:</b>								
Appropriation, permanent .....	602 BA	9	12	11	6	6	6	6
Outlays .....	O	6	6	7	7	7	7	7
<i>Trust funds</i>								
<b>Black lung disability trust fund:</b>								
Appropriation, current .....	601 BA	620	636	664	686	705	720	735
Authority to borrow, current .....	BA	375	371	357	341	325	312	298
Outlays .....	O	995	1,007	1,021	1,027	1,030	1,032	1,033
Total Black lung disability trust fund .....	BA	995	1,007	1,021	1,027	1,030	1,032	1,033
	O	995	1,007	1,021	1,027	1,030	1,032	1,033
<b>Special workers' compensation expenses:</b>								
Appropriation, current .....	601 BA	1	1	2	1	1	1	1
Appropriation, permanent .....	BA	124	151	152	160	167	175	183
Outlays .....	O	136	145	149	155	162	170	178
Total Special workers' compensation expenses .....	BA	125	152	154	161	168	176	184
	O	136	145	149	155	162	170	178
Total Federal funds Employment Standards Administration .....	BA	515	513	504	485	476	469	464
	O	384	381	394	438	487	508	520
Total Trust funds Employment Standards Administration .....	BA	1,120	1,159	1,175	1,188	1,198	1,208	1,217
	O	1,131	1,152	1,170	1,182	1,192	1,202	1,211

**Occupational Safety and Health Administration**

*Federal funds*

**General and Special Funds:**

<b>Salaries and expenses:</b>								
Appropriation, current .....	554 BA	325	336	355	355	355	355	355
Spending authority from offsetting collections .....	BA	2	1	1	1	1	1	1
Outlays .....	O	322	335	353	355	356	356	356
Salaries and expenses (gross) .....	BA	327	337	356	356	356	356	356
	O	322	335	353	355	356	356	356
Total, offsetting collections .....		-2	-1	-1	-1	-1	-1	-1
Total Salaries and expenses (net) .....	BA	325	336	355	355	355	355	355
	O	320	334	352	354	355	355	355

**DEPARTMENT OF LABOR—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>Mine Safety and Health Administration</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current	554	BA	197	203	211	211	211	211
Spending authority from offsetting collections		BA			1			
Outlays		O	203	203	211	211	211	211
Salaries and expenses (gross)		BA	197	203	212	211	211	211
		O	203	203	211	211	211	211
Total, offsetting collections					-1			
Total Salaries and expenses (net)		BA	197	203	211	211	211	211
		O	203	203	210	211	211	211
<b>Bureau of Labor Statistics</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current	505	BA	309	328	345	345	345	345
Spending authority from offsetting collections		BA	72	75	76	76	76	76
Outlays		O	392	400	414	418	419	419
Salaries and expenses (gross)		BA	381	403	421	421	421	421
		O	392	400	414	418	419	419
Total, offsetting collections			-72	-75	-76	-76	-76	-76
Total Salaries and expenses (net)		BA	309	328	345	345	345	345
		O	320	325	338	342	343	343
<b>Departmental Management</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current	505	BA	144	152	189	189	189	189
Spending authority from offsetting collections		BA	32	32	36	36	36	36
Outlays		O	176	184	209	225	225	225
Salaries and expenses (gross)		BA	176	184	225	225	225	225
		O	176	184	209	225	225	225
Total, offsetting collections			-32	-32	-36	-36	-36	-36
Total Salaries and expenses (net)		BA	144	152	189	189	189	189
		O	144	152	173	189	189	189
Office of the Inspector General:								
Appropriation, current	505	BA	43	43	46	46	46	46
Spending authority from offsetting collections		BA	7	19	19	19	19	19
Outlays		O	52	62	64	65	65	65
Office of the Inspector General (gross)		BA	50	62	65	65	65	65
		O	52	62	64	65	65	65
Total, offsetting collections			-7	-19	-19	-19	-19	-19
Total Office of the Inspector General (net)		BA	43	43	46	46	46	46
		O	45	43	45	46	46	46
<b>Intragovernmental Funds:</b>								
Working capital fund:								
Spending authority from offsetting collections	505	BA	98	105	112	111	112	116
Outlays		O	97	102	111	107	108	113
Working capital fund (gross)		BA	98	105	112	111	112	116
		O	97	102	111	107	108	113

**DEPARTMENT OF LABOR—Continued**  
(In millions of dollars)

Account	1997 actual	estimate						
		1998	1999	2000	2001	2002	2003	
Total, offsetting collections .....		-98	-105	-112	-111	-112	-116	-117
Total Working capital fund (net) .....	BA O	-1 -1	-3 -3	-1 -1	-4 -4	-4 -4	-4 -4	-4 -4
Total Federal funds Departmental Management .....	BA O	187 188	195 192	235 217	235 231	235 231	235 231	235 231
<b>Summary</b>								
Federal funds: (As shown in detail above) .....	BA O	7,380 5,606	9,185 6,762	9,750 7,628	8,100 7,882	8,126 7,400	8,201 7,135	8,279 7,222
Deductions for offsetting receipts:								
Intrafund transactions .....	602 BA/O 908 BA/O	-7 -2	-7 -5	-5 -6	-6 -6	-6 -6	-6 -6	-6 -6
Total Federal funds .....	BA O	7,371 5,597	9,173 6,750	9,739 7,617	8,094 7,876	8,120 7,394	8,195 7,129	8,273 7,216
Trust funds: (As shown in detail above) .....	BA O	25,429 25,431	25,967 25,896	28,851 28,886	30,655 30,660	32,557 32,550	33,630 33,624	35,175 35,169
Deductions for offsetting receipts:								
Proprietary receipts from the public .....	908 BA/O	-5	-4	-4	-4	-4	-4	-4
Total Trust funds .....	BA O	25,424 25,426	25,963 25,892	28,847 28,882	30,651 30,656	32,553 32,546	33,626 33,620	35,171 35,165
Interfund transactions .....	603 BA/O	-565	-517	-526	-551	-619	-608	-598
Total Department of Labor .....	BA O	32,230 30,458	34,619 32,125	38,060 35,973	38,194 37,981	40,054 39,321	41,213 40,141	42,846 41,783

**DEPARTMENT OF STATE**  
(In millions of dollars)

Account	1997 actual	estimate						
		1998	1999	2000	2001	2002	2003	
<b>Administration of Foreign Affairs</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Diplomatic and consular programs:								
Appropriation, current .....	153 BA	1,713	1,638	1,691	1,691	1,691	1,691	1,691
Spending authority from offsetting collections .....	BA	495	578	634	634	634	634	634
Outlays .....	O	2,070	2,229	2,322	2,323	2,324	2,325	2,325
Diplomatic and consular programs (gross) .....	BA O	2,208 2,070	2,216 2,229	2,325 2,322	2,325 2,323	2,325 2,324	2,325 2,325	2,325 2,325
Total, offsetting collections .....		-495	-578	-634	-634	-634	-634	-634
Total Diplomatic and consular programs (net) .....	BA O	1,713 1,575	1,638 1,651	1,691 1,688	1,691 1,689	1,691 1,690	1,691 1,691	1,691 1,691
Salaries and expenses:								
Appropriation, current .....	153 BA	352	352	368	368	368	368	368
Spending authority from offsetting collections .....	BA	29	33	33	33	33	33	33
Outlays .....	O	388	386	399	401	401	401	401
Salaries and expenses (gross) .....	BA O	381 388	385 386	401 399	401 401	401 401	401 401	401 401
Total, offsetting collections .....		-29	-33	-33	-33	-33	-33	-33
Total Salaries and expenses (net) .....	BA O	352 359	352 353	368 366	368 368	368 368	368 368	368 368



DEPARTMENT OF STATE—Continued  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>Capital investment fund:</b>								
Appropriation, current	153 BA	25	86	118	118	118	118	118
Outlays	O	19	83	109	118	118	118	118
<b>Office of the Inspector General:</b>								
Appropriation, current	153 BA	27	27	29	29	29	29	29
Spending authority from offsetting collections	BA	1						
Outlays	O	30	27	29	29	29	29	29
Office of the Inspector General (gross)	BA	28	27	29	29	29	29	29
	O	30	27	29	29	29	29	29
Total, offsetting collections		-1						
Total Office of the Inspector General (net)	BA	27	27	29	29	29	29	29
	O	29	27	29	29	29	29	29
<b>Security and maintenance of United States missions:</b>								
Appropriation, current	153 BA	379	398	641	431	436	422	388
Appropriation, permanent	BA	10						
Spending authority from offsetting collections	BA	158	207	204	205	150	150	150
Outlays	O	627	653	659	675	624	617	571
Security and maintenance of United States missions (gross)	BA	547	605	845	636	586	572	538
	O	627	653	659	675	624	617	571
Total, offsetting collections		-158	-207	-204	-205	-150	-150	-150
Total Security and maintenance of United States missions (net)	BA	389	398	641	431	436	422	388
	O	469	446	455	470	474	467	421
<b>Security and maintenance of United States missions (special foreign currency program):</b>								
Outlays	153 O		2					
<b>Representation allowances:</b>								
Appropriation, current	153 BA	4	4	4	4	4	4	4
Outlays	O	5	4	4	4	4	4	4
<b>Protection of foreign missions and officials:</b>								
Appropriation, current	153 BA	8	8	8	8	8	8	8
Outlays	O	6	8	8	8	8	8	8
<b>Emergencies in the diplomatic and consular service:</b>								
Appropriation, current	153 BA	6	6	6	6	6	6	6
Outlays	O	7	6	6	6	6	6	6
<b>Buying power maintenance:</b>								
Appropriation, current	153 BA	12						
<b>Payment to the American Institute in Taiwan:</b>								
Appropriation, current	153 BA	14	14	16	16	16	16	16
Outlays	O	19	14	15	16	16	16	16
<b>Payment to the Foreign Service retirement and disability fund:</b>								
Appropriation, current	153 BA	126	130	133	135	137	139	140
Appropriation, permanent	BA	104	106	108	110	112	113	115
Outlays	O	230	236	241	245	249	252	255
Total Payment to the Foreign Service retirement and disability fund	BA	230	236	241	245	249	252	255
	O	230	236	241	245	249	252	255
<b>Intragovernmental Funds:</b>								
<b>Working capital fund:</b>								
Spending authority from offsetting collections	153 BA	706	733	759	690	690	690	690
Outlays	O	633	704	753	690	690	690	690
Working capital fund (gross)	BA	706	733	759	690	690	690	690
	O	633	704	753	690	690	690	690
Total, offsetting collections		-706	-733	-759	-690	-690	-690	-690
Total Working capital fund (net)	BA							
	O	-73	-29	-6				
<b>Credit Accounts:</b>								
<b>Repatriation loans program account:</b>								
Appropriation, current	153 BA	1	1	1	1	1	1	1
Outlays	O	1	1	1	1	1	1	1

**DEPARTMENT OF STATE—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<i>Trust funds</i>								
Foreign Service retirement and disability fund:								
Appropriation, permanent .....	602 BA	499	527	556	586	619	653	689
Outlays .....	O	499	527	556	586	619	653	689
Foreign service national separation liability trust fund:								
Appropriation, permanent .....	602 BA	15	7	7	7	7	7	7
Outlays .....	O	9	7	7	7	7	7	7
Miscellaneous trust funds:								
Appropriation, permanent .....	153 BA	2	3	3	3	3	3	3
Outlays .....	O	53	13	3	3	3	3	3
Total Federal funds Administration of Foreign Affairs .....	BA	2,781	2,770	3,123	2,917	2,926	2,915	2,884
	O	2,646	2,802	2,916	2,954	2,963	2,960	2,917
Total Trust funds Administration of Foreign Affairs .....	BA	516	537	566	596	629	663	699
	O	561	547	566	596	629	663	699

**International Organizations and Conferences**

<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Contributions to international organizations:								
Appropriation, current .....	153 BA	902	949	931	900	925	925	925
Outlays .....	O	863	966	930	901	925	925	925
Contributions for international peacekeeping activities:								
Appropriation, current .....	153 BA	335	256	231	210	210	210	210
Outlays .....	O	489	258	231	211	210	210	210
International conferences and contingencies:								
Appropriation, current .....	153 BA	7	6	1	1	1	1	1
Outlays .....	O	9	9	4	2	1	1	1
Total Federal funds International Organizations and Conferences .....	BA	1,244	1,211	1,163	1,111	1,136	1,136	1,136
	O	1,361	1,233	1,165	1,114	1,136	1,136	1,136

**International Commissions**

**International Boundary and Water Commission, United States and Mexico:**

<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses, IBWC:								
Appropriation, current .....	301 BA	15	17	19	19	19	19	19
Spending authority from offsetting collections .....	BA	3	3	3	3	3	3	3
Outlays .....	O	16	20	22	22	22	22	22
Salaries and expenses, IBWC (gross) .....	BA	18	20	22	22	22	22	22
	O	16	20	22	22	22	22	22
Total, offsetting collections .....		-3	-3	-3	-3	-3	-3	-3
Total Salaries and expenses, IBWC (net) .....	BA	15	17	19	19	19	19	19
	O	13	17	19	19	19	19	19
Construction, IBWC:								
Appropriation, current .....	301 BA	6	6	7	7	7	7	7
Spending authority from offsetting collections .....	BA	29	77					
Outlays .....	O	53	93	6	5	7	7	7
Construction, IBWC (gross) .....	BA	35	83	7	7	7	7	7
	O	53	93	6	5	7	7	7
Total, offsetting collections .....		-29	-77					
Total Construction, IBWC (net) .....	BA	6	6	7	7	7	7	7
	O	24	16	6	5	7	7	7
Total Federal funds International Boundary and Water Commission, United States and Mexico: .....	BA	21	23	26	26	26	26	26
	O	37	33	25	24	26	26	26

DEPARTMENT OF STATE—Continued  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
American sections, international commissions:								
Appropriation, current	301 BA	5	5	6	6	6	6	6
Outlays	O	5	5	6	6	6	6	6
International fisheries commissions:								
Appropriation, current	302 BA	15	15	15	15	15	15	15
Outlays	O	25	15	15	15	15	15	15
Total Federal funds International Commissions	BA	41	43	47	47	47	47	47
	O	67	53	46	45	47	47	47
<b>Other</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Migration and refugee assistance:								
Appropriation, current	151 BA	650	650	650	664	678	692	706
Spending authority from offsetting collections	BA	2	2	2	2	2	2	2
Outlays	O	677	652	652	662	676	690	704
Migration and refugee assistance (gross)	BA	652	652	652	666	680	694	708
	O	677	652	652	662	676	690	704
Total, offsetting collections		-2	-2	-2	-2	-2	-2	-2
Total Migration and refugee assistance (net)	BA	650	650	650	664	678	692	706
	O	675	650	650	660	674	688	702
United States emergency refugee and migration assistance fund:								
Appropriation, current	151 BA	50	50	20	20	21	21	22
Outlays	O	41	40	43	37	30	21	21
International narcotics control:								
Appropriation, current	151 BA	221	216	275	283	289	297	305
Spending authority from offsetting collections	BA	15						
Outlays	O	178	193	228	262	276	289	297
International narcotics control (gross)	BA	236	216	275	283	289	297	305
	O	178	193	228	262	276	289	297
Total, offsetting collections		-15						
Total International narcotics control (net)	BA	221	216	275	283	289	297	305
	O	163	193	228	262	276	289	297
Narcotics interdiction:								
Appropriation, current	151 BA		15					
Outlays	O		15					
Anti-terrorism assistance:								
Outlays	152 O	9	8	5				
Payment to the Asia Foundation:								
Appropriation, current	154 BA	8	8	15	10	10	10	10
Outlays	O	6	8	14	11	10	10	10
International litigation fund:								
Appropriation, permanent	153 BA		1	1	1	1	1	1
Spending authority from offsetting collections	BA	2						
Outlays	O		1	1	1	1	1	1
International litigation fund (gross)	BA	2	1	1	1	1	1	1
	O		1	1	1	1	1	1
Total, offsetting collections		-2						
Total International litigation fund (net)	BA		1	1	1	1	1	1
	O	-2	1	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		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
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							
Total Federal funds Other .....	BA	929	940	961	978	999	1,021	1,044
	O	892	915	941	971	991	1,009	1,031
<b>Summary</b>								
Federal funds:								
(As shown in detail above) .....	BA	4,995	4,964	5,294	5,053	5,108	5,119	5,111
	O	4,966	5,003	5,068	5,084	5,137	5,152	5,131
Deductions for offsetting receipts:								
Intrafund transactions .....	153 BA/O		-1	-1	-1	-1	-1	-1
Total Federal funds .....	BA	4,995	4,963	5,293	5,052	5,107	5,118	5,110
	O	4,966	5,002	5,067	5,083	5,136	5,151	5,130
Trust funds:								
(As shown in detail above) .....	BA	516	537	566	596	629	663	699
	O	561	547	566	596	629	663	699
Deductions for offsetting receipts:								
Intrafund transactions .....	602 BA/O		-1	-1	-1	-1	-1	-1
Total Trust funds .....	BA	515	536	565	595	628	662	698
	O	560	546	565	595	628	662	698
Interfund transactions .....	153 BA/O		-274	-280	-285	-291	-295	-303
	602 BA/O		-15	-7	-7	-7	-7	-7
Total Department of State .....	BA	5,221	5,212	5,566	5,349	5,433	5,474	5,498
	O	5,237	5,261	5,340	5,380	5,462	5,507	5,518

**DEPARTMENT OF TRANSPORTATION**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>Office of the Secretary</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current .....	407 BA	52	61	62	62	62	62	62
Spending authority from offsetting collections .....	BA	4	4	4	4	4	4	4
Outlays .....	O	48	73	66	66	66	66	66
Salaries and expenses (gross) .....	BA	56	65	66	66	66	66	66
	O	48	73	66	66	66	66	66
Total, offsetting collections .....		-4	-4	-4	-4	-4	-4	-4
Total Salaries and expenses (net) .....	BA	52	61	62	62	62	62	62
	O	44	69	62	62	62	62	62
Office of civil rights:								
Appropriation, current .....	407 BA	6	6	7	7	7	7	7
Outlays .....	O	5	5	7	7	7	7	7
Minority business outreach:								
Appropriation, current .....	407 BA	3	3	3	3	3	3	3
Outlays .....	O	2	6	3	3	3	3	3
Rental payments:								
Appropriation, current .....	407 BA	90						
Spending authority from offsetting collections .....	BA	56						

**DEPARTMENT OF TRANSPORTATION—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	138	2					
Rental payments (gross) .....	BA	<b>146</b>						
	O	138	2					
Change in orders on hand from Federal sources .....	BA	<b>1</b>	<b>5</b>					
Total, offsetting collections .....		-57	-5					
Total Rental payments (net) .....	BA	<b>90</b>						
	O	81	-3					
Transportation planning, research, and development:								
Appropriation, current .....	407 BA	<b>3</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
Outlays .....	O	4	3	5	5	5	5	5
Payments to air carriers:								
Appropriation, current .....	402 BA	<b>-1</b>						
Outlays .....	O	1	2					
Essential air service and rural airport improvement fund:								
Appropriation, current .....	402 BA		<b>50</b>					
Appropriation, permanent .....	BA			<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>
Outlays .....	O		30	50	50	50	50	50
Total Essential air service and rural airport improvement fund .....	BA		<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>
	O		30	50	50	50	50	50
<b>Intragovernmental Funds:</b>								
Transportation administrative service center:								
Spending authority from offsetting collections .....	407 BA	<b>117</b>	<b>119</b>	<b>176</b>	<b>176</b>	<b>176</b>	<b>176</b>	<b>176</b>
Outlays .....	O	102	119	176	176	176	176	176
Transportation administrative service center (gross) .....	BA	<b>117</b>	<b>119</b>	<b>176</b>	<b>176</b>	<b>176</b>	<b>176</b>	<b>176</b>
	O	102	119	176	176	176	176	176
Change in orders on hand from Federal sources .....	BA	<b>-7</b>						
Total, offsetting collections .....		-110	-119	-176	-176	-176	-176	-176
Total Transportation administrative service center (net) .....	BA							
	O	-8						
<b>Credit Accounts:</b>								
Minority business resource center program account:								
Appropriation, current .....	407 BA	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
Outlays .....	O	1	2	2	2	2	2	2
Limitation on direct loan activity .....		(15)	(15)	(14)	(14)	(14)	(14)	(14)
<i>Trust funds</i>								
Trust fund share of rental payments:								
Appropriation, current .....	407 BA	<b>41</b>						
Outlays .....	O	41						
Payments to air carriers (trust fund):								
Contract authority, permanent .....	402 BA	<b>26</b>						
Outlays .....	O	21	10					
Limitation on program level (obligations) .....		(26)						
Total Federal funds Office of the Secretary .....	BA	<b>155</b>	<b>126</b>	<b>129</b>	<b>129</b>	<b>129</b>	<b>129</b>	<b>129</b>
	O	130	114	129	129	129	129	129
Total Trust funds Office of the Secretary .....	BA	<b>67</b>						
	O	62	10					

**Coast Guard**  
*Federal funds*

<b>General and Special Funds:</b>								
Operating expenses								
(Defense-related activities):								
(Appropriation, current) .....	054 BA	<b>300</b>	<b>300</b>	<b>309</b>	<b>319</b>	<b>329</b>	<b>339</b>	<b>349</b>
(Outlays) .....	O	279	300	307	316	326	336	346
(Water transportation):								
(Appropriation, current) .....	403 BA	<b>2,309</b>	<b>2,390</b>	<b>2,438</b>	<b>2,428</b>	<b>2,313</b>	<b>2,303</b>	<b>2,293</b>
(Spending authority from offsetting collections) .....	BA	<b>97</b>	<b>112</b>	<b>113</b>	<b>113</b>	<b>113</b>	<b>113</b>	<b>113</b>



**DEPARTMENT OF TRANSPORTATION—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	63	79	79	79	79	79	79
Coast Guard supply fund (gross) .....	BA	67	79	79	79	79	79	79
	O	63	79	79	79	79	79	79
Total, offsetting collections .....		-67	-79	-79	-79	-79	-79	-79
Total Coast Guard supply fund (net) .....	BA							
	O	-4						
Coast Guard yard fund:								
Spending authority from offsetting collections .....	403 BA	43	63	61	37	37	37	38
Outlays .....	O	60	63	61	37	37	37	38
Coast Guard yard fund (gross) .....	BA	43	63	61	37	37	37	38
	O	60	63	61	37	37	37	38
Total, offsetting collections .....		-43	-63	-61	-37	-37	-37	-38
Total Coast Guard yard fund (net) .....	BA							
	O	17						
<i>Trust funds</i>								
Boat safety:								
Appropriation, current .....	403 BA	35	35					
Appropriation, permanent .....	BA	10	20					
				B 55	B 55	B 55	B 55	B 55
Outlays .....	O	36	45	27	14			
				B 24	B 42	B 55	B 55	B 55
Total Boat safety .....	BA	45	55	55	55	55	55	55
	O	36	45	51	56	55	55	55
Oil spill recovery, coast guard:								
Appropriation, permanent .....	304 BA	57	61	61	61	61	61	61
Outlays .....	O	24	61	61	61	61	61	61
Trust fund share of expenses:								
Appropriation, current .....	304 BA	50	49	49	49	49	49	49
Outlays .....	O	50	49	49	49	49	49	49
Miscellaneous trust revolving funds:								
Spending authority from offsetting collections .....	403 BA	7	8	8	8	8	7	7
Outlays .....	O	7	8	8	8	8	7	7
Miscellaneous trust revolving funds (gross) .....	BA	7	8	8	8	8	7	7
	O	7	8	8	8	8	7	7
Total, offsetting collections .....		-7	-8	-8	-8	-8	-7	-7
Total Miscellaneous trust revolving funds (net) .....	BA							
	O							
Total Federal funds Coast Guard .....	BA	3,704	3,833	3,921	3,926	3,831	3,870	3,912
	O	3,680	3,583	3,774	3,780	3,770	3,842	3,898
Total Trust funds Coast Guard .....	BA	152	165	165	165	165	165	165
	O	110	155	161	166	165	165	165

**Federal Aviation Administration**

*Federal funds*

**General and Special Funds:**

Operations:

Appropriation, current .....	402 BA	3,241	3,351	3,528				
Appropriation, permanent .....	BA		84	43	43	43	43	43
Spending authority from offsetting collections .....	BA	1,698	1,951	2,112	5,923	6,216	6,525	6,848
Outlays .....	O	4,840	5,446	5,648	5,931	6,224	6,531	6,852
Operations (gross) .....	BA	4,939	5,386	5,683	5,966	6,259	6,568	6,891
	O	4,840	5,446	5,648	5,931	6,224	6,531	6,852

DEPARTMENT OF TRANSPORTATION—Continued  
(In millions of dollars)

Account		1997 actual	estimate					2003
			1998	1999	2000	2001	2002	
Total, offsetting collections .....		-1,698	-1,951	-2,112	-5,923	-6,216	-6,525	-6,848
Total Operations (net) .....	BA	3,241	3,435	3,571	43	43	43	43
	O	3,142	3,495	3,536	8	8	6	4
National Civil Aviation Review Commission:								
Appropriation, current .....	402 BA	2						
Outlays .....	O	1						
Miscellaneous expired accounts:								
Outlays .....	402 O		1					
<b>Public Enterprise Funds:</b>								
Aviation insurance revolving fund:								
Spending authority from offsetting collections .....	402 BA	4	4	4	4	4	4	4
Aviation insurance revolving fund (gross) .....	BA	4	4	4	4	4	4	4
Total, offsetting collections .....		-4	-4	-4	-4	-4	-4	-4
<b>Intragovernmental Funds:</b>								
Administrative services franchise fund:								
Spending authority from offsetting collections .....	402 BA	19	24	25	25	25	25	25
Outlays .....	O	16	25	25	25	25	25	25
Administrative services franchise fund (gross) .....	BA	19	24	25	25	25	25	25
	O	16	25	25	25	25	25	25
Total, offsetting collections .....		-19	-24	-25	-25	-25	-25	-25
Total Administrative services franchise fund (net) .....	BA							
	O	-3	1					
<i>Trust funds</i>								
Grants-in-aid for airports (Airport and airway trust fund):								
Contract authority, current .....	402 BA	1,460	1,700	1,700	1,700	1,700	1,700	1,700
Outlays .....	O	1,489	1,554	1,636	1,674	1,699	1,708	1,700
Facilities and equipment (Airport and airway trust fund):								
Appropriation, current .....	402 BA	1,938	1,875	2,130	1,691	2,179	2,589	2,937
Advance appropriation .....	BA				700	475	329	248
Spending authority from offsetting collections .....	BA	14	75	75	75	75	75	75
Outlays .....	O	2,324	1,838	1,862	1,984	2,173	2,395	2,821
Facilities and equipment (Airport and airway trust fund) (gross) .....	BA	1,952	1,950	2,205	2,466	2,729	2,993	3,260
	O	2,324	1,838	1,862	1,984	2,173	2,395	2,821
Total, offsetting collections .....		-14	-75	-75	-75	-75	-75	-75
Total Facilities and equipment (Airport and airway trust fund) (net) .....	BA	1,938	1,875	2,130	2,391	2,654	2,918	3,185
	O	2,310	1,763	1,787	1,909	2,098	2,320	2,746
Research, engineering and development (Airport and airway trust fund):								
Appropriation, current .....	402 BA	208	199	290	326	289	248	225
Spending authority from offsetting collections .....	BA	6	15	15	15	15	15	15
Outlays .....	O	224	234	288	336	334	302	253
Research, engineering and development (Airport and airway trust fund) (gross) .....	BA	214	214	305	341	304	263	240
	O	224	234	288	336	334	302	253
Total, offsetting collections .....		-6	-15	-15	-15	-15	-15	-15
Total Research, engineering and development (Airport and airway trust fund) (net) ....	BA	208	199	290	326	289	248	225
	O	218	219	273	321	319	287	238
Trust fund share of FAA operations:								
Appropriation, current .....	402 BA	1,700	1,902	2,060	5,871	6,164	6,473	6,796
Outlays .....	O	1,661	1,941	2,060	5,871	6,164	6,473	6,796
Total Federal funds Federal Aviation Administration .....	BA	3,243	3,435	3,571	43	43	43	43
	O	3,136	3,493	3,532	4	4	2	
Total Trust funds Federal Aviation Administration .....	BA	5,306	5,676	6,180	10,288	10,807	11,339	11,906
	O	5,678	5,477	5,756	9,775	10,280	10,788	11,480



DEPARTMENT OF TRANSPORTATION—Continued  
(In millions of dollars)

Account	1997 actual	estimate						
		1998	1999	2000	2001	2002	2003	
<b>Federal Highway Administration</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Miscellaneous appropriations:								
Outlays .....	401 O	178	123	108	101	74	37	16
Appalachian development highway system:								
Appropriation, current .....	401 BA		300					
Outlays .....	O	81	123	48	15	9	9	
State infrastructure banks:								
Appropriation, current .....	401 BA	150						
Outlays .....	O	2	84	32	12	7	5	3
<b>Credit Accounts:</b>								
Orange County (CA) toll road demonstration project program account:								
Outlays .....	401 O		1	1	1	1	1	1
Limitation on direct loan activity .....		(25)						
<i>Trust funds</i>								
State infrastructure banks (Highway trust fund):								
Appropriation, current .....	401 BA		150	150	150	150	150	150
Outlays .....	O		30	60	90	120	150	
Federal-aid highways:								
Appropriation, current .....	401 BA	732						
Contract authority, current .....	BA	18,887	21,500	21,500	21,500	21,500	21,500	21,500
Contract authority, permanent .....	BA	1,853	738	738	738	738	738	738
			<i>B</i> 152	<i>B</i> 36	<i>B</i> -55	<i>B</i> -110	<i>B</i> -130	<i>B</i> -130
Spending authority from offsetting collections .....	BA	46	75	75	75	75	75	77
Outlays .....	O	20,512	21,578	22,462	22,576	22,536	22,459	22,431
			<i>B</i> 25	<i>B</i> 53	<i>B</i> 36	<i>B</i> -9	<i>B</i> -53	<i>B</i> -83
Federal-aid highways (gross) .....	BA	21,518	22,465	22,349	22,258	22,203	22,183	22,185
	O	20,512	21,603	22,515	22,612	22,527	22,406	22,348
Total, offsetting collections .....		-46	-75	-75	-75	-75	-75	-77
Total Federal-aid highways (net) .....	BA	21,472	22,390	22,274	22,183	22,128	22,108	22,108
	O	20,466	21,528	22,440	22,537	22,452	22,331	22,271
Highway-related safety grants:								
Outlays .....	401 O	9	4	2				
Motor carrier safety program:								
Contract authority, current .....	401 BA	78	85	100	100	100	100	100
Outlays .....	O	78	80	89	100	100	100	100
Transportation infrastructure credit enhancement program:								
Appropriation, current .....	401 BA			100	100	100	100	100
Outlays .....	O			75	100	100	100	100
Miscellaneous trust funds								
(International development and humanitarian assistance):								
(Outlays) .....	151 O					1	1	1
(Ground transportation):								
(Appropriation, permanent) .....	401 BA	17	8	8	8	8	8	8
(Outlays) .....	O	5	27	11	7	7	7	7
Total Miscellaneous trust funds .....	BA	17	8	8	8	8	8	8
	O	5	27	11	7	8	8	8
Miscellaneous highway trust funds:								
Outlays .....	401 O	56	64	53	47	35	17	7
Right-of-way revolving fund liquidating account:								
Outlays .....	401 O	18	20	20	20	3		
Right-of-way revolving fund liquidating account (gross) .....	O	18	20	20	20	3		

**DEPARTMENT OF TRANSPORTATION—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Total, offsetting collections .....		-17	-20	-22	-24	-24	-24	-24
Total Right-of-way revolving fund liquidating account (net) .....	BA	-17	-20	-22	-24	-24	-24	-24
	O	1		-2	-4	-21	-24	-24
Total Federal funds Federal Highway Administration .....	BA	150	300					
	O	180	289	264	162	97	52	29
Total Trust funds Federal Highway Administration .....	BA	21,550	22,463	22,610	22,517	22,462	22,442	22,442
	O	20,615	21,703	22,698	22,847	22,764	22,652	22,612

**National Highway Traffic Safety Administration**

*Federal funds*

**General and Special Funds:**

Operations and research:

Appropriation, current .....	401 BA	80	75					
Spending authority from offsetting collections .....	BA	86	120					
Outlays .....	O	138	216	52	31	4		
Operations and research (gross) .....	BA	166	195					
	O	138	216	52	31	4		
Total, offsetting collections .....		-86	-120					
Total Operations and research (net) .....	BA	80	75					
	O	52	96	52	31	4		

*Trust funds*

Operations and research (Highway trust fund):

Appropriation, current .....	401 BA	51	72	173	173	173	173	173
Spending authority from offsetting collections .....	BA			41	41	41	41	41
Outlays .....	O	86	61	167	197	209	214	214
Operations and research (Highway trust fund) (gross) .....	BA	51	72	214	214	214	214	214
	O	86	61	167	197	209	214	214
Total, offsetting collections .....				-41	-41	-41	-41	-41
Total Operations and research (Highway trust fund) (net) .....	BA	51	72	173	173	173	173	173
	O	86	61	126	156	168	173	173

Highway traffic safety grants:

Contract authority, current .....	401 BA	167	187	233	233	233	233	233
Outlays .....	O	148	177	205	226	228	233	233
Total Federal funds National Highway Traffic Safety Administration .....	BA	80	75					
	O	52	96	52	31	4		
Total Trust funds National Highway Traffic Safety Administration .....	BA	218	259	406	406	406	406	406
	O	234	238	331	382	396	406	406

**Federal Railroad Administration**

*Federal funds*

**General and Special Funds:**

Office of the Administrator:

Appropriation, current .....	401 BA	17	20	22	22	22	22	22
Spending authority from offsetting collections .....	BA		3	1	1	1	1	1
Outlays .....	O	18	33	23	23	23	23	23
Office of the Administrator (gross) .....	BA	17	23	23	23	23	23	23
	O	18	33	23	23	23	23	23
Total, offsetting collections .....			-3	-1	-1	-1	-1	-1
Total Office of the Administrator (net) .....	BA	17	20	22	22	22	22	22
	O	18	30	22	22	22	22	22

Emergency railroad rehabilitation and repair:

Appropriation, current .....	401 BA	19						
Outlays .....	O		8	8	3			

DEPARTMENT OF TRANSPORTATION—Continued  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>Local rail freight assistance:</b>								
Outlays	401 O	7	4	4				
<b>Railroad safety:</b>								
Appropriation, current	401 BA	51	57	62	62	62	62	62
Outlays	O	51	53	61	62	62	62	62
<b>Nationwide differential global positioning system:</b>								
Appropriation, current	401 BA			3				
Outlays	O			2	1			
<b>Railroad research and development:</b>								
Appropriation, current	401 BA	20	21	21	21	21	21	21
Spending authority from offsetting collections	BA		2	1				
Outlays	O	18	30	32	31	21	21	21
<b>Railroad research and development (gross)</b>								
	BA	20	23	22	21	21	21	21
	O	18	30	32	31	21	21	21
<b>Total, offsetting collections</b>								
			-2	-1				
<b>Total Railroad research and development (net)</b>								
	BA	20	21	21	21	21	21	21
	O	18	28	31	31	21	21	21
<b>Conrail commuter transition assistance:</b>								
Outlays	401 O	2	2	11	3			
<b>Northeast corridor improvement program:</b>								
Appropriation, current	401 BA	175	250					
Outlays	O	340	191	197	75			
<b>Rhode island rail development:</b>								
Appropriation, current	401 BA	7	10	10	10	10	2	
Outlays	O	1	9	12	10	10	8	4
<b>High-speed rail trainsets and facilities:</b>								
Appropriation, current	401 BA	80						
Outlays	O	50	23	7				
<b>Pennsylvania station redevelopment project:</b>								
Outlays	401 O	1						
<b>Alaska railroad rehabilitation:</b>								
Appropriation, current	401 BA	10	10					
Outlays	O	8	6	6				
<b>Grants to National Railroad Passenger Corporation:</b>								
Appropriation, current	401 BA	588	344					
Outlays	O	613	466	17				
<b>Next generation high-speed rail:</b>								
Appropriation, current	401 BA	25	20	13	13	13	13	13
Outlays	O	9	35	32	14	13	13	13
<b>Public Enterprise Funds:</b>								
<b>Railroad rehabilitation and improvement liquidating account:</b>								
Spending authority from offsetting collections	401 BA	2	3	3	3	2	2	2
Outlays	O	4	3	3	3	2	2	2
<b>Railroad rehabilitation and improvement liquidating account (gross)</b>								
	BA	2	3	3	3	2	2	2
	O	4	3	3	3	2	2	2
<b>Total, offsetting collections</b>								
		-16	-7	-7	-8	-6	-6	-6
<b>Total Railroad rehabilitation and improvement liquidating account (net)</b>								
	BA	-14	-4	-4	-5	-4	-4	-4
	O	-12	-4	-4	-5	-4	-4	-4
<b>Credit Accounts:</b>								
<b>Direct loan financing program:</b>								
Appropriation, current	401 BA	59						
Outlays	O	21	21	18				
Limitation on direct loan activity		(140)	(140)	(120)				
<b>Amtrak corridor improvement loans liquidating account:</b>								
Total, offsetting collections	401	-1	-1	-1	-1	-1	-1	-1
	<i>Trust funds</i>							
<b>Trust fund share of next generation high-speed rail:</b>								
Outlays	401 O	7	4	4	2			
<b>Capital grants to the National Railroad Passenger Corporation (Highway trust fund):</b>								
Appropriation, current	401 BA			621	571	521	521	521

DEPARTMENT OF TRANSPORTATION—Continued  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O			248	445	564	534	521
Total Federal funds Federal Railroad Administration .....	BA	1,036	727	126	122	123	115	113
	O	1,126	871	423	215	123	121	117
Total Trust funds Federal Railroad Administration .....	BA			621	571	521	521	521
	O	7	4	252	447	564	534	521

Federal Transit Administration

Federal funds

General and Special Funds:

Administrative expenses:

Appropriation, current .....	401 BA	41	46					
Spending authority from offsetting collections .....	BA	2	2					
Outlays .....	O	44	47	5				
Administrative expenses (gross) .....	BA	43	48					
	O	44	47	5				
Total, offsetting collections .....		-2	-2					
Total Administrative expenses (net) .....	BA	41	46					
	O	42	45	5				

Research, training, and human resources:

Outlays .....	401 O	5	3	2	1			
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Interstate transfer grants-transit:

Outlays .....	401 O	18	19	5				
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Washington metropolitan area transit authority:

Appropriation, current .....	401 BA	200	200					
Outlays .....	O	214	202	152	128	62	40	40

Formula grants:

Appropriation, current .....	401 BA	490	240					
Spending authority from offsetting collections .....	BA	1,659	2,260					
Outlays .....	O	2,199	2,054	1,710	1,482	862	580	143
Formula grants (gross) .....	BA	2,149	2,500					
	O	2,199	2,054	1,710	1,482	862	580	143
Total, offsetting collections .....		-1,659	-2,260					
Total Formula grants (net) .....	BA	490	240					
	O	540	-206	1,710	1,482	862	580	143

University transportation centers:

Appropriation, current .....	401 BA	6	6					
Outlays .....	O	7	7	6	4	1		

Transit planning and research:

Appropriation, current .....	401 BA	86	92					
Spending authority from offsetting collections .....	BA	3	14					
Outlays .....	O	103	94	88	70	13	4	
Transit planning and research (gross) .....	BA	89	106					
	O	103	94	88	70	13	4	
Change in orders on hand from Federal sources .....	BA	16						
Total, offsetting collections .....		-19	-14					
Total Transit planning and research (net) .....	BA	86	92					
	O	84	80	88	70	13	4	

Miscellaneous expired accounts:

Outlays .....	401 O	8	2	1				
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Trust funds

Major capital investments (Highway trust fund, mass transit account):

Contract authority, current .....	401 BA	1,900	2,000	876	782	782	782	782
Outlays .....	O	2,009	1,738	1,699	1,529	1,335	1,151	975
Major capital investments (Highway trust fund, mass transit account) (gross) .....	BA	1,900	2,000	876	782	782	782	782
	O	2,009	1,738	1,699	1,529	1,335	1,151	975

**DEPARTMENT OF TRANSPORTATION—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Change in orders on hand from Federal sources .....	BA	5						
Total, offsetting collections .....		-5						
Total Major capital investments (Highway trust fund, mass transit account) (net) .....	BA O	1,900 2,004	2,000 1,738	876 1,699	782 1,529	782 1,335	782 1,151	782 975
Trust fund share of expenses:								
Contract authority, current .....	401 BA	1,649	2,260					
Outlays .....	O	1,659	2,260					
Administrative expenses (Highway trust fund):								
Appropriation, current .....	401 BA			48	48	48	48	48
Spending authority from offsetting collections .....	BA			2	2	2	2	2
Outlays .....	O			45	50	50	50	50
Administrative expenses (Highway trust fund) (gross) .....	BA O			50 45	50 50	50 50	50 50	50 50
Total, offsetting collections .....				-2	-2	-2	-2	-2
Total Administrative expenses (Highway trust fund) (net) .....	BA O			48 43	48 48	48 48	48 48	48 48
Transit planning and research (Highway trust fund):								
Appropriation, current .....	401 BA			92	92	92	92	92
Spending authority from offsetting collections .....	BA			11	11	11	11	11
Outlays .....	O			21	60	90	99	103
Transit planning and research (Highway trust fund) (gross) .....	BA O			103 21	103 60	103 90	103 99	103 103
Total, offsetting collections .....				-11	-11	-11	-11	-11
Total Transit planning and research (Highway trust fund) (net) .....	BA O			92 10	92 49	92 79	92 88	92 92
Washington metropolitan area transit authority (Highway trust fund):								
Appropriation, current .....	401 BA			50				
Outlays .....	O			1	5	10	10	10
Formula programs (Highway trust fund):								
Contract authority, current .....	401 BA			3,709	3,854	3,854	3,854	3,854
Outlays .....	O			185	935	2,076	2,862	3,632
Total Federal funds Federal Transit Administration .....	BA O	823 918	584 152	1,969	1,685	938	624	183
Total Trust funds Federal Transit Administration .....	BA O	3,549 3,663	4,260 3,998	4,775 1,938	4,776 2,566	4,776 3,548	4,776 4,159	4,776 4,757

**Saint Lawrence Seaway Development Corporation**

*Federal funds*

**Public Enterprise Funds:**

Saint Lawrence Seaway Development Corporation:

Spending authority from offsetting collections .....	403 BA	12	12	14	13	13	13	13
Outlays .....	O	13	13	13	13	13	13	13
Saint Lawrence Seaway Development Corporation (gross) .....	BA O	12 13	12 13	14 13	13 13	13 13	13 13	13 13
Total, offsetting collections .....		-12	-12	-14	-13	-13	-13	-13
Total Saint Lawrence Seaway Development Corporation (net) .....	BA O	1 1	1 1	-1				

*Trust funds*

Operations and maintenance:								
Appropriation, current .....	403 BA	10	11					
Appropriation, permanent .....	BA			<sup>B</sup> 13	<sup>B</sup> 13	<sup>B</sup> 13	<sup>B</sup> 14	<sup>B</sup> 14

**DEPARTMENT OF TRANSPORTATION—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	10	11	<i>B 13</i>	<i>B 13</i>	<i>B 13</i>	<i>B 14</i>	<i>B 14</i>
Total Operations and maintenance .....	BA O	10 10	11 11	13 13	13 13	13 13	14 14	14 14

**Research and Special Programs Administration**

*Federal funds*

**General and Special Funds:**

Research and special programs:								
Appropriation, current .....	407 BA	30	28	30	30	30	30	30
Spending authority from offsetting collections .....	BA	31	43	43	43	43	43	43
Outlays .....	O	47	72	72	73	73	73	73
Research and special programs (gross) .....	BA O	61 47	71 72	73 72	73 73	73 73	73 73	73 73
Change in orders on hand from Federal sources .....	BA	-10						
Total, offsetting collections .....		-21	-43	-43	-43	-43	-43	-43
Total Research and special programs (net) .....	BA O	30 26	28 29	30 29	30 30	30 30	30 30	30 30
Pipeline safety:								
Appropriation, current .....	407 BA	29	29	32	32	32	32	32
Spending authority from offsetting collections .....	BA	3	4	4	4	4	4	4
Outlays .....	O	31	32	33	35	36	36	36
Pipeline safety (gross) .....	BA O	32 31	33 32	36 33	36 35	36 36	36 36	36 36
Change in orders on hand from Federal sources .....	BA	-1						
Total, offsetting collections .....		-2	-4	-4	-4	-4	-4	-4
Total Pipeline safety (net) .....	BA O	29 29	29 28	32 29	32 31	32 32	32 32	32 32
Emergency preparedness grants:								
Appropriation, permanent .....	407 BA	7	7	14	14	14	14	14
Outlays .....	O	7	8	9	13	15	14	14
<b>Intragovernmental Funds:</b>								
Working capital fund, Volpe National Transportation Systems Center:								
Spending authority from offsetting collections .....	407 BA	202	208	210	210	210	210	210
Outlays .....	O	199	204	206	210	210	210	210
Working capital fund, Volpe National Transportation Systems Center (gross) .....	BA O	202 199	208 204	210 206	210 210	210 210	210 210	210 210
Change in orders on hand from Federal sources .....	BA	-4	-4	-4				
Total, offsetting collections .....		-198	-204	-206	-210	-210	-210	-210
Total Working capital fund, Volpe National Transportation Systems Center (net) .....	BA O	1						
<i>Trust funds</i>								
Trust fund share of pipeline safety:								
Appropriation, current .....	407 BA	3	3	3	3	3	3	3
Outlays .....	O	2	5	4	3	3	3	3
Total Federal funds Research and Special Programs Administration .....	BA O	66 63	64 65	76 67	76 74	76 77	76 76	76 76
Total Trust funds Research and Special Programs Administration .....	BA O	3 2	3 5	3 4	3 3	3 3	3 3	3 3

**Office of Inspector General**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:								
Appropriation, current .....	407 BA	38	42	42	42	42	42	42

**DEPARTMENT OF TRANSPORTATION—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Spending authority from offsetting collections .....	BA			1	1	1	1	1
Outlays .....	O	38	43	43	43	43	43	43
Salaries and expenses (gross) .....	BA	38	42	43	43	43	43	43
	O	38	43	43	43	43	43	43
Total, offsetting collections .....				-1	-1	-1	-1	-1
Total Salaries and expenses (net) .....	BA	38	42	42	42	42	42	42
	O	38	43	42	42	42	42	42

**Surface Transportation Board**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	401 BA	12	14					
Spending authority from offsetting collections .....	BA	4	2	16	16	17	17	18
Outlays .....	O	18	17	17	16	17	17	18
Salaries and expenses (gross) .....	BA	16	16	16	16	17	17	18
	O	18	17	17	16	17	17	18
Total, offsetting collections .....		-4	-2	-16	-16	-17	-17	-18
Total Salaries and expenses (net) .....	BA	12	14					
	O	14	15	1				

**Maritime Administration**

*Federal funds*

**General and Special Funds:**

Ship construction:

Outlays .....	403 O	-5						
Operating-differential subsidies:								
Outlays .....	403 O	122	85	19	15	9	1	
Maritime security program:								
Appropriation, current .....	054 BA	54	36	98	99	99	99	99
Outlays .....	O	38	89	93	99	99	99	99
Ocean freight differential:								
Authority to borrow, permanent .....	403 BA	25	28	24	25	26	25	24
Outlays .....	O	25	28	24	25	26	25	24
Operations and training:								
Appropriation, current .....	403 BA	65	68	71	71	71	71	71
Spending authority from offsetting collections .....	BA	57	71	47	48	49	51	52
Outlays .....	O	164	136	116	118	120	122	123
Operations and training (gross) .....	BA	122	139	118	119	120	122	123
	O	164	136	116	118	120	122	123
Change in orders on hand from Federal sources .....	BA	-7						
Adjustment to orders on hand from Federal sources .....	BA	21						
Total, offsetting collections .....		-71	-71	-47	-48	-49	-51	-52
Total Operations and training (net) .....	BA	65	68	71	71	71	71	71
	O	93	65	69	70	71	71	71

Ready reserve force:

Outlays .....	054 O	17	42	1	1			
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**Public Enterprise Funds:**

Vessel operations revolving fund:

Spending authority from offsetting collections .....	403 BA	370	417	443	413	378	376	386
Outlays .....	O	432	345	371	341	306	304	314
Vessel operations revolving fund (gross) .....	BA	370	417	443	413	378	376	386
	O	432	345	371	341	306	304	314
Change in orders on hand from Federal sources .....	BA	56						
Adjustment to orders on hand from Federal sources .....	BA	22						

**DEPARTMENT OF TRANSPORTATION—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					2003
			1998	1999	2000	2001	2002	
Total, offsetting collections .....		-448	-417	-443	-413	-378	-376	-386
Total Vessel operations revolving fund (net) .....	BA							
	O	-16	-72	-72	-72	-72	-72	-72
War risk insurance revolving fund:								
Spending authority from offsetting collections .....	403 BA	2	2	2	2	2	2	2
Outlays .....	O		1	1	1	1	1	1
War risk insurance revolving fund (gross) .....	BA	2	2	2	2	2	2	2
	O		1	1	1	1	1	1
Total, offsetting collections .....		-2	-2	-2	-2	-2	-2	-2
Total War risk insurance revolving fund (net) .....	BA							
	O	-2	-1	-1	-1	-1	-1	-1
<b>Credit Accounts:</b>								
Federal ship financing fund liquidating account:								
Spending authority from offsetting collections .....	403 BA	39	38	38	38	33	33	33
Outlays .....	O	6						
Federal ship financing fund liquidating account (gross) .....	BA	39	38	38	38	33	33	33
	O	6						
Total, offsetting collections .....		-39	-38	-38	-38	-33	-33	-33
Total Federal ship financing fund liquidating account (net) .....	BA							
	O	-33	-38	-38	-38	-33	-33	-33
Maritime guaranteed loan (title XI) program account:								
(Water transportation):								
(Appropriation, current) .....	403 BA	41	36	20	20	20	20	20
(Spending authority from offsetting collections) .....	BA	16			20	20	20	20
(Outlays) .....	O	29	91	30	40	40	40	40
(Limitation on loan guarantee commitments) .....		(1,000)	(1,000)	(520)	(320)	(320)	(320)	(320)
Maritime guaranteed loan (gross) .....	BA	57	36	20	40	40	40	40
	O	29	91	30	40	40	40	40
Total, offsetting collections .....		-16			-20	-20	-20	-20
Total (Water transportation) (net) .....	BA	41	36	20	20	20	20	20
	O	13	91	30	20	20	20	20
Total Maritime guaranteed loan .....	BA	41	36	20	20	20	20	20
	O	13	91	30	20	20	20	20
Total Federal funds Maritime Administration .....	BA	185	168	213	215	216	215	214
	O	252	289	125	119	119	110	108
<b>Summary</b>								
Federal funds:								
(As shown in detail above) .....	BA	9,492	9,368	8,078	4,553	4,460	4,490	4,529
	O	9,590	9,011	10,377	6,241	5,303	4,998	4,582
Deductions for offsetting receipts:								
Proprietary receipts from the public .....	403 BA/O	-1	-5	-5	-5	-5	-5	-5
	407 BA/O	-7	-7	-14	-14	-14	-14	-14
Offsetting governmental receipts .....	401 BA/O			-83	-83	-83	-83	-83
	403 BA/O	-80	-88	-89	-90	-90	-91	-90
	407 BA/O	-32	-30	-33	-33	-33	-33	-33
Total Federal funds .....	BA	9,372	9,238	7,854	4,328	4,235	4,264	4,364
	O	9,470	8,881	10,153	6,016	5,078	4,772	4,417
Trust funds:								
(As shown in detail above) .....	BA	30,855	32,837	34,773	38,739	39,153	39,666	40,233
	O	30,381	31,601	31,153	36,199	37,733	38,721	39,958



**DEPARTMENT OF TRANSPORTATION—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Deductions for offsetting receipts:								
Proprietary receipts from the public	151 BA/O		-7	-7	-7	-7	-7	-7
	401 BA/O	-10	-10	-10	-10	-10	-10	-10
	908 BA/O	-3						
Total Trust funds	BA	30,842	32,826	34,762	38,728	39,142	39,655	40,222
	O	30,368	31,590	31,142	36,188	37,722	38,710	39,947
Interfund transactions	401 BA/O	-6	-6	-6	-6	-6	-6	-6
Total Department of Transportation	BA	40,208	42,058	42,610	43,050	43,371	43,913	44,580
	O	39,832	40,465	41,289	42,198	42,794	43,476	44,358

**DEPARTMENT OF THE TREASURY**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>Departmental Offices</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses								
(Central fiscal operations):								
(Appropriation, current)	803 BA	163	121	126	127	127	127	127
(Spending authority from offsetting collections)	BA	30	32	32	36	36	36	37
(Outlays)	O	153	146	157	162	163	163	164
Salaries and expenses (gross)	BA	193	153	158	163	163	163	164
	O	153	146	157	162	163	163	164
(Change in orders on hand from Federal sources)	BA	-5						
Total, offsetting collections		-25	-32	-32	-36	-36	-36	-37
Total (Central fiscal operations) (net)	BA	163	121	126	127	127	127	127
	O	128	114	125	126	127	127	127
Total Salaries and expenses	BA	163	121	126	127	127	127	127
	O	128	114	125	126	127	127	127
United States community adjustment and investment program:								
Appropriation, current	451 BA			37				
Outlays	O			37				
Automation Enhancement:								
Appropriation, current	803 BA	7	9	26	19	19	19	19
Outlays	O	3	3	9	22	20	19	19
Office of Inspector General:								
Appropriation, current	803 BA	30	30	31	31	31	31	31
Spending authority from offsetting collections	BA	2	2	1	4	4	4	4
Outlays	O	29	28	32	35	35	35	35
Office of Inspector General (gross)	BA	32	32	32	35	35	35	35
	O	29	28	32	35	35	35	35
Total, offsetting collections		-2	-2	-1	-4	-4	-4	-4
Total Office of Inspector General (net)	BA	30	30	31	31	31	31	31
	O	27	26	31	31	31	31	31
Treasury buildings and annex repair and restoration:								
Appropriation, current	803 BA	28	10	27	20	20	20	20
Outlays	O	10	7	21	18	24	20	20
Financial crimes enforcement network:								
Appropriation, current	751 BA	23	24	25	25	25	25	25
Spending authority from offsetting collections	BA		3					
Outlays	O	25	27	25	25	25	25	25
Financial crimes enforcement network (gross)	BA	23	27	25	25	25	25	25
	O	25	27	25	25	25	25	25

**DEPARTMENT OF THE TREASURY—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Total, offsetting collections .....			-3					
Total Financial crimes enforcement network (net) .....	BA	23	24	25	25	25	25	25
	O	25	24	25	25	25	25	25
<b>Counterterrorism Fund:</b>								
Appropriation, current .....	751 BA	8						
Outlays .....	O	5	3					
<b>Sallie Mae Assessments:</b>								
Appropriation, current .....	808 BA	1	1	1	1	1	1	1
Outlays .....	O		1	1	1	1	1	1
<b>Department of the Treasury forfeiture fund:</b>								
Appropriation, current .....	751 BA	10						
Appropriation, permanent .....	BA	315	249	191	180	180	180	180
Outlays .....	O	191	224	193	170	170	170	170
Total Department of the Treasury forfeiture fund .....	BA	325	249	191	180	180	180	180
	O	191	224	193	170	170	170	170
<b>Presidential election campaign fund:</b>								
Appropriation, permanent .....	808 BA	67	66	66	66	66	66	66
Spending authority from offsetting collections .....	BA	1						
Outlays .....	O	1		26	242	7		29
Presidential election campaign fund (gross) .....	BA	68	66	66	66	66	66	66
	O	1		26	242	7		29
Total, offsetting collections .....		-1						
Total Presidential election campaign fund (net) .....	BA	67	66	66	66	66	66	66
	O			26	242	7		29
<b>Public Enterprise Funds:</b>								
<b>Exchange stabilization fund:</b>								
Spending authority from offsetting collections .....	155 BA	125	1,378	1,305	1,366	1,380	1,394	1,408
Exchange stabilization fund (gross) .....	BA	125	1,378	1,305	1,366	1,380	1,394	1,408
Total, offsetting collections .....		-1,007	-1,378	-1,305	-1,366	-1,380	-1,394	-1,408
<b>Intragovernmental Funds:</b>								
<b>Working capital fund:</b>								
Spending authority from offsetting collections .....	803 BA	211	244	248	248	248	248	248
Outlays .....	O	134	244	248	248	248	248	248
Working capital fund (gross) .....	BA	211	244	248	248	248	248	248
	O	134	244	248	248	248	248	248
Change in orders on hand from Federal sources .....	BA	-42						
Total, offsetting collections .....		-169	-244	-248	-248	-248	-248	-248
Total Working capital fund (net) .....	BA							
	O	-35						
<b>Treasury franchise fund:</b>								
Spending authority from offsetting collections .....	803 BA	40	45	47	32	33	34	35
Outlays .....	O	36	41	45	32	33	34	35
Treasury franchise fund (gross) .....	BA	40	45	47	32	33	34	35
	O	36	41	45	32	33	34	35
Total, offsetting collections .....		-40	-45	-47	-32	-33	-34	-35
Total Treasury franchise fund (net) .....	BA							
	O	-4	-4	-2				
<b>Credit Accounts:</b>								
<b>Community development financial institutions fund program account:</b>								
Appropriation, current .....	451 BA	50	80	125	125	125	125	125
Outlays .....	O	40	54	111	129	125	125	125
Total Federal funds Departmental Offices .....	BA	-180	590	655	594	594	594	594
	O	-617	-926	-728	-602	-850	-876	-861

DEPARTMENT OF THE TREASURY—Continued  
(In millions of dollars)

Account	1997 actual	estimate						
		1998	1999	2000	2001	2002	2003	
<b>Federal Law Enforcement Training Center</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current	751 BA	56	66	72	69	72	76	78
Spending authority from offsetting collections	BA	27	29	29	30	30	31	31
Outlays	O	78	102	100	99	102	107	109
Salaries and expenses (gross)	BA	83	95	101	99	102	107	109
	O	78	102	100	99	102	107	109
Total, offsetting collections		-27	-29	-29	-30	-30	-31	-31
Total Salaries and expenses (net)	BA	56	66	72	69	72	76	78
	O	51	73	71	69	72	76	78
Acquisitions, construction, improvements, and related expenses:								
Appropriation, current	751 BA	22	33	28	21	22	22	23
Outlays	O	8	12	26	30	25	22	22
Total Federal funds Federal Law Enforcement Training Center	BA	78	99	100	90	94	98	101
	O	59	85	97	99	97	98	100
<b>Interagency Law Enforcement</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Interagency crime and drug enforcement:								
Appropriation, current	751 BA	73	76	71	71	71	71	71
Outlays	O	58	64	72	71	71	71	71
<b>Financial Management Service</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current	803 BA	198	203	203	198	198	198	198
Spending authority from offsetting collections	BA	128	131	115	120	125	130	135
Outlays	O	325	331	318	319	323	328	333
Salaries and expenses (gross)	BA	326	334	318	318	323	328	333
	O	325	331	318	319	323	328	333
Change in orders on hand from Federal sources	BA	-5						
Total, offsetting collections		-123	-131	-115	-120	-125	-130	-135
Total Salaries and expenses (net)	BA	198	203	203	198	198	198	198
	O	202	200	203	199	198	198	198
Payment to Department of Justice, FIRREA related claims:								
Appropriation, current	752 BA	26	34					
			B 10	B 51	B 49	B 41	B 35	B 28
Outlays	O	18	42					
			B 10	B 45	B 49	B 43	B 36	B 29
Total Payment to Department of Justice, FIRREA related claims	BA	26	44	51	49	41	35	28
	O	18	52	45	49	43	36	29
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
Outlays	O		92	123	126	129	132	135
Interest on uninvested funds:								
Appropriation, permanent	908 BA	5	4	4	4	4	4	4
Outlays	O	3	4	4	4	4	4	4
Federal interest liabilities to the states:								
Appropriation, permanent	908 BA	12	20	20	19	18	17	16
Outlays	O	12	20	20	19	18	17	16

**DEPARTMENT OF THE TREASURY—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Net interest paid to loan guarantee financing accounts:								
Appropriation, permanent	908 BA	1,997	2,434	2,408	2,399	2,408	2,428	2,447
Outlays	O	1,997	2,434	2,408	2,399	2,408	2,428	2,447
Claims, judgments, and relief acts:								
Appropriation, permanent	808 BA	1,035	635	685	620	665	665	665
Outlays	O	1,035	635	685	615	660	660	660
Energy security reserve:								
Outlays	271 O	20	20					
Biomass energy development:								
Spending authority from offsetting collections	271 BA	1						
Outlays	O	1	2					
<hr/>								
Biomass energy development (gross)	BA	1						
	O	1	2					
<hr/>								
Total, offsetting collections		-1						
<hr/>								
Total Biomass energy development (net)	BA							
	O		2					
<hr/>								
Payment for joint financial management improvement program:								
Appropriation, current	808 BA			3				
Outlays	O			3				
Payments to the farm credit system financial assistance corporation liquidating account:								
Appropriation, current	908 BA	10	8	3	1	1	1	1
Outlays	O	10	8	3	1	1	1	1
<b>Public Enterprise Funds:</b>								
Check forgery insurance fund:								
Appropriation, permanent	803 BA	10		2	2	2	2	2
Spending authority from offsetting collections	BA		30	39	35	25	25	25
Outlays	O		40	41	37	27	27	27
<hr/>								
Check forgery insurance fund (gross)	BA	10	30	41	37	27	27	27
	O		40	41	37	27	27	27
<hr/>								
Total, offsetting collections			-30	-39	-35	-25	-25	-25
<hr/>								
Total Check forgery insurance fund (net)	BA	10		2	2	2	2	2
	O		10	2	2	2	2	2
<hr/>								
Total Federal funds Financial Management Service	BA	5,621	5,798	5,831	5,747	5,794	5,810	5,824
	O	5,625	5,805	5,824	5,742	5,791	5,806	5,820

**Federal Financing Bank**

*Federal funds*

**Intragovernmental Funds:**

Federal Financing Bank:

Spending authority from offsetting collections	803 BA	5,511	4,482	4,099	3,858	3,684	3,453	3,193
Outlays	O	5,511	4,482	4,099	3,858	3,684	3,453	3,193
<hr/>								
Federal Financing Bank (gross)	BA	5,511	4,482	4,099	3,858	3,684	3,453	3,193
	O	5,511	4,482	4,099	3,858	3,684	3,453	3,193
<hr/>								
Total, offsetting collections		-5,511	-4,482	-4,099	-3,858	-3,684	-3,453	-3,193
<hr/>								
Total Federal Financing Bank (net)	BA							
	O							

**Bureau of Alcohol, Tobacco and Firearms**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current	751 BA	506	509	554	555	558	561	559
Reappropriation	BA	1						
Spending authority from offsetting collections	BA	20	51	17	17	17	17	17

DEPARTMENT OF THE TREASURY—Continued  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	489	558	574	571	573	578	574
Salaries and expenses (gross) .....	BA	527	560	571	572	575	578	576
	O	489	558	574	571	573	578	574
Change in orders on hand from Federal sources .....	BA	1						
Total, offsetting collections .....		-21	-51	-17	-17	-17	-17	-17
Total Salaries and expenses (net) .....	BA	507	509	554	555	558	561	559
	O	468	507	557	554	556	561	557
Laboratory facilities and headquarters:								
Appropriation, current .....	751 BA	7	55	32				
Outlays .....	O		10	25	40	16		
Internal revenue collections for Puerto Rico:								
Appropriation, permanent .....	806 BA	205	210	201	201	201	201	201
				B 34	B 34	B 34	B 34	B 34
Outlays .....	O	205	210	201	201	201	201	201
				B 34	B 34	B 34	B 34	B 34
Total Internal revenue collections for Puerto Rico .....	BA	205	210	235	235	235	235	235
	O	205	210	235	235	235	235	235
Total Federal funds Bureau of Alcohol, Tobacco and Firearms .....	BA	719	774	821	790	793	796	794
	O	673	727	817	829	807	796	792

United States Customs Service

Federal funds

General and Special Funds:

Salaries and expenses:								
Appropriation, current .....	751 BA	1,574	1,606	1,710	1,615	1,623	1,640	1,682
				J 48	J 48	J 48	J 48	J 48
Appropriation, permanent .....	BA	455	326	349	374	402	431	463
Reappropriation .....	BA		16					
Spending authority from offsetting collections .....	BA	391	404	412	370	370	370	380
Outlays .....	O	2,157	2,307	2,442	2,364	2,392	2,436	2,518
				J 44	J 48	J 48	J 48	J 48
Salaries and expenses (gross) .....	BA	2,420	2,352	2,519	2,407	2,443	2,489	2,573
	O	2,157	2,307	2,486	2,412	2,440	2,484	2,566
Change in orders on hand from Federal sources .....	BA	31						
Total, offsetting collections .....		-422	-404	-412	-370	-370	-370	-380
Total Salaries and expenses (net) .....	BA	2,029	1,948	2,107	2,037	2,073	2,119	2,193
	O	1,735	1,903	2,074	2,042	2,070	2,114	2,186
Operation and maintenance, air and marine interdiction programs:								
Appropriation, current .....	751 BA	125	93	98	89	89	90	93
Spending authority from offsetting collections .....	BA	9	34	4	4	4	4	4
Outlays .....	O	90	148	101	96	93	94	96
Operation and maintenance, air and marine interdiction programs (gross) .....	BA	134	127	102	93	93	94	97
	O	90	148	101	96	93	94	96
Change in orders on hand from Federal sources .....	BA	-5						
Total, offsetting collections .....		-4	-34	-4	-4	-4	-4	-4
Total Operation and maintenance, air and marine interdiction programs (net) .....	BA	125	93	98	89	89	90	93
	O	86	114	97	92	89	90	92
Customs facilities, construction, improvements and related expenses:								
Outlays .....	751 O	9	7					
Customs services at small airports:								
Appropriation, current .....	751 BA	2	2	2	2	2	2	2
Outlays .....	O	1	2	2	2	2	2	2
Miscellaneous permanent appropriations:								
Appropriation, permanent .....	806 BA	107	110	111	114	116	119	122
Spending authority from offsetting collections .....	BA	5						

**DEPARTMENT OF THE TREASURY—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	112	110	111	114	116	119	122
Miscellaneous permanent appropriations (gross) .....	BA	<b>112</b>	<b>110</b>	<b>111</b>	<b>114</b>	<b>116</b>	<b>119</b>	<b>122</b>
	O	112	110	111	114	116	119	122
Total, offsetting collections .....		-5						
Total Miscellaneous permanent appropriations (net) .....	BA	<b>107</b>	<b>110</b>	<b>111</b>	<b>114</b>	<b>116</b>	<b>119</b>	<b>122</b>
	O	107	110	111	114	116	119	122
<i>Trust funds</i>								
Refunds, transfers and expenses, unclaimed, and abandoned goods:								
Appropriation, permanent .....	751 BA	<b>7</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
Outlays .....	O	7	5	5	5	5	5	5
Harbor maintenance fee collection:								
Appropriation, current .....	751 BA	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
Outlays .....	O	3	3	3	3	3	3	3
Total Federal funds United States Customs Service .....	BA	<b>2,263</b>	<b>2,153</b>	<b>2,318</b>	<b>2,242</b>	<b>2,280</b>	<b>2,330</b>	<b>2,410</b>
	O	1,938	2,136	2,284	2,250	2,277	2,325	2,402
Total Trust funds United States Customs Service .....	BA	<b>10</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>
	O	10	8	8	8	8	8	8

**Bureau of Engraving and Printing**

*Federal funds*

**Intragovernmental Funds:**

Bureau of Engraving and Printing fund:

Spending authority from offsetting collections .....	803 BA	<b>428</b>	<b>482</b>	<b>473</b>	<b>497</b>	<b>520</b>	<b>541</b>	<b>568</b>
Outlays .....	O	440	462	473	497	520	541	568
Bureau of Engraving and Printing fund (gross) .....	BA	<b>428</b>	<b>482</b>	<b>473</b>	<b>497</b>	<b>520</b>	<b>541</b>	<b>568</b>
	O	440	462	473	497	520	541	568
Total, offsetting collections .....		-428	-482	-473	-497	-520	-541	-568
Total Bureau of Engraving and Printing fund (net) .....	BA							
	O	12	-20					

**United States Mint**

*Federal funds*

**Public Enterprise Funds:**

United States mint public enterprise fund:

Appropriation, permanent .....	803 BA	<b>29</b>	<b>30</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>
Spending authority from offsetting collections .....	BA	<b>658</b>	<b>606</b>	<b>668</b>	<b>668</b>	<b>668</b>	<b>668</b>	<b>668</b>
Outlays .....	O	675	636	696	691	683	683	683
United States mint public enterprise fund (gross) .....	BA	<b>687</b>	<b>636</b>	<b>683</b>	<b>683</b>	<b>683</b>	<b>683</b>	<b>683</b>
	O	675	636	696	691	683	683	683
Total, offsetting collections .....		-658	-606	-668	-668	-668	-668	-668
Total United States mint public enterprise fund (net) .....	BA	<b>29</b>	<b>30</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>
	O	17	30	28	23	15	15	15

**Bureau of the Public Debt**

*Federal funds*

**General and Special Funds:**

Administering the public debt:

Appropriation, current .....	803 BA	<b>164</b>	<b>170</b>	<b>173</b>	<b>173</b>	<b>173</b>	<b>173</b>	<b>173</b>
Appropriation, permanent .....	BA	<b>135</b>	<b>135</b>	<b>135</b>	<b>135</b>	<b>135</b>	<b>135</b>	<b>135</b>
Spending authority from offsetting collections .....	BA	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
Outlays .....	O	299	264	310	299	299	299	299
Administering the public debt (gross) .....	BA	<b>304</b>	<b>310</b>	<b>313</b>	<b>313</b>	<b>313</b>	<b>313</b>	<b>313</b>
	O	299	264	310	299	299	299	299

DEPARTMENT OF THE TREASURY—Continued  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Total, offsetting collections .....		-5	-5	-5	-5	-5	-5	-5
Total Administering the public debt (net) .....	BA	299	305	308	308	308	308	308
	O	294	259	305	294	294	294	294
Payment of Government losses in shipment:								
Appropriation, permanent .....	803 BA		1	1	1	1	1	1
Outlays .....	O		1	1	1	1	1	1
Total Federal funds Bureau of the Public Debt .....	BA	299	306	309	309	309	309	309
	O	294	260	306	295	295	295	295

Internal Revenue Service

Federal funds

General and Special Funds:

Processing, assistance, and management:

Appropriation, current .....	803 BA	1,810	2,926	3,162	2,915	2,915	2,904	2,905
Appropriation, permanent .....	BA	46	69	39	39	39	39	39
Reappropriation .....	BA	1						
Spending authority from offsetting collections .....	BA	23	30	28	28	28	28	28
Outlays .....	O	1,875	2,929	3,208	3,005	2,982	2,972	2,972
Processing, assistance, and management (gross) .....	BA	1,880	3,025	3,229	2,982	2,982	2,971	2,972
	O	1,875	2,929	3,208	3,005	2,982	2,972	2,972
Total, offsetting collections .....		-23	-30	-28	-28	-28	-28	-28
Total Processing, assistance, and management (net) .....	BA	1,857	2,995	3,201	2,954	2,954	2,943	2,944
	O	1,852	2,899	3,180	2,977	2,954	2,944	2,944

Tax law enforcement

(Central fiscal operations):

(Appropriation, current) .....	803 BA	4,072	3,113	3,170	2,896	2,896	2,885	2,885
(Appropriation, permanent) .....	BA	52	18	58	58	58	58	58
(Reappropriation) .....	BA	1						
(Spending authority from offsetting collections) .....	BA	59	44	41	41	41	41	41
(Outlays) .....	O	4,141	3,224	3,265	3,014	2,995	2,985	2,984
Tax law enforcement (gross) .....	BA	4,184	3,175	3,269	2,995	2,995	2,984	2,984
	O	4,141	3,224	3,265	3,014	2,995	2,985	2,984
Total, offsetting collections .....		-59	-44	-41	-41	-41	-41	-41
Total (Central fiscal operations) (net) .....	BA	4,125	3,131	3,228	2,954	2,954	2,943	2,943
	O	4,082	3,180	3,224	2,973	2,954	2,944	2,943
Total Tax law enforcement .....	BA	4,125	3,131	3,228	2,954	2,954	2,943	2,943
	O	4,082	3,180	3,224	2,973	2,954	2,944	2,943

Earned income tax credit compliance initiative:

Appropriation, current .....	803 BA		138	143	144	145	146	146
Outlays .....	O		128	143	144	145	146	146

Information systems:

Appropriation, current .....	803 BA	1,149	1,272	1,541	1,403	1,403	1,393	1,393
Appropriation, permanent .....	BA		14					
Spending authority from offsetting collections .....	BA	7	8	8	8	8	8	8
Outlays .....	O	1,262	1,299	1,455	1,413	1,418	1,411	1,403
Information systems (gross) .....	BA	1,156	1,294	1,549	1,411	1,411	1,401	1,401
	O	1,262	1,299	1,455	1,413	1,418	1,411	1,403
Total, offsetting collections .....		-7	-8	-8	-8	-8	-8	-8
Total Information systems (net) .....	BA	1,149	1,286	1,541	1,403	1,403	1,393	1,393
	O	1,255	1,291	1,447	1,405	1,410	1,403	1,395

Information technology investments:

Appropriation, current .....	803 BA		325	323	323	323	323	323
Outlays .....	O			81	228	277	279	279

Payment where earned income credit exceeds liability for tax:

Appropriation, permanent .....	609 BA	21,856	22,295	24,496	25,334	26,040	26,715	27,414
				<sup>B</sup> -65	<sup>B</sup> -100	<sup>B</sup> -101	<sup>B</sup> -103	<sup>B</sup> -106

**DEPARTMENT OF THE TREASURY—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					2003
			1998	1999	2000	2001	2002	
Outlays .....	O	21,856	22,295	24,496 <i>B</i> -65	25,334 <i>B</i> -100	26,040 <i>B</i> -101	26,715 <i>B</i> -103	27,414 <i>B</i> -106
Total Payment where earned income credit exceeds liability for tax .....	BA O	21,856	22,295	24,431	25,234	25,939	26,612	27,308
Payment where child credit exceeds liability for tax:								
Appropriation, permanent .....	609 BA			538 <i>B</i> -5	685 <i>B</i> -5	662 <i>B</i> -5	624 <i>B</i> -5	589 <i>B</i> -5
Outlays .....	O			538 <i>B</i> -5	685 <i>B</i> -5	662 <i>B</i> -5	624 <i>B</i> -5	589 <i>B</i> -5
Total Payment where child credit exceeds liability for tax .....	BA O			533	680	657	619	584
Refunding internal revenue collections, interest:								
Appropriation, permanent .....	908 BA	2,341	2,497	2,580	2,648	2,756	2,869	3,006
Outlays .....	O	2,341	2,497	2,580	2,648	2,756	2,869	3,006
Informant payments:								
Appropriation, permanent .....	803 BA		6	6	6	6	6	6
Outlays .....	O		6	6	6	6	6	6
<b>Public Enterprise Funds:</b>								
Federal tax lien revolving fund:								
Spending authority from offsetting collections .....	803 BA	8	8	8	8	8	8	8
Outlays .....	O	8	8	8	8	8	8	8
Federal tax lien revolving fund (gross) .....	BA O	8	8	8	8	8	8	8
Total, offsetting collections .....		-8	-8	-8	-8	-8	-8	-8
Total Federal tax lien revolving fund (net) .....	BA O							
Total Federal funds Internal Revenue Service .....	BA O	31,328 31,386	32,673 32,296	35,986 35,625	36,346 36,295	37,137 37,098	37,854 37,822	38,653 38,611

**United States Secret Service**  
*Federal funds*

<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current .....	751 BA	551	581	607	615	594	604	615
Spending authority from offsetting collections .....	BA	7	18	18	18	18	18	18
Outlays .....	O	557	587	625	635	614	621	632
Salaries and expenses (gross) .....	BA O	558 557	599 587	625 625	633 635	612 614	622 621	633 632
Total, offsetting collections .....		-7	-18	-18	-18	-18	-18	-18
Total Salaries and expenses (net) .....	BA O	551 550	581 569	607 607	615 617	594 596	604 603	615 614
Acquisition, construction, improvements and related expenses:								
Appropriation, current .....	751 BA	37	9	6	6	6	6	6
Outlays .....	O	1	11	19	8	6	6	6
Contribution for annuity benefits:								
Appropriation, permanent .....	751 BA	68	72	72	72	72	72	56
Outlays .....	O	73	74	72	72	72	72	56
Total Federal funds United States Secret Service .....	BA O	656 624	662 654	685 698	693 697	672 674	682 681	677 676

**Comptroller of the Currency**  
*Trust funds*

Assessment funds:								
Spending authority from offsetting collections .....	373 BA	369	371	371	371	371	371	371



**DEPARTMENT OF THE TREASURY—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	345	357	357	357	357	357	357
Assessment funds (gross) .....	BA	<b>369</b>	<b>371</b>	<b>371</b>	<b>371</b>	<b>371</b>	<b>371</b>	<b>371</b>
	O	345	357	357	357	357	357	357
Total, offsetting collections .....		-369	-371	-371	-371	-371	-371	-371
Total Assessment funds (net) .....	BA							
	O	-24	-14	-14	-14	-14	-14	-14

**Office of Thrift Supervision**

*Federal funds*

**Public Enterprise Funds:**

Office of Thrift Supervision:

Spending authority from offsetting collections .....	373 BA	145	142	144	144	144	144	144
Outlays .....	O	137	142	144	144	144	144	144
Office of Thrift Supervision (gross) .....	BA	<b>145</b>	<b>142</b>	<b>144</b>	<b>144</b>	<b>144</b>	<b>144</b>	<b>144</b>
	O	137	142	144	144	144	144	144
Total, offsetting collections .....		-145	-142	-144	-144	-144	-144	-144
Total Office of Thrift Supervision (net) .....	BA							
	O	-8						

**Interest on the Public Debt**

*Federal funds*

**General and Special Funds:**

Interest on the public debt:

Appropriation, permanent .....	901 BA	355,796	362,021	366,396	368,503	373,197	375,235	377,706
				<sup>A</sup> 3	<sup>A</sup> 10	<sup>A</sup> 16	<sup>A</sup> 22	<sup>A</sup> 28
			<sup>J</sup> 99	<sup>J</sup> 218	<sup>J</sup> 464	<sup>J</sup> 743	<sup>J</sup> 987	<sup>J</sup> 1,213
Outlays .....	O	355,796	362,021	366,396	368,503	373,197	375,235	377,706
				<sup>A</sup> 3	<sup>A</sup> 10	<sup>A</sup> 16	<sup>A</sup> 22	<sup>A</sup> 28
			<sup>J</sup> 99	<sup>J</sup> 218	<sup>J</sup> 464	<sup>J</sup> 743	<sup>J</sup> 987	<sup>J</sup> 1,213
Total Interest on the public debt .....	BA	<b>355,796</b>	<b>362,120</b>	<b>366,617</b>	<b>368,977</b>	<b>373,956</b>	<b>376,244</b>	<b>378,947</b>
	O	355,796	362,120	366,617	368,977	373,956	376,244	378,947

**Allowances**

*Federal funds*

**General and Special Funds:**

Miscellaneous activities to be authorized in tobacco legislation:

Appropriation, permanent .....	806 BA			<sup>#</sup> 3,425	<sup>#</sup> 3,943	<sup>#</sup> 4,582	<sup>#</sup> 4,972	<sup>#</sup> 5,362
Outlays .....	O			<sup>#</sup> 3,425	<sup>#</sup> 3,943	<sup>#</sup> 4,582	<sup>#</sup> 4,972	<sup>#</sup> 5,362

**Summary**

Federal funds:

(As shown in detail above) .....	BA	<b>396,609</b>	<b>405,278</b>	<b>416,838</b>	<b>419,817</b>	<b>426,297</b>	<b>429,775</b>	<b>433,757</b>
	O	395,799	403,225	415,057	418,620	424,813	428,249	432,230
Deductions for offsetting receipts:								
Intrafund transactions .....	803 BA/O		-6	-6	-6	-6	-6	-6
	809 BA/O	-565	-200	-200	-200	-200	-200	-200
	908 BA/O	-5,772	-4,712	-4,106	-3,802	-3,524	-3,173	-2,806
Proprietary receipts from the public .....	151 BA/O	-9	-9	-9	-9	-9	-9	-9
	155 BA/O	-108	-110	-112	-115	-117	-50	-57
	751 BA/O	-2	-2	-2	-2	-2	-2	-2
	803 BA/O	-90	-95	-97	-99	-100	-101	-102
	809 BA/O	-926	-1,446	-960	-960	-960	-960	-960
				21	22	23	24	24
Offsetting governmental receipts .....	908 BA/O	-6,633	-7,170	-8,006	-8,756	-9,517	-10,380	-11,137
	751 BA/O	-1,286	-1,182	-1,222	-1,266	-1,313	-1,362	-1,414
				-48	-48	-48	-48	-48
Total Federal funds .....	BA	<b>381,218</b>	<b>390,346</b>	<b>402,091</b>	<b>404,576</b>	<b>410,524</b>	<b>413,508</b>	<b>417,040</b>
	O	380,408	388,293	400,310	403,379	409,040	411,982	415,513

**DEPARTMENT OF THE TREASURY—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>Trust funds:</b>								
(As shown in detail above) .....	BA	10	8	8	8	8	8	8
	O	-14	-6	-6	-6	-6	-6	-6
<b>Interfund transactions</b> .....								
	601 BA/O	-715	-740	-757	-778	-798	-818	-836
	803 BA/O	-334	-325	-305	-307	-310	-311	-317
<b>Total Department of the Treasury</b> .....								
	BA	380,179	389,289	401,037	403,499	409,424	412,387	415,895
	O	379,345	387,222	399,242	402,288	407,926	410,847	414,354

**DEPARTMENT OF VETERANS AFFAIRS**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>Veterans Health Administration</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
<b>Medical care:</b>								
Appropriation, current .....	703 BA	17,013	17,745	17,705	17,810	17,898	17,987	18,671
Spending authority from offsetting collections .....	BA	75	104	147	186	236	300	311
Outlays .....	O	16,677	17,923	17,822	17,903	18,125	18,275	18,889
<b>Medical care (gross)</b> .....								
	BA	17,088	17,849	17,852	17,996	18,134	18,287	18,982
	O	16,677	17,923	17,822	17,903	18,125	18,275	18,889
<b>Total, offsetting collections</b> .....								
		-76	-104	-147	-186	-236	-300	-311
<b>Total Medical care (net)</b> .....								
	BA	17,012	17,745	17,705	17,810	17,898	17,987	18,671
	O	16,601	17,819	17,675	17,717	17,889	17,975	18,578
<b>Other medical, smoking cessation:</b>								
Appropriation, current .....	703 BA			787	787	787	787	787
Outlays .....	O			787	787	787	787	787
<b>Medical and prosthetic research:</b>								
Appropriation, current .....	703 BA	262	272	300	300	300	300	300
Spending authority from offsetting collections .....	BA	47	46	46	46	46	46	46
Outlays .....	O	282	315	338	345	346	346	346
<b>Medical and prosthetic research (gross)</b> .....								
	BA	309	318	346	346	346	346	346
	O	282	315	338	345	346	346	346
<b>Total, offsetting collections</b> .....								
		-47	-46	-46	-46	-46	-46	-46
<b>Total Medical and prosthetic research (net)</b> .....								
	BA	262	272	300	300	300	300	300
	O	235	269	292	299	300	300	300
<b>Medical administration and miscellaneous operating expenses:</b>								
Appropriation, current .....	703 BA	61	60	60	61	62	64	66
Outlays .....	O	63	60	60	61	62	64	66
<b>Health professional scholarship program:</b>								
Outlays .....	703 O	2	2					
<b>Medical care cost recovery fund:</b>								
Appropriation, permanent .....	703 BA	107						
Outlays .....	O	123						
<b>Public Enterprise Funds:</b>								
<b>Medical facilities revolving fund:</b>								
Spending authority from offsetting collections .....	703 BA	2						
Outlays .....	O	2	2	2				
<b>Medical facilities revolving fund (gross)</b> .....								
	BA	2						
	O	2	2	2				
<b>Total, offsetting collections</b> .....								
		-2						
<b>Total Medical facilities revolving fund (net)</b> .....								
	BA							
	O		2	2				

**DEPARTMENT OF VETERANS AFFAIRS—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>Canteen service revolving fund:</b>								
Spending authority from offsetting collections .....	705 BA	195	228	229	225	224	225	222
Outlays .....	O	198	226	226	226	224	225	222
Canteen service revolving fund (gross) .....	BA	195	228	229	225	224	225	222
	O	198	226	226	226	224	225	222
Total, offsetting collections .....		-195	-228	-229	-225	-224	-225	-222
Total Canteen service revolving fund (net) .....	BA							
	O	3	-2	-3	1			
<b>Special therapeutic and rehabilitation activities fund:</b>								
Spending authority from offsetting collections .....	703 BA	37	40	41	42	43	44	45
Outlays .....	O	35	38	39	40	40	41	42
Special therapeutic and rehabilitation activities fund (gross) .....	BA	37	40	41	42	43	44	45
	O	35	38	39	40	40	41	42
Total, offsetting collections .....		-37	-40	-41	-42	-43	-44	-45
Total Special therapeutic and rehabilitation activities fund (net) .....	BA							
	O	-2	-2	-2	-2	-3	-3	-3
<b>Medical center research organizations:</b>								
Spending authority from offsetting collections .....	703 BA	29	29	30	31	32	33	34
Outlays .....	O	29	29	30	31	32	33	34
Medical center research organizations (gross) .....	BA	29	29	30	31	32	33	34
	O	29	29	30	31	32	33	34
Total, offsetting collections .....		-29	-29	-30	-31	-32	-33	-34
Total Medical center research organizations (net) .....	BA							
	O							
<i>Trust funds</i>								
<b>General post fund, national homes:</b>								
Appropriation, permanent .....	705 BA	30	31	32	32	33	34	35
Outlays .....	O	27	26	26	27	28	29	29
Total Federal funds Veterans Health Administration .....	BA	17,442	18,077	18,152	18,258	18,347	18,438	19,124
	O	17,025	18,148	18,111	18,163	18,335	18,423	19,028
Total Trust funds Veterans Health Administration .....	BA	30	31	32	32	33	34	35
	O	27	26	26	27	28	29	29

**Veterans Benefits Administration**

*Federal funds*

**General and Special Funds:**

<b>Compensation:</b>								
Appropriation, current .....	701 BA	16,418	16,724	18,663	19,569	20,843	24,979	25,323
			<sup>A</sup> 550	<sup>B</sup> -736	<sup>B</sup> -1,325	<sup>B</sup> -2,286	<sup>B</sup> -6,269	<sup>B</sup> -6,328
				<sup>J</sup> 287	<sup>J</sup> 659	<sup>J</sup> 1,071	<sup>J</sup> 1,663	<sup>J</sup> 2,132
Outlays .....	O	16,218	16,912	18,649	19,560	20,831	24,959	25,303
			<sup>A</sup> 550	<sup>B</sup> -736	<sup>B</sup> -1,325	<sup>B</sup> -2,286	<sup>B</sup> -6,269	<sup>B</sup> -6,328
				<sup>J</sup> 259	<sup>J</sup> 687	<sup>J</sup> 1,071	<sup>J</sup> 1,663	<sup>J</sup> 2,132
Total Compensation .....	BA	16,418	17,274	18,214	18,903	19,628	20,373	21,127
	O	16,218	17,462	18,172	18,922	19,616	20,353	21,107
<b>Pensions:</b>								
Appropriation, current .....	701 BA	3,066	3,075	3,070	3,074	3,075	3,073	3,571
Spending authority from offsetting collections .....	BA		3	6	6	6	6	6
Outlays .....	O	3,055	3,087	3,073	3,080	3,079	3,077	3,573
Pensions (gross) .....	BA	3,066	3,078	3,076	3,080	3,081	3,079	3,577
	O	3,055	3,087	3,073	3,080	3,079	3,077	3,573

**DEPARTMENT OF VETERANS AFFAIRS—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					2003
			1998	1999	2000	2001	2002	
Total, offsetting collections .....			-3	-6	-6	-6	-6	-6
Total Pensions (net) .....	BA	3,066	3,075	3,070	3,074	3,075	3,073	3,571
	O	3,055	3,084	3,067	3,074	3,073	3,071	3,567
Burial benefits and miscellaneous assistance:								
Appropriation, current .....	701 BA	116	133	123	123	125	128	131
Outlays .....	O	116	133	123	123	125	128	131
Readjustment benefits:								
Appropriation, current .....	702 BA	1,377	1,366	1,175	1,336	1,428	1,422	1,424
				<sup>#</sup> 291	<sup>#</sup> 291	<sup>#</sup> 309	<sup>#</sup> 306	<sup>#</sup> 305
Spending authority from offsetting collections .....	BA	174	175	181	189	198	207	215
Outlays .....	O	1,462	1,520	1,511	1,522	1,647	1,626	1,636
				<sup>#</sup> 291	<sup>#</sup> 291	<sup>#</sup> 309	<sup>#</sup> 306	<sup>#</sup> 305
Readjustment benefits (gross) .....	BA	1,551	1,541	1,647	1,816	1,935	1,935	1,944
	O	1,462	1,520	1,802	1,813	1,956	1,932	1,941
Total, offsetting collections .....		-174	-175	-181	-189	-198	-207	-215
Total Readjustment benefits (net) .....	BA	1,377	1,366	1,466	1,627	1,737	1,728	1,729
	O	1,288	1,345	1,621	1,624	1,758	1,725	1,726
Reinstated entitlement program for survivors under Public Law 97-377:								
Spending authority from offsetting collections .....	701 BA	18	19	18	16	16	15	14
Outlays .....	O	14	19	18	16	16	15	14
Reinstated entitlement program for survivors under Public Law 97-377 (gross) .....	BA	18	19	18	16	16	15	14
	O	14	19	18	16	16	15	14
Total, offsetting collections .....		-18	-19	-18	-16	-16	-15	-14
Total Reinstated entitlement program for survivors under Public Law 97-377 (net) .....	BA							
	O	-4						
Veterans insurance and indemnities:								
Appropriation, current .....	701 BA	39	51	46	50	50	51	51
				<sup>#</sup> 5				
Spending authority from offsetting collections .....	BA	2	2	2	2	2	2	2
Outlays .....	O	40	53	48	52	52	52	53
				<sup>#</sup> 5				
Veterans insurance and indemnities (gross) .....	BA	41	53	53	52	52	53	53
	O	40	53	53	52	52	52	53
Total, offsetting collections .....		-2	-2	-2	-2	-2	-2	-2
Total Veterans insurance and indemnities (net) .....	BA	39	51	51	50	50	51	51
	O	38	51	51	50	50	50	51
<b>Public Enterprise Funds:</b>								
Service-disabled veterans insurance fund:								
Spending authority from offsetting collections .....	701 BA	66	78	72	75	76	75	75
Outlays .....	O	66	77	75	75	76	75	75
Service-disabled veterans insurance fund (gross) .....	BA	66	78	72	75	76	75	75
	O	66	77	75	75	76	75	75
Total, offsetting collections .....		-66	-78	-72	-75	-76	-75	-75
Total Service-disabled veterans insurance fund (net) .....	BA							
	O		-1	3				
Veterans reopened insurance fund:								
Spending authority from offsetting collections .....	701 BA	68	67	63	59	56	52	48
Outlays .....	O	71	82	81	80	81	81	80
Veterans reopened insurance fund (gross) .....	BA	68	67	63	59	56	52	48
	O	71	82	81	80	81	81	80

DEPARTMENT OF VETERANS AFFAIRS—Continued  
(In millions of dollars)

Account		1997 actual	estimate					2003
			1998	1999	2000	2001	2002	
Total, offsetting collections .....		-68	-67	-63	-59	-56	-52	-48
Total Veterans reopened insurance fund (net) .....	BA O	3	15	18	21	25	29	32
Servicemembers' group life insurance fund:								
Spending authority from offsetting collections .....	701 BA	473	453	449	448	448	448	448
Outlays .....	O	478	453	449	448	448	448	448
Servicemembers' group life insurance fund (gross) .....	BA O	473 478	453 453	449 449	448 448	448 448	448 448	448 448
Total, offsetting collections .....		-473	-453	-449	-448	-448	-448	-448
Total Servicemembers' group life insurance fund (net) .....	BA O	5						
<b>Credit Accounts:</b>								
Veterans housing benefit program fund program account:								
Appropriation, current .....	704 BA	389	326	423	429	421	241	148
				B-2	B-9	B-9		
Appropriation, permanent .....	BA	167	709				169	473
							B-11	B-12
Outlays .....	O	556	1,035	423	429	421	410	621
				B-2	B-9	B-9	B-11	B-12
Total Veterans housing benefit program fund program account .....	BA O	556 556	1,035 1,035	421 421	420 420	412 412	399 399	609 609
Veterans Housing Benefit Program Fund Liquidating Account:								
Appropriation, current .....	704 BA	100						
Spending authority from offsetting collections .....	BA	773	840	638	542	461	395	340
Outlays .....	O	822	724	610	517	439	377	324
Veterans Housing Benefit Program Fund Liquidating Account (gross) .....	BA O	873 822	840 724	638 610	542 517	461 439	395 377	340 324
Total, offsetting collections .....		-773	-840	-638	-542	-461	-395	-340
Total Veterans Housing Benefit Program Fund Liquidating Account (net) .....	BA O	100 49	-116	-28	-25	-22	-18	-16
Miscellaneous Veterans Programs loan fund program account:								
Appropriation, current .....	702 BA	1	1	1	1	1	1	1
Outlays .....	O	1	1	2	2	1	1	1
<i>Trust funds</i>								
Post-Vietnam era veterans education account:								
Appropriation, permanent .....	702 BA	17	12	9	6	4	2	2
Outlays .....	O	86	46	55	13	11	9	8
National Service Life Insurance fund:								
Appropriation, permanent .....	701 BA	1,248	1,203	1,134	1,067	1,012	958	896
Spending authority from offsetting collections .....	BA	581	568	544	519	492	462	438
Outlays .....	O	1,808	1,864	1,854	1,825	1,783	1,743	1,703
National Service Life Insurance fund (gross) .....	BA O	1,829 1,808	1,771 1,864	1,678 1,854	1,586 1,825	1,504 1,783	1,420 1,743	1,334 1,703
Total, offsetting collections .....		-581	-568	-544	-519	-492	-462	-438
Total National Service Life Insurance fund (net) .....	BA O	1,248 1,227	1,203 1,296	1,134 1,310	1,067 1,306	1,012 1,291	958 1,281	896 1,265
United States government life insurance fund:								
Appropriation, permanent .....	701 BA	6	6	6	5	5	4	4
Spending authority from offsetting collections .....	BA	1	1	1	1	1	1	1
Outlays .....	O	13	15	13	12	11	10	10
United States government life insurance fund (gross) .....	BA O	7 13	7 15	7 13	6 12	6 11	5 10	5 10

**DEPARTMENT OF VETERANS AFFAIRS—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					2003
			1998	1999	2000	2001	2002	
Total, offsetting collections .....		-1	-1	-1	-1	-1	-1	-1
Total United States government life insurance fund (net) .....	BA O	6 12	6 14	6 12	5 11	5 10	4 9	4 9
<b>Veterans special life insurance fund:</b>								
Spending authority from offsetting collections .....	701 BA	246	244	240	234	227	222	215
Outlays .....	O	216	249	239	244	238	226	225
Veterans special life insurance fund (gross) .....	BA O	246 216	244 249	240 239	234 244	227 238	222 226	215 225
Total, offsetting collections .....		-246	-244	-240	-234	-227	-222	-215
Total Veterans special life insurance fund (net) .....	BA O	-30	5	-1	10	11	4	10
Total Federal funds Veterans Benefits Administration .....	BA O	21,673 21,325	22,935 23,009	23,346 23,450	24,198 24,211	25,028 25,038	25,753 25,738	27,219 27,208
Total Trust funds Veterans Benefits Administration .....	BA O	1,271 1,295	1,221 1,361	1,149 1,376	1,078 1,340	1,021 1,323	964 1,303	902 1,292

**Construction**  
*Federal funds*

**General and Special Funds:**

<b>Construction, major projects:</b>								
Appropriation, current .....	703 BA	219	177	97	97	97	97	97
Advance appropriation .....	BA		32					
Outlays .....	O	396	244	206	172	137	110	100
Total Construction, major projects .....	BA O	219 396	209 244	97 206	97 172	97 137	97 110	97 100
<b>Construction, minor projects:</b>								
Appropriation, current .....	703 BA	175	175	141	141	141	141	141
Outlays .....	O	149	177	167	151	144	141	141
<b>Grants for construction of State extended care facilities:</b>								
Appropriation, current .....	703 BA	47	80	37	37	37	37	37
Outlays .....	O	41	47	52	56	59	37	37
<b>Grants for the construction of State veterans cemeteries:</b>								
Appropriation, current .....	705 BA	1	10	10	10	10	10	10
Outlays .....	O	6	2	5	7	10	10	10
<b>Public Enterprise Funds:</b>								
<b>Parking revolving fund:</b>								
Appropriation, current .....	703 BA	12						
Spending authority from offsetting collections .....	BA	3	3	3	3	3	3	3
Outlays .....	O	8	11	10	6	6	4	4
Parking revolving fund (gross) .....	BA O	15 8	3 11	3 10	3 6	3 6	3 4	3 4
Total, offsetting collections .....		-3	-3	-3	-3	-3	-3	-3
Total Parking revolving fund (net) .....	BA O	12 5	8	7	3	3	1	1
Total Federal funds Construction .....	BA O	454 597	474 478	285 437	285 389	285 353	285 299	285 289

**Departmental Administration**  
*Federal funds*

**General and Special Funds:**

<b>General operating expenses:</b>								
Appropriation, current .....	705 BA	828	786	850	850	838	836	839
Spending authority from offsetting collections .....	BA	251	334	374	381	388	396	403

**DEPARTMENT OF VETERANS AFFAIRS—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	1,067	1,179	1,218	1,231	1,227	1,232	1,242
General operating expenses (gross) .....	BA	<b>1,079</b>	<b>1,120</b>	<b>1,224</b>	<b>1,231</b>	<b>1,226</b>	<b>1,232</b>	<b>1,242</b>
	O	1,067	1,179	1,218	1,231	1,227	1,232	1,242
Total, offsetting collections .....		-251	-334	-374	-381	-388	-396	-403
Total General operating expenses (net) .....	BA	<b>828</b>	<b>786</b>	<b>850</b>	<b>850</b>	<b>838</b>	<b>836</b>	<b>839</b>
	O	816	845	844	850	839	836	839
Office of Inspector General:								
Appropriation, current .....	705 BA	31	31	33	34	35	36	37
Spending authority from offsetting collections .....	BA	2	2	2	2	2	2	2
Outlays .....	O	34	33	35	36	37	38	39
Office of Inspector General (gross) .....	BA	<b>33</b>	<b>33</b>	<b>35</b>	<b>36</b>	<b>37</b>	<b>38</b>	<b>39</b>
	O	34	33	35	36	37	38	39
Total, offsetting collections .....		-2	-2	-2	-2	-2	-2	-2
Total Office of Inspector General (net) .....	BA	<b>31</b>	<b>31</b>	<b>33</b>	<b>34</b>	<b>35</b>	<b>36</b>	<b>37</b>
	O	32	31	33	34	35	36	37
National cemetery system:								
Appropriation, current .....	705 BA	77	84	92	93	94	95	96
Outlays .....	O	78	83	91	93	94	95	96
<b>Intragovernmental Funds:</b>								
Supply fund:								
Spending authority from offsetting collections .....	705 BA	<b>530</b>	<b>615</b>	<b>639</b>	<b>818</b>	<b>859</b>	<b>901</b>	<b>945</b>
				<i>B 5</i>	<i>B 5</i>	<i>B 5</i>		
Outlays .....	O	500	615	639	818	859	901	945
				<i>B 5</i>	<i>B 5</i>	<i>B 5</i>		
Supply fund (gross) .....	BA	<b>530</b>	<b>615</b>	<b>644</b>	<b>823</b>	<b>864</b>	<b>901</b>	<b>945</b>
	O	500	615	644	823	864	901	945
Change in orders on hand from Federal sources .....	BA	-29						
Total, offsetting collections .....		-501	-615	-639	-818	-859	-901	-945
				<i>B -5</i>	<i>B -5</i>	<i>B -5</i>		
Total Supply fund (net) .....	BA							
	O	-1						
Franchise fund:								
Spending authority from offsetting collections .....	705 BA	59	68	74	74	74	74	74
Outlays .....	O	47	64	73	87	67	67	74
Franchise fund (gross) .....	BA	<b>59</b>	<b>68</b>	<b>74</b>	<b>74</b>	<b>74</b>	<b>74</b>	<b>74</b>
	O	47	64	73	87	67	67	74
Total, offsetting collections .....		-59	-68	-74	-74	-74	-74	-74
Total Franchise fund (net) .....	BA							
	O	-12	-4	-1	13	-7	-7	
Total Federal funds Departmental Administration .....	BA	<b>936</b>	<b>901</b>	<b>975</b>	<b>977</b>	<b>967</b>	<b>967</b>	<b>972</b>
	O	913	955	967	990	961	960	972
<b>Summary</b>								
Federal funds:								
(As shown in detail above) .....	BA	<b>40,505</b>	<b>42,387</b>	<b>42,758</b>	<b>43,718</b>	<b>44,627</b>	<b>45,443</b>	<b>47,600</b>
	O	39,860	42,590	42,965	43,753	44,687	45,420	47,497
Deductions for offsetting receipts:								
Proprietary receipts from the public .....	702 BA/O	-185	-248	-249	-249	-249	-249	-249
	703 BA/O	-520	-211	-677	-782	-870	-959	-708
	704 BA/O	-947	-206					-285
Total Federal funds .....	BA	<b>38,853</b>	<b>41,722</b>	<b>41,832</b>	<b>42,687</b>	<b>43,508</b>	<b>44,235</b>	<b>46,358</b>
	O	38,208	41,925	42,039	42,722	43,568	44,212	46,255

**DEPARTMENT OF VETERANS AFFAIRS—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>Trust funds:</b>								
(As shown in detail above) .....	BA	1,301	1,252	1,181	1,110	1,054	998	937
	O	1,322	1,387	1,402	1,367	1,351	1,332	1,321
<b>Deductions for offsetting receipts:</b>								
Proprietary receipts from the public .....	701 BA/O	-231	-224	-210	-192	-174	-158	-142
	702 BA/O	-3	-3	-2	-1			
Total Trust funds .....	BA	1,067	1,025	969	917	880	840	795
	O	1,088	1,160	1,190	1,174	1,177	1,174	1,179
<b>Interfund transactions</b> .....								
	701 BA/O	-2	-2	-2	-2	-2	-2	-2
				-5				
	702 BA/O	-14	-9	-6	-4	-3	-2	-2
Total Department of Veterans Affairs .....	BA	39,904	42,736	42,788	43,598	44,383	45,071	47,149
	O	39,280	43,074	43,216	43,890	44,740	45,382	47,430

**CORPS OF ENGINEERS**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
<i>General investigations:</i>								
Appropriation, current .....	301 BA	153	157	150	150	150	150	150
Spending authority from offsetting collections .....	BA	1	4	4	3	3	3	3
Outlays .....	O	155	144	157	153	153	153	153
General investigations (gross) .....	BA	154	161	154	153	153	153	153
	O	155	144	157	153	153	153	153
Total, offsetting collections .....		-1	-4	-4	-3	-3	-3	-3
Total General investigations (net) .....	BA	153	157	150	150	150	150	150
	O	154	140	153	150	150	150	150
<i>Construction, general:</i>								
Appropriation, current .....	301 BA	997	1,391	732	698	714	838	1,035
Advance appropriation .....	BA				244	163	92	32
Spending authority from offsetting collections .....	BA	356	418	402	302	307	307	307
Outlays .....	O	1,304	1,708	1,399	1,159	1,210	1,216	1,319
Construction, general (gross) .....	BA	1,353	1,809	1,134	1,244	1,184	1,237	1,374
	O	1,304	1,708	1,399	1,159	1,210	1,216	1,319
Total, offsetting collections .....		-356	-418	-402	-302	-307	-307	-307
Total Construction, general (net) .....	BA	997	1,391	732	942	877	930	1,067
	O	948	1,290	997	857	903	909	1,012
<i>Operation and maintenance, general</i>								
<i>(Water resources):</i>								
(Appropriation, current) .....	301 BA	1,296	1,201	1,109	1,006	860	821	786
(Spending authority from offsetting collections) .....	BA	547	533	495	652	655	690	711
(Outlays) .....	O	1,793	1,750	1,627	1,685	1,552	1,521	1,506
Operation and maintenance, general (gross) .....	BA	1,843	1,734	1,604	1,658	1,515	1,511	1,497
	O	1,793	1,750	1,627	1,685	1,552	1,521	1,506
Total, offsetting collections .....		-547	-533	-495	-652	-655	-690	-711
Total (Water resources) (net) .....	BA	1,296	1,201	1,109	1,006	860	821	786
	O	1,246	1,217	1,132	1,033	897	831	795
<i>(Recreational resources):</i>								
(Appropriation, current) .....	303 BA	34	34	34	34	34	34	34



**CORPS OF ENGINEERS—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
(Outlays)	O	34	34	34	34	34	34	34
Total Operation and maintenance, general	BA	1,330	1,235	1,143	1,040	894	855	820
	O	1,280	1,251	1,166	1,067	931	865	829
<b>Regulatory program:</b>								
Appropriation, current	301 BA	101	106	117	117	117	117	117
				J-7	J-14	J-14	J-14	J-14
Outlays	O	102	107	116	117	117	117	117
				J-7	J-14	J-14	J-14	J-14
Total Regulatory program	BA	101	106	110	103	103	103	103
	O	102	107	109	103	103	103	103
<b>Flood control and coastal emergencies:</b>								
Appropriation, current	301 BA	425	4		14	14	14	14
Spending authority from offsetting collections	BA	-44	132	117	45	45	45	46
Outlays	O	285	327	131	59	59	59	60
Flood control and coastal emergencies (gross)	BA	381	136	117	59	59	59	60
	O	285	327	131	59	59	59	60
Adjustment to orders on hand from Federal sources	BA	188						
Total, offsetting collections		-144	-132	-117	-45	-45	-45	-46
Total Flood control and coastal emergencies (net)	BA	425	4		14	14	14	14
	O	141	195	14	14	14	14	14
<b>Formerly utilized sites remedial action program:</b>								
Appropriation, current	053 BA		140	140	140	140	140	58
Outlays	O		117	130	140	140	140	91
<b>General expenses:</b>								
Appropriation, current	301 BA	149	148	148	148	148	148	148
Outlays	O	153	165	148	148	148	148	148
<b>Flood control, Mississippi River and tributaries:</b>								
Appropriation, current	301 BA	330	294	280	266	266	266	266
Outlays	O	295	305	284	270	266	266	266
<b>Washington aqueduct:</b>								
Authority to borrow, permanent	301 BA	29	24	22				
Outlays	O		53	22				
<b>Permanent appropriations</b>								
<i>(Water resources):</i>								
(Appropriation, permanent)	301 BA	7	8	7	7	7	7	7
(Outlays)	O	6	6	7	7	7	7	7
<i>(General purpose fiscal assistance):</i>								
(Appropriation, permanent)	806 BA	6	6	6	6	6	6	6
(Outlays)	O	6	6	6	6	6	6	6
Total Permanent appropriations	BA	13	14	13	13	13	13	13
	O	12	12	13	13	13	13	13
<b>Intragovernmental Funds:</b>								
<i>Revolving fund:</i>								
Spending authority from offsetting collections	301 BA	3,240	3,120	3,181	2,600	2,600	2,600	2,700
Outlays	O	3,175	3,017	3,031	2,600	2,600	2,600	2,700
Revolving fund (gross)	BA	3,240	3,120	3,181	2,600	2,600	2,600	2,700
	O	3,175	3,017	3,031	2,600	2,600	2,600	2,700
Total, offsetting collections		-3,240	-3,120	-3,181	-2,600	-2,600	-2,600	-2,700
Total Revolving fund (net)	BA							
	O	-65	-103	-150				
<i>Trust funds</i>								
<b>Inland waterways trust fund:</b>								
Appropriation, current	301 BA	89	78	50	81	76	81	84
Outlays	O	90	78	55	77	77	80	84
<b>Rivers and harbors contributed funds:</b>								
Appropriation, permanent	301 BA	180	233	144	169	161	168	186
Outlays	O	161	208	218	148	97	97	109
<b>Harbor maintenance trust fund:</b>								
Appropriation, current	301 BA	536	498	462	619	627	662	693

**CORPS OF ENGINEERS—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	536	498	462	619	627	662	693
Coastal wetlands restoration trust fund:								
Appropriation, permanent .....	301 BA	44	49	48	54	49	50	51
Outlays .....	O	10	21	21	47	47	47	47
<b>Summary</b>								
Federal funds:								
(As shown in detail above) .....	BA	3,527	3,513	2,738	2,816	2,605	2,619	2,639
	O	3,020	3,532	2,886	2,762	2,668	2,608	2,626
Deductions for offsetting receipts:								
Proprietary receipts from the public .....	301 BA/O	-5	-6	-6	-6	-6	-6	-6
	303 BA/O	-34	-34	-34	-34	-34	-34	-34
Total Federal funds .....								
	BA	3,488	3,473	2,698	2,776	2,565	2,579	2,599
	O	2,981	3,492	2,846	2,722	2,628	2,568	2,586
Trust funds:								
(As shown in detail above) .....	BA	849	858	704	923	913	961	1,014
	O	797	805	756	891	848	886	933
Deductions for offsetting receipts:								
Proprietary receipts from the public .....	301 BA/O	-180	-233	-144	-169	-161	-168	-186
Total Trust funds .....								
	BA	669	625	560	754	752	793	828
	O	617	572	612	722	687	718	747
Total Corps of Engineers .....								
	BA	4,157	4,098	3,258	3,530	3,317	3,372	3,427
	O	3,598	4,064	3,458	3,444	3,315	3,286	3,333

**OTHER DEFENSE CIVIL PROGRAMS**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>Military Retirement</b>								
<i>Federal funds</i>								
General and Special Funds:								
Payment to military retirement fund:								
Appropriation, permanent .....	054 BA	15,151	15,119	15,724	16,353	17,007	17,688	18,395
Outlays .....	O	15,151	15,119	15,724	16,353	17,007	17,688	18,395
<i>Trust funds</i>								
Military retirement fund:								
Appropriation, permanent .....	602 BA	30,259	31,449	32,379	33,327	34,208	35,090	35,988
Outlays .....	O	30,188	31,386	32,314	33,260	34,140	35,020	35,916
<b>Educational Benefits</b>								
<i>Trust funds</i>								
Education benefits fund:								
Appropriation, permanent .....	702 BA	160	174	181	188	196	205	213
Outlays .....	O	158	162	181	188	196	205	213

**American Battle Monuments commission**

<i>Federal funds</i>								
General and Special Funds:								
Salaries and expenses:								
Appropriation, current .....	705 BA	21	27	24	24	24	24	24
Outlays .....	O	21	23	25	24	24	24	24
<i>Trust funds</i>								
Contributions:								
Appropriation, permanent .....	705 BA	4	12	12	50	34		
Outlays .....	O	6	12	12	50	34		

**OTHER DEFENSE CIVIL PROGRAMS—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					2003
			1998	1999	2000	2001	2002	
<b>Armed Forces Retirement Home</b>								
<i>Trust funds</i>								
Armed forces retirement home:								
Appropriation, current .....	602 BA	56	69	71	50	59	58	59
Advance appropriation .....	BA				9			
Outlays .....	O	58	64	68	66	61	59	59
<b>Total Armed forces retirement home .....</b>	<b>BA</b>	<b>56</b>	<b>69</b>	<b>71</b>	<b>59</b>	<b>59</b>	<b>58</b>	<b>59</b>
	O	58	64	68	66	61	59	59
Soldiers' and airmen's home revolving fund:								
Spending authority from offsetting collections .....	602 BA	5	5	5	5	5	5	5
Outlays .....	O	6	6	5	5	5	5	5
Soldiers' and airmen's home revolving fund (gross) .....	BA	5	5	5	5	5	5	5
	O	6	6	5	5	5	5	5
<b>Total, offsetting collections .....</b>		<b>-5</b>	<b>-5</b>	<b>-5</b>	<b>-5</b>	<b>-5</b>	<b>-5</b>	<b>-5</b>
<b>Total Soldiers' and airmen's home revolving fund (net) .....</b>	<b>BA</b>	<b>1</b>	<b>1</b>					
	O	1	1					
<b>Total Trust funds Armed Forces Retirement Home .....</b>	<b>BA</b>	<b>56</b>	<b>69</b>	<b>71</b>	<b>59</b>	<b>59</b>	<b>58</b>	<b>59</b>
	O	59	65	68	66	61	59	59
<b>Cemeterial Expenses</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current .....	705 BA	13	12	12	12	12	12	12
Outlays .....	O	15	12	13	12	12	12	12
<b>Forest and Wildlife Conservation, Military Reservations</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Wildlife conservation:								
Appropriation, permanent .....	303 BA	2	3	3	3	3	3	3
Outlays .....	O	2	3	3	3	3	3	3
<b>Selective Service System</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current .....	054 BA	23	23	25	25	25	25	25
Outlays .....	O	22	23	24	25	25	25	25
<b>Summary</b>								
Federal funds:								
(As shown in detail above) .....	BA	15,210	15,184	15,788	16,417	17,071	17,752	18,459
	O	15,211	15,180	15,789	16,417	17,071	17,752	18,459
Deductions for offsetting receipts:								
Proprietary receipts from the public .....	303 BA/O	-4	-3	-3	-3	-3	-3	-3
<b>Total Federal funds .....</b>	<b>BA</b>	<b>15,206</b>	<b>15,181</b>	<b>15,785</b>	<b>16,414</b>	<b>17,068</b>	<b>17,749</b>	<b>18,456</b>
	O	15,207	15,177	15,786	16,414	17,068	17,749	18,456
Trust funds:								
(As shown in detail above) .....	BA	30,479	31,704	32,643	33,624	34,497	35,353	36,260
	O	30,411	31,625	32,575	33,564	34,431	35,284	36,188
Deductions for offsetting receipts:								
Proprietary receipts from the public .....	602 BA/O	-10	-11	-13	-14	-21	-21	-21
<b>Total Trust funds .....</b>	<b>BA</b>	<b>30,469</b>	<b>31,693</b>	<b>32,630</b>	<b>33,610</b>	<b>34,476</b>	<b>35,332</b>	<b>36,239</b>
	O	30,401	31,614	32,562	33,550	34,410	35,263	36,167

**OTHER DEFENSE CIVIL PROGRAMS—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Interfund transactions	054 BA/O 702 BA/O	-15,151 -175	-15,119 -178	-15,724 -185	-16,353 -189	-17,007 -205	-17,688 -196	-18,395 -194
Total Other Defense Civil Programs	BA O	30,349 30,282	31,577 31,494	32,506 32,439	33,482 33,422	34,332 34,266	35,197 35,128	36,106 36,034

**ENVIRONMENTAL PROTECTION AGENCY**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Office of the Inspector General:								
Appropriation, current	304 BA	29	29	31	32	32	33	33
Spending authority from offsetting collections	BA	12	12	12	12	12	12	12
Outlays	O	43	41	42	42	43	45	45
Office of the Inspector General (gross)	BA O	41 43	41 41	43 42	44 42	44 43	45 45	45 45
Total, offsetting collections		-12	-12	-12	-12	-12	-12	-12
Total Office of the Inspector General (net)	BA O	29 31	29 29	31 30	32 30	32 31	33 33	33 33
Science and technology:								
Appropriation, current	304 BA	552	631	633	643	698	727	748
Spending authority from offsetting collections	BA	57	50	50	50	50	50	50
Outlays	O	550	615	672	688	715	754	782
Science and technology (gross)	BA O	609 550	681 615	683 672	693 688	748 715	777 754	798 782
Change in orders on hand from Federal sources	BA	1						
Total, offsetting collections		-58	-50	-50	-50	-50	-50	-50
Total Science and technology (net)	BA O	552 492	631 565	633 622	643 638	698 665	727 704	748 732
Environmental Programs and Management:								
Appropriation, current	304 BA	1,752	1,799	1,994	2,010	2,086	2,138	2,241
Spending authority from offsetting collections	BA	43	80	80	80	80	80	80
Outlays	O	1,784	1,910	1,994	2,057	2,126	2,195	2,277
Environmental Programs and Management (gross)	BA O	1,795 1,784	1,879 1,910	2,074 1,994	2,090 2,057	2,166 2,126	2,218 2,195	2,321 2,277
Total, offsetting collections		-43	-80	-80	-80	-80	-80	-80
Total Environmental Programs and Management (net)	BA O	1,752 1,741	1,799 1,830	1,994 1,914	2,010 1,977	2,086 2,046	2,138 2,115	2,241 2,197
Buildings and facilities:								
Appropriation, current	304 BA	87	109	53	21	22	23	23
Advance appropriation	BA				41			
Outlays	O	39	173	116	70	59	41	25
Total Buildings and facilities	BA O	87 39	109 173	53 116	62 70	22 59	23 41	23 25
State and Tribal Assistance Grants:								
Appropriation, current	304 BA	2,910	3,212	2,903	2,658	2,605	2,605	2,625
Spending authority from offsetting collections	BA	6						
Outlays	O	2,725	2,553	2,780	3,007	3,069	2,818	2,735
State and Tribal Assistance Grants (gross)	BA O	2,916 2,725	3,212 2,553	2,903 2,780	2,658 3,007	2,605 3,069	2,605 2,818	2,625 2,735



**ENVIRONMENTAL PROTECTION AGENCY—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	35	35	35	36	37	37	39
Oil spill response (gross) .....	BA	<b>30</b>	<b>35</b>	<b>37</b>	<b>37</b>	<b>37</b>	<b>38</b>	<b>39</b>
	O	35	35	35	36	37	37	39
Total, offsetting collections .....		-15	-20	-20	-20	-20	-20	-21
Total Oil spill response (net) .....	BA	<b>15</b>	<b>15</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>18</b>	<b>18</b>
	O	20	15	15	16	17	17	18
<b>Summary</b>								
Federal funds:								
(As shown in detail above) .....	BA	<b>5,580</b>	<b>6,030</b>	<b>5,864</b>	<b>5,655</b>	<b>5,693</b>	<b>5,776</b>	<b>5,920</b>
	O	5,225	5,401	5,711	5,971	6,120	5,961	5,972
Deductions for offsetting receipts:								
Offsetting governmental receipts .....	304 BA/O	-9	-9	-9	-10	-10	-10	-10
				-24	-24	-24	-24	-24
Total Federal funds .....	BA	<b>5,571</b>	<b>6,021</b>	<b>5,831</b>	<b>5,621</b>	<b>5,659</b>	<b>5,742</b>	<b>5,886</b>
	O	5,216	5,392	5,678	5,937	6,086	5,927	5,938
Trust funds:								
(As shown in detail above) .....	BA	<b>1,470</b>	<b>1,580</b>	<b>2,381</b>	<b>1,732</b>	<b>1,681</b>	<b>1,683</b>	<b>1,683</b>
	O	1,511	1,473	1,854	1,880	1,785	1,755	1,764
Deductions for offsetting receipts:								
Proprietary receipts from the public .....	304 BA/O	-313	-175	-175	-175	-175	-175	-175
Total Trust funds .....	BA	<b>1,157</b>	<b>1,405</b>	<b>2,206</b>	<b>1,557</b>	<b>1,506</b>	<b>1,508</b>	<b>1,508</b>
	O	1,198	1,298	1,679	1,705	1,610	1,580	1,589
Interfund transactions .....	304 BA/O	-250	-250	-250	-250	-250	-250	-250
Total Environmental Protection Agency .....	BA	<b>6,478</b>	<b>7,176</b>	<b>7,787</b>	<b>6,928</b>	<b>6,915</b>	<b>7,000</b>	<b>7,144</b>
	O	6,164	6,440	7,107	7,392	7,446	7,257	7,277

**EXECUTIVE OFFICE OF THE PRESIDENT**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>Compensation of the President and the White House Office</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Compensation of the President and the White House Office:								
Appropriation, current .....	802 BA	<b>40</b>	<b>52</b>	<b>53</b>	<b>53</b>	<b>53</b>	<b>53</b>	<b>53</b>
Spending authority from offsetting collections .....	BA		<b>1</b>					
Outlays .....	O	39	51	50	54	53	53	53
Compensation of the President and the White House Office (gross) .....	BA	<b>40</b>	<b>53</b>	<b>53</b>	<b>53</b>	<b>53</b>	<b>53</b>	<b>53</b>
	O	39	51	50	54	53	53	53
Total, offsetting collections .....			-1					
Total Compensation of the President and the White House Office (net) .....	BA	<b>40</b>	<b>52</b>	<b>53</b>	<b>53</b>	<b>53</b>	<b>53</b>	<b>53</b>
	O	39	50	50	54	53	53	53

**Executive Residence at the White House**

*Federal funds*

<b>General and Special Funds:</b>								
Operating expenses:								
Appropriation, current .....	802 BA	<b>8</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>10</b>	<b>10</b>	<b>11</b>
Spending authority from offsetting collections .....	BA	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>3</b>
Outlays .....	O	10	11	11	11	12	13	14
Operating expenses (gross) .....	BA	<b>10</b>	<b>10</b>	<b>11</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>14</b>
	O	10	11	11	11	12	13	14

**EXECUTIVE OFFICE OF THE PRESIDENT—Continued**  
(In millions of dollars)

Account	1997 actual	estimate						
		1998	1999	2000	2001	2002	2003	
Total, offsetting collections .....		-2	-2	-2	-2	-2	-3	-3
Total Operating expenses (net) .....	BA	8	8	9	9	10	10	11
	O	8	9	9	9	10	10	11
White house repair and restoration:								
Outlays .....	802 O	1						
Total Federal funds Executive Residence at the White House .....	BA	8	8	9	9	10	10	11
	O	9	9	9	9	10	10	11

**Speical Assistance to the President and the Official Residence of the Vice President**

*Federal funds*

**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	3	3	3	4	4	4	4

**Council of Economic Advisors**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	802 BA	3	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*

**General and Special Funds:**

Council on Environmental Quality and Office of Environmental Quality:

Appropriation, current .....	802 BA	2	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

Total, offsetting collections .....		-1	-1	-1	-1	-1	-1	-1
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Total Management fund, Office of Environmental Quality (net) .....	BA							
	O							

Total Federal funds Council on Environmental Quality and Office of Environmental Quality .....	BA	2	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	4	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

**EXECUTIVE OFFICE OF THE PRESIDENT—Continued**  
(In millions of dollars)

Account	1997 actual	estimate						
		1998	1999	2000	2001	2002	2003	
<b>Office of Administration</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current	802 BA	26	29	40	29	29	29	30
Spending authority from offsetting collections	BA	5	6	6	6	6	6	6
Outlays	O	32	34	45	37	35	35	36
Salaries and expenses (gross)	BA	31	35	46	35	35	35	36
	O	32	34	45	37	35	35	36
Total, offsetting collections		-5	-6	-6	-6	-6	-6	-6
Total Salaries and expenses (net)	BA	26	29	40	29	29	29	30
	O	27	28	39	31	29	29	30
<b>Armstrong Resoultion</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Armstrong resolution account:								
Outlays	802 O	3	6	2				
<b>Office of Management and Budget</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current	802 BA	56	57	59	57	57	57	59
				2				
Outlays	O	56	57	59	57	57	57	59
				2				
Total Salaries and expenses	BA	56	57	61	57	57	57	59
	O	56	57	61	57	57	57	59
<b>Office of National Drug Control Policy</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses								
(Federal law enforcement activities):								
(Appropriation, current)	751 BA		14					
(Outlays)	O		12	2				
(Executive direction and management):								
(Appropriation, current)	802 BA	41	35	36	36	36	36	37
(Outlays)	O	42	29	36	36	36	36	37
Total Salaries and expenses	BA	41	49	36	36	36	36	37
	O	42	41	38	36	36	36	37
Total Federal funds Office of National Drug Control Policy	BA	41	49	36	36	36	36	37
	O	42	41	38	36	36	36	37
<b>Office of Science and Technology Policy</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current	802 BA	5	5	5	5	5	5	5
Outlays	O	5	5	5	5	5	5	5
<b>Office of the United States Trade Representative</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current	802 BA	21	23	25	25	25	25	25



**EXECUTIVE OFFICE OF THE PRESIDENT—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	21	23	25	26	25	25	25
<b>Unanticipated Needs</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Unanticipated needs:								
Appropriation, current .....	802 BA		1	1	1	1	1	1
Outlays .....	O		1	1	1	1	1	1
<b>Summary</b>								
Federal funds:								
Total Executive Office of the President .....	BA	217	246	252	237	238	238	243
	O	221	240	251	241	238	238	243

**FEDERAL EMERGENCY MANAGEMENT AGENCY**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Disaster relief:								
Appropriation, current .....	453 BA	4,620	320	308	307	304	300	308
Outlays .....	O	2,551	3,252	2,642	1,793	1,135	780	304
Pre-disaster mitigation:								
Appropriation, current .....	453 BA			50	50	50	50	50
Outlays .....	O			25	45	50	50	50
Salaries and expenses								
(Defense-related activities):								
(Appropriation, current) .....	054 BA	23	24	25	25	25	25	25
(Spending authority from offsetting collections) .....	BA	3	4	4	4	4	4	4
(Outlays) .....	O	42	28	29	29	29	29	29
Salaries and expenses (gross) .....	BA	26	28	29	29	29	29	29
	O	42	28	29	29	29	29	29
Total, offsetting collections .....		-3	-4	-4	-4	-4	-4	-4
Total (Defense-related activities) (net) .....	BA	23	24	25	25	25	25	25
	O	39	24	25	25	25	25	25
(Disaster relief and insurance):								
(Appropriation, current) .....	453 BA	148	148	146	145	144	142	146
(Spending authority from offsetting collections) .....	BA		2	2	2	2	2	2
(Outlays) .....	O	169	153	149	147	146	144	147
Salaries and expenses (gross) .....	BA	171	174	173	172	171	169	173
	O	208	177	174	172	171	169	172
Total, offsetting collections .....			-2	-2	-2	-2	-2	-2
Total (Disaster relief and insurance) (net) .....	BA	148	148	146	145	144	142	146
	O	169	151	147	145	144	142	145
Total Salaries and expenses .....	BA	171	172	171	170	169	167	171
	O	208	175	172	170	169	167	170
Emergency management planning and assistance								
(Defense-related activities):								
(Appropriation, current) .....	054 BA	19	21	18	18	18	18	18
(Spending authority from offsetting collections) .....	BA	32	62	60	60	60	60	62
(Outlays) .....	O	44	82	78	78	78	78	80
Emergency management planning and assistance (gross) .....	BA	51	83	78	78	78	78	80
	O	44	82	78	78	78	78	80

**FEDERAL EMERGENCY MANAGEMENT AGENCY—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Total, offsetting collections .....		-32	-62	-60	-60	-60	-60	-62
Total (Defense-related activities) (net) .....	BA	19	21	18	18	18	18	18
	O	12	20	18	18	18	18	18
(Disaster relief and insurance):								
(Appropriation, current) .....	453 BA	200	223	178	177	175	171	177
(Spending authority from offsetting collections) .....	BA	2	14	3	3	3	3	3
(Outlays) .....	O	173	221	203	185	179	176	177
Emergency management planning and assistance (gross) .....	BA	221	258	199	198	196	192	198
	O	185	241	221	203	197	194	195
Total, offsetting collections .....		-2	-14	-3	-3	-3	-3	-3
Total (Disaster relief and insurance) (net) .....	BA	200	223	178	177	175	171	177
	O	171	207	200	182	176	173	174
Total Emergency management planning and assistance .....	BA	219	244	196	195	193	189	195
	O	183	227	218	200	194	191	192
Office of the Inspector General:								
Appropriation, current .....	453 BA	5	5	5	5	5	5	5
Outlays .....	O	6	5	5	5	5	5	5
Emergency food and shelter program:								
Appropriation, current .....	605 BA	100	100	100	100	100	100	100
Outlays .....	O	100	100	100	100	100	100	100
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
Radiological emergency preparedness fund (gross) .....	BA			13	13	13	13	13
	O			9	13	13	13	13
Total, offsetting collections .....				-13	-13	-13	-13	-13
Total Radiological emergency preparedness fund (net) .....	BA							
	O			-4				
<b>Public Enterprise Funds:</b>								
National insurance development fund:								
Authority to borrow, permanent .....	451 BA	1						
Outlays .....	O	1	3	3	1			
National flood insurance fund:								
Authority to borrow, permanent .....	453 BA	100						
Spending authority from offsetting collections .....	BA	1,108	1,193	1,285	1,355	1,429	1,507	1,590
Outlays .....	O	1,386	1,157	1,246	1,314	1,386	1,462	1,542
National flood insurance fund (gross) .....	BA	1,208	1,193	1,285	1,355	1,429	1,507	1,590
	O	1,386	1,157	1,246	1,314	1,386	1,462	1,542
Total, offsetting collections .....		-1,108	-1,230	-1,353	-1,448	-1,549	-1,652	-1,761
Total National flood insurance fund (net) .....	BA	100	-37	-68	-93	-120	-145	-171
	O	278	-73	-107	-134	-163	-190	-219
<b>Intragovernmental Funds:</b>								
Working capital fund:								
Spending authority from offsetting collections .....	803 BA	1	18	20	20	20	20	20
Outlays .....	O		14	20	20	20	20	20
Working capital fund (gross) .....	BA	1	18	20	20	20	20	20
	O		14	20	20	20	20	20
Total, offsetting collections .....		-1	-18	-20	-20	-20	-20	-20
Total Working capital fund (net) .....	BA							
	O	-1	-4					
<b>Credit Accounts:</b>								
Disaster assistance direct loan program account:								
Appropriation, current .....	453 BA	2	2	2	2	2	2	2
Outlays .....	O	34	30	23	2	2	2	2

**FEDERAL EMERGENCY MANAGEMENT AGENCY—Continued**  
(In millions of dollars)

Account	1997 actual	estimate					
		1998	1999	2000	2001	2002	2003
Limitation on direct loan activity .....	(25)	(25)	(25)	(25)	(25)	(25)	(25)
Disaster assistance direct loan liquidating account:							
Spending authority from offsetting collections .....	453 BA						
Disaster assistance direct loan liquidating account (gross) .....	BA						
Total, offsetting collections .....		-5	-6	-6	-6	-6	-6
<b>Summary</b>							
Federal funds:							
(As shown in detail above) .....	BA	5,218	801	758	730	697	654
	O	3,360	3,710	3,071	2,176	1,486	598
Deductions for offsetting receipts:							
Proprietary receipts from the public .....	453 BA/O	-25					
Offsetting governmental receipts .....	453 BA/O	-9	-12				
Total Federal Emergency Management Agency .....	BA	5,184	789	758	730	697	654
	O	3,326	3,698	3,071	2,176	1,486	598

**GENERAL SERVICES ADMINISTRATION**  
(In millions of dollars)

Account	1997 actual	estimate					
		1998	1999	2000	2001	2002	2003
<b>Real Property Activities</b>							
<i>Federal funds</i>							
<b>General and Special Funds:</b>							
Real property relocation:							
Outlays .....	804 O	1	12				
Pennsylvania avenue activities:							
Appropriation, current .....	451 BA		5				
Spending authority from offsetting collections .....	BA	2	1				
Outlays .....	O	154	116				
Pennsylvania avenue activities (gross) .....	BA	2	6				
	O	154	116				
Total, offsetting collections .....		-2	-1				
Total Pennsylvania avenue activities (net) .....	BA		5				
	O	152	115				
Disposal of surplus real and related personal property:							
Appropriation, permanent .....	804 BA	2	5	5	6	6	7
Outlays .....	O	1	5	5	6	6	7
<b>Public Enterprise Funds:</b>							
Land acquisition and development fund:							
Appropriation, current .....	451 BA		176				
Outlays .....	O		176				
<b>Intragovernmental Funds:</b>							
Federal buildings fund:							
Appropriation, current .....	804 BA	393	-5				
Spending authority from offsetting collections .....	BA	6,503	5,569	5,841	5,935	6,055	6,184
Outlays .....	O	6,166	6,062	5,909	6,030	6,174	6,127
Limitation on program level (obligations) .....		(5,527)	(4,941)	(5,066)	(5,138)	(5,273)	(5,383)
Federal buildings fund (gross) .....	BA	6,896	5,564	5,841	5,935	6,055	6,184
	O	6,166	6,062	5,909	6,030	6,174	6,127
Change in orders on hand from Federal sources .....	BA	-1,019					
Total, offsetting collections .....		-5,484	-5,577	-5,869	-5,965	-6,090	-6,222
Total Federal buildings fund (net) .....	BA	393	-13	-28	-30	-35	-38
	O	682	485	40	65	84	-95
Total Federal funds Real Property Activities .....	BA	395	173	-23	-24	-29	-31
	O	836	793	45	71	90	-88

**GENERAL SERVICES ADMINISTRATION—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>Supply and Technology Activities</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Expenses of transportation audit contracts and contract administration:								
Appropriation, permanent .....	804	BA	15	11	11	11	11	11
Outlays .....		O	12	11	11	11	11	11
<b>Intragovernmental Funds:</b>								
General supply fund:								
Spending authority from offsetting collections .....	804	BA	3,210	3,214	3,268	3,326	3,388	3,448
Outlays .....		O	3,268	3,214	3,268	3,326	3,388	3,448
General supply fund (gross) .....		BA	3,210	3,214	3,268	3,326	3,388	3,448
		O	3,268	3,214	3,268	3,326	3,388	3,448
Change in orders on hand from Federal sources .....		BA	30					
Total, offsetting collections .....			-3,240	-3,214	-3,268	-3,326	-3,388	-3,448
Total General supply fund (net) .....		BA						
		O	28					
Information technology fund:								
Spending authority from offsetting collections .....	804	BA	3,351	2,902	3,613	3,966	4,053	4,142
Outlays .....		O	2,362	2,965	3,657	3,999	4,069	4,142
Information technology fund (gross) .....		BA	3,351	2,902	3,613	3,966	4,053	4,142
		O	2,362	2,965	3,657	3,999	4,069	4,142
Change in orders on hand from Federal sources .....		BA	-1,044					
Total, offsetting collections .....			-2,307	-2,902	-3,613	-3,966	-4,053	-4,142
Total Information technology fund (net) .....		BA						
		O	55	63	44	33	16	
Total Federal funds Supply and Technology Activities .....		BA	15	11	11	11	11	11
		O	95	74	55	44	27	11
<b>General Activities</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Policy and operations:								
Appropriation, current .....	804	BA	118	107	106	106	106	100
Spending authority from offsetting collections .....		BA	9	14	14	11	11	11
Outlays .....		O	128	119	118	115	115	109
Policy and operations (gross) .....		BA	127	121	120	117	117	111
		O	128	119	118	115	115	109
Change in orders on hand from Federal sources .....		BA	-2					
Total, offsetting collections .....			-7	-14	-14	-11	-11	-11
Total Policy and operations (net) .....		BA	118	107	106	106	106	100
		O	121	105	104	104	104	98
Office of Inspector General:								
Appropriation, current .....	804	BA	34	34	32	32	32	32
Outlays .....		O	33	34	31	31	31	31
Allowances and office staff for former Presidents:								
Appropriation, current .....	802	BA	2	2	2	2	2	3
Outlays .....		O	2	2	2	2	2	3
Expenses, presidential transition:								
Appropriation, current .....	802	BA	6				6	
Outlays .....		O					6	
<b>Public Enterprise Funds:</b>								
Consumer information center fund:								
Appropriation, current .....	376	BA	2	2	2	2	2	2
Spending authority from offsetting collections .....		BA	3	3	3	3	3	3

**GENERAL SERVICES ADMINISTRATION—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	5	5	5	5	5	5	5
Consumer information center fund (gross) .....	BA	5	5	5	5	5	5	5
	O	5	5	5	5	5	5	5
Total, offsetting collections .....		-3	-3	-3	-3	-3	-3	-3
Total Consumer information center fund (net) .....	BA	2	2	2	2	2	2	2
	O	2	2	2	2	2	2	2
<b>Intragovernmental Funds:</b>								
Working capital fund:								
Reappropriation .....	804 BA	15						
Spending authority from offsetting collections .....	BA	191	262	268	269	270	270	275
Outlays .....	O	195	262	268	269	270	270	275
Working capital fund (gross) .....	BA	206	262	268	269	270	270	275
	O	195	262	268	269	270	270	275
Total, offsetting collections .....		-191	-262	-268	-269	-270	-270	-275
Total Working capital fund (net) .....	BA	15						
	O	4						
Total Federal funds General Activities .....	BA	177	145	142	142	148	137	137
	O	162	143	139	139	145	134	134
<b>Summary</b>								
Federal funds:								
(As shown in detail above) .....	BA	587	329	130	129	130	117	155
	O	1,093	1,010	239	254	262	57	144
Deductions for offsetting receipts:								
Proprietary receipts from the public .....	407 BA/O						-540	
	804 BA/O	-9	-66	-25	-26	-28	-29	-29
Total General Services Administration .....	BA	578	263	105	103	102	-452	126
	O	1,084	944	214	228	234	-512	115

**INTERNATIONAL ASSISTANCE PROGRAM**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>International Security Assistance</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Economic support fund:								
Appropriation, current .....	152 BA	2,385	2,420	2,514	2,522	2,519	2,527	2,535
Outlays .....	O	2,226	2,421	2,418	2,445	2,469	2,484	2,495
Foreign military financing program:								
Appropriation, current .....	152 BA	3,289	3,343	3,276	3,276	3,276	3,276	3,276
Outlays .....	O	2,960	3,213	3,178	3,162	3,119	3,120	3,176
International military education and training:								
Appropriation, current .....	152 BA	43	50	50	50	50	50	50
Outlays .....	O	34	46	49	50	50	50	50
Military-to-military contact program:								
Outlays .....	152 O		2	1				
Peacekeeping operations:								
Appropriation, current .....	152 BA	97	78	83	83	83	83	83
Outlays .....	O	106	94	81	83	83	83	83
Non-proliferation, anti-terrorism, demining, and related programs:								
Appropriation, current .....	152 BA	109	133	216	213	210	208	206
Outlays .....	O	71	110	183	203	211	209	207
Assistance for relocation of facilities in Israel:								
Spending authority from offsetting collections .....	152 BA	1						

**INTERNATIONAL ASSISTANCE PROGRAM—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	1	-1					
Assistance for relocation of facilities in Israel (gross) .....	BA	1						
	O	1	-1					
Total, offsetting collections .....		-2						
Total Assistance for relocation of facilities in Israel (net) .....	BA	-1						
	O	-1	-1					
<b>Nonproliferation and Disarmament Fund:</b>								
Outlays .....	152 O	6	16	7				
<b>Credit Accounts:</b>								
<b>Foreign military financing loan program account:</b>								
Appropriation, current .....	152 BA	58	20	20	20	20	20	20
Appropriation, permanent .....	BA	24	19					
Outlays .....	O	64	65	39	57	73	32	20
Limitation on direct loan activity .....		(540)	(657)	(167)	(167)	(167)	(167)	(167)
Total Foreign military financing loan program account .....	BA	82	39	20	20	20	20	20
	O	64	65	39	57	73	32	20
<b>Foreign military loan liquidating account:</b>								
Appropriation, permanent .....	152 BA	16	28	31	21	7	8	7
Spending authority from offsetting collections .....	BA	32	21	15	14	19	17	18
Outlays .....	O	48	49	46	35	26	25	25
Foreign military loan liquidating account (gross) .....	BA	48	49	46	35	26	25	25
	O	48	49	46	35	26	25	25
Total, offsetting collections .....		-240	-259	-237	-235	-253	-251	-252
Total Foreign military loan liquidating account (net) .....	BA	-192	-210	-191	-200	-227	-226	-227
	O	-192	-210	-191	-200	-227	-226	-227
<b>Summary</b>								
<b>Federal funds:</b>								
(As shown in detail above) .....	BA	5,812	5,853	5,968	5,964	5,931	5,938	5,943
	O	5,274	5,756	5,765	5,800	5,778	5,752	5,804
<b>Deductions for offsetting receipts:</b>								
Proprietary receipts from the public .....	152 BA/O	-653	-553	-391	-261	-186	-134	-85
	908 BA/O	-208	-172	-137	-104	-90	-80	-71
Total International Security Assistance .....	BA	4,951	5,128	5,440	5,599	5,655	5,724	5,787
	O	4,413	5,031	5,237	5,435	5,502	5,538	5,648

**Multilateral Assistance**

*Federal funds*

**General and Special Funds:**

<b>Contribution to the International Bank for Reconstruction and Development:</b>								
Appropriation, current .....	151 BA	35	48	300	108	108	108	
Outlays .....	O	67	37	61	74	89	109	109
<b>Contribution to the International Development Association:</b>								
Appropriation, current .....	151 BA	700	1,035	800				
Outlays .....	O	1,227	1,058	911	897	649	508	296
<b>Contribution to the International Finance Corporation:</b>								
Appropriation, current .....	151 BA	7						
Outlays .....	O	60	33	3				
<b>Contribution to the Inter-American Development Bank:</b>								
Appropriation, current .....	151 BA	36	46	47	26			
Outlays .....	O	106	73	37	33	30	25	20
<b>Contribution to the Asian Development Bank:</b>								
Appropriation, current .....	151 BA	113	163	263	150	101		
Outlays .....	O	181	187	166	183	180	168	157
<b>Contribution to the African Development Fund:</b>								
Appropriation, current .....	151 BA		45	155				
Outlays .....	O	85	72	77	86	89	79	59
<b>Contribution to the European Bank for Reconstruction and Development:</b>								
Appropriation, current .....	151 BA	12	36	36	36	36	36	36
Outlays .....	O	31	33	25	28	32	36	36

**INTERNATIONAL ASSISTANCE PROGRAM—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
North American development bank:								
Appropriation, current	151 BA	56	57					
Outlays	O	56	6	11	11	11	17	
Multilateral development banks, Other:								
Appropriation, current	151 BA				899	899	979	1,077
Outlays	O				66	168	367	546
Contribution to enterprise for the Americas multilateral investment fund:								
Appropriation, current	151 BA	28	30	50	99			
Outlays	O		45	55	54	61	54	51
Department of the Treasury, International affairs technical assistance program:								
Appropriation, current	151 BA			5	5	5	5	5
Outlays	O				3	4	4	5
International organizations and programs:								
Appropriation, current	151 BA	272	294	314	314	314	314	314
Outlays	O	307	288	312	314	314	314	314
<b>Credit Accounts:</b>								
Debt restructuring:								
Appropriation, current	151 BA	27	27	72	37	37	37	37
Outlays	O	21	26	66	53	39	37	37
Total Federal funds Multilateral Assistance	BA O	1,286 2,141	1,781 1,858	2,042 1,724	1,674 1,802	1,500 1,666	1,479 1,718	1,469 1,630

**International Development Assistance**

*Agency for International Development*

*Federal funds*

**General and Special Funds:**

Sustainable development assistance program:								
Appropriation, current	151 BA	1,130	1,168	1,255	1,240	1,277	1,314	1,353
Spending authority from offsetting collections	BA	3						
Outlays	O	1,165	1,149	1,041	1,089	1,154	1,224	1,276
Sustainable development assistance program (gross)	BA O	1,133 1,165	1,168 1,149	1,255 1,041	1,240 1,089	1,277 1,154	1,314 1,224	1,353 1,276
Total, offsetting collections		-3						
Total Sustainable development assistance program (net)	BA O	1,130 1,162	1,168 1,149	1,255 1,041	1,240 1,089	1,277 1,154	1,314 1,224	1,353 1,276
Child survival and disease programs:								
Appropriation, current	151 BA	500	550	504	500	500	500	500
Outlays	O	5	214	469	510	500	486	489
Assistance for Eastern Europe and the Baltic States:								
Appropriation, current	151 BA	406	483	463	175	100	50	
Outlays	O	539	479	303	353	272	228	149
Assistance for the new independent States of the Former Soviet Union:								
Appropriation, current	151 BA	470	769	922	809	650	560	500
Outlays	O	705	717	514	663	693	712	659
Development fund for Africa:								
Appropriation, current	151 BA		1					
Outlays	O	565	287	196	143	95	57	16
Sahel development program:								
Outlays	151 O	1	1					
American schools and hospitals abroad:								
Outlays	151 O	7	3	3				
Sub-Saharan Africa disaster assistance:								
Outlays	151 O	1	2	2				
International disaster assistance:								
Appropriation, current	151 BA	190	190	205	209	214	218	223
Outlays	O	170	178	172	192	206	212	217
Operating expenses of the Agency for International Development:								
Appropriation, current	151 BA	488	479	484	484	484	484	484
Spending authority from offsetting collections	BA	6	5	5	5	5	5	5

**INTERNATIONAL ASSISTANCE PROGRAM—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	460	484	479	482	481	487	487
Operating expenses of the Agency for International Development (gross) .....	BA	<b>494</b>	<b>484</b>	<b>489</b>	<b>489</b>	<b>489</b>	<b>489</b>	<b>489</b>
	O	460	484	479	482	481	487	487
Total, offsetting collections .....		-6	-5	-5	-5	-5	-5	-5
Total Operating expenses of the Agency for International Development (net) .....	BA	<b>488</b>	<b>479</b>	<b>484</b>	<b>484</b>	<b>484</b>	<b>484</b>	<b>484</b>
	O	454	479	474	477	476	482	482
Payment to the Foreign Service retirement and disability fund:								
Appropriation, current .....	153 BA	<b>44</b>	<b>44</b>	<b>45</b>	<b>46</b>	<b>46</b>	<b>47</b>	<b>48</b>
Outlays .....	O	44	44	45	46	46	47	48
Operating expenses of AID, Office of Inspector General:								
Appropriation, current .....	151 BA	<b>30</b>	<b>29</b>	<b>33</b>	<b>33</b>	<b>33</b>	<b>33</b>	<b>33</b>
Outlays .....	O	25	28	32	32	33	33	33
<b>Public Enterprise Funds:</b>								
Property management fund:								
Spending authority from offsetting collections .....	151 BA	<b>2</b>	<b>1</b>					
Property management fund (gross) .....	BA	<b>2</b>	<b>1</b>					
Total, offsetting collections .....		-2	-1					
<b>Credit Accounts:</b>								
Assistance for the New Independent States of the Former Soviet Union: Ukraine export credit insurance program account:								
Outlays .....	151 O	19						
Urban and environmental credit program account:								
Appropriation, current .....	151 BA	<b>10</b>	<b>9</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>
Outlays .....	O	5	17	14	8	10	11	12
Housing and other credit guaranty programs liquidating account:								
Appropriation, permanent .....	151 BA	<b>38</b>		<b>25</b>	<b>50</b>		<b>1</b>	<b>2</b>
Spending authority from offsetting collections .....	BA	<b>83</b>	<b>57</b>	<b>34</b>	<b>30</b>	<b>22</b>	<b>15</b>	<b>15</b>
Outlays .....	O	58	35	21	23	17	16	16
Housing and other credit guaranty programs liquidating account (gross) .....	BA	<b>121</b>	<b>57</b>	<b>59</b>	<b>80</b>	<b>22</b>	<b>16</b>	<b>17</b>
	O	58	35	21	23	17	16	16
Total, offsetting collections .....		-83	-57	-34	-30	-22	-15	-15
Total Housing and other credit guaranty programs liquidating account (net) .....	BA	<b>38</b>		<b>25</b>	<b>50</b>		<b>1</b>	<b>2</b>
	O	-25	-22	-13	-7	-5	1	1
Micro and small enterprise development program account:								
Appropriation, current .....	151 BA	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
Outlays .....	O	1	2	2	2	2	2	2
Private sector revolving fund liquidating account:								
Spending authority from offsetting collections .....	151 BA	<b>1</b>						
Private sector revolving fund liquidating account (gross) .....	BA	<b>1</b>						
Total, offsetting collections .....		-1						
Development credit authority program account:								
Appropriation, current .....	151 BA		<b>8</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>
Outlays .....	O			6	13	18	15	15
Economic assistance loans — liquidating account:								
Spending authority from offsetting collections .....	151 BA	<b>921</b>	<b>944</b>	<b>890</b>	<b>795</b>	<b>761</b>	<b>735</b>	<b>693</b>
Outlays .....	O	10						
Economic assistance loans — liquidating account (gross) .....	BA	<b>921</b>	<b>944</b>	<b>890</b>	<b>795</b>	<b>761</b>	<b>735</b>	<b>693</b>
	O	10						
Total, offsetting collections .....		-921	-944	-890	-795	-761	-735	-693
Total Economic assistance loans — liquidating account (net) .....	BA							
	O	-911	-944	-890	-795	-761	-735	-693
<i>Trust funds</i>								
Foreign service national separation liability trust fund:								
Appropriation, permanent .....	602 BA	<b>3</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
Outlays .....	O	1	1	1	1	1	1	1



**INTERNATIONAL ASSISTANCE PROGRAM—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					2003
			1998	1999	2000	2001	2002	
Miscellaneous trust funds, AID:								
Appropriation, permanent	151 BA	51						
Outlays	O	52	1					
<b>Summary</b>								
Federal funds:								
(As shown in detail above)	BA	3,308	3,732	3,965	3,575	3,333	3,236	3,172
	O	2,764	2,633	2,370	2,726	2,739	2,775	2,706
Deductions for offsetting receipts:								
Proprietary receipts from the public	151 BA/O	-10	-15					
Total Federal funds	BA	3,298	3,717	3,965	3,575	3,333	3,236	3,172
	O	2,754	2,618	2,370	2,726	2,739	2,775	2,706
Trust funds:								
(As shown in detail above)	BA	54	2	2	2	2	2	2
	O	53	2	1	1	1	1	1
Interfund transactions	602 BA/O	-3	-2	-2	-2	-1	-1	-1
Total Agency for International Development	BA	3,349	3,717	3,965	3,575	3,334	3,237	3,173
	O	2,804	2,618	2,369	2,725	2,739	2,775	2,706

*Overseas Private Investment Corporation*

*Federal funds*

**Public Enterprise Funds:**

Overseas Private Investment Corporation noncredit account:

Appropriation, current	151 BA	-19	-79	-70	-70	-70	-70	-70
Spending authority from offsetting collections	BA	84	132	134	134	138	138	138
Outlays	O	34	43	56	57	51	51	51
Overseas Private Investment Corporation noncredit account (gross)	BA	65	53	64	64	68	68	68
	O	34	43	56	57	51	51	51
Change in orders on hand from Federal sources	BA	-3	2					
Total, offsetting collections		-270	-309	-310	-334	-358	-383	-383
Total Overseas Private Investment Corporation noncredit account (net)	BA	-208	-254	-246	-270	-290	-315	-315
	O	-236	-266	-254	-277	-307	-332	-332

**Credit Accounts:**

Overseas private investment corporation program account:

Appropriation, current	151 BA	96	79	70	70	70	70	70
Outlays	O	39	54	57	66	62	62	65
Overseas Private Investment Corporation liquidating account:								
Spending authority from offsetting collections	151 BA	31	25	21	15	10		
Outlays	O	6	25	15	5			
Overseas Private Investment Corporation liquidating account (gross)	BA	31	25	21	15	10		
	O	6	25	15	5			
Total, offsetting collections		-31	-25	-21	-15	-10		
Total Overseas Private Investment Corporation liquidating account (net)	BA							
	O	-25		-6	-10	-10		
Total Federal funds Overseas Private Investment Corporation	BA	-112	-175	-176	-200	-220	-245	-245
	O	-222	-212	-203	-221	-255	-270	-267

*Trade and Development Agency*

*Federal funds*

**General and Special Funds:**

Trade and Development Agency:

Appropriation, current	151 BA	54	42	50	50	50	50	50
Outlays	O	51	60	47	52	57	50	50

**INTERNATIONAL ASSISTANCE PROGRAM—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<i>Peace Corps</i>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Peace Corps:								
Appropriation, current .....	151 BA	220	226	270	322	355	355	355
Spending authority from offsetting collections .....	BA	7	9	9	9	9	9	9
Outlays .....	O	233	246	274	317	355	362	364
Peace Corps (gross) .....	BA	227	235	279	331	364	364	364
	O	233	246	274	317	355	362	364
Total, offsetting collections .....		-7	-9	-9	-9	-9	-9	-9
Total Peace Corps (net) .....	BA	220	226	270	322	355	355	355
	O	226	237	265	308	346	353	355
<i>Trust funds</i>								
Peace Corps miscellaneous trust fund:								
Appropriation, permanent .....	151 BA		1	1	1	1	1	1
Outlays .....	O	1	1	1	1	1	1	1
<i>Inter-American Foundation</i>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Inter-American Foundation:								
Appropriation, current .....	151 BA	20	22	22	22	23	23	24
Spending authority from offsetting collections .....	BA	2	8	8	4			
Outlays .....	O	22	28	29	30	26	24	24
Inter-American Foundation (gross) .....	BA	22	30	30	26	23	23	24
	O	22	28	29	30	26	24	24
Total, offsetting collections .....		-2	-8	-8	-4			
Total Inter-American Foundation (net) .....	BA	20	22	22	22	23	23	24
	O	20	20	21	26	26	24	24
<i>African Development Foundation</i>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
African Development Foundation:								
Appropriation, current .....	151 BA	12	14	14	14	15	15	15
Spending authority from offsetting collections .....	BA		1	1	1	1	1	1
Outlays .....	O	10	13	15	13	14	16	16
African Development Foundation (gross) .....	BA	12	15	15	15	16	16	16
	O	10	13	15	13	14	16	16
Total, offsetting collections .....			-1	-1	-1	-1	-1	-1
Total African Development Foundation (net) .....	BA	12	14	14	14	15	15	15
	O	10	12	14	12	13	15	15
Total Federal funds International Development Assistance .....	BA	3,492	3,846	4,145	3,783	3,556	3,434	3,371
	O	2,839	2,735	2,514	2,903	2,926	2,947	2,883
Total Trust funds International Development Assistance .....	BA	54	3	3	3	3	3	3
	O	54	3	2	2	2	2	2
Interfund transactions .....	602 BA/O	-3	-2	-2	-2	-1	-1	-1
Total International Development Assistance .....	BA	3,543	3,847	4,146	3,784	3,558	3,436	3,373
	O	2,890	2,736	2,514	2,903	2,927	2,948	2,884

**INTERNATIONAL ASSISTANCE PROGRAM—Continued**  
(In millions of dollars)

Account	1997 actual	estimate					
		1998	1999	2000	2001	2002	2003
<b>International Monetary Programs</b>							
<i>Federal funds</i>							
<b>General and Special Funds:</b>							
United States quota, International Monetary Fund:							
Outlays .....	155 O	761					
Contribution to enhanced structural adjustment facility of the International Monetary Fund:							
Appropriation, current .....	155 BA		7	17	17	17	17
Outlays .....	O	26	24	22	16	10	5
Total Federal funds International Monetary Programs .....	BA O		7	17	17	17	17
		787	24	22	16	10	5
<b>Military Sales Program</b>							
<i>Federal funds</i>							
<b>Public Enterprise Funds:</b>							
Special defense acquisition fund:							
Appropriation, current .....	155 BA	1	3	6			
Outlays .....	O	14	27	20	1	4	2
Special defense acquisition fund (gross) .....	BA O	1 14	3 27	6 20			
Total, offsetting collections .....		-89	-80	-56			
Total Special defense acquisition fund (net) .....	BA O	-88 -75	-77 -53	-50 -36	1	4	2
<i>Trust funds</i>							
Foreign military sales trust fund:							
Contract authority, permanent .....	155 BA	13,899	13,350	11,320	10,160	10,210	9,710
Outlays .....	O	15,096	13,760	12,550	11,790	11,090	10,570
<b>Summary</b>							
Federal funds:							
(As shown in detail above) .....	BA O	-88 -75	-77 -53	-50 -36	1	4	2
Trust funds:							
(As shown in detail above) .....	BA O	13,899 15,096	13,350 13,760	11,320 12,550	10,160 11,790	10,210 11,090	9,710 10,570
Deductions for offsetting receipts:							
Proprietary receipts from the public .....	155 BA/O	-15,128	-13,750	-12,550	-11,790	-11,090	-10,570
Total Trust funds .....	BA O	-1,229 -32	-400 10	-1,230	-1,630	-880	-860
Total Military Sales Program .....	BA O	-1,317 -107	-477 -43	-1,280 -36	-1,630 1	-880 4	-860 2
<b>Special Assistance for Central America</b>							
<i>Federal funds</i>							
<b>General and Special Funds:</b>							
Demobilization and transition fund:							
Outlays .....	152 O	2	3				
<b>International Commodity Agreements</b>							
<b>Summary</b>							
Federal funds:							
Deductions for offsetting receipts:							
Proprietary receipts from the public .....	155 BA/O					-75	-25
Total International Commodity Agreements .....	BA O					-75	-25

**INTERNATIONAL ASSISTANCE PROGRAM—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					2003
			1998	1999	2000	2001	2002	
<b>Summary</b>								
<b>Federal funds:</b>								
(As shown in detail above) .....	BA	10,512	11,418	12,112	11,438	11,004	10,868	10,800
	O	10,978	10,338	9,989	10,522	10,384	10,424	10,324
<b>Deductions for offsetting receipts:</b>								
Proprietary receipts from the public .....	151 BA/O	-10	-15					
	152 BA/O	-653	-553	-391	-261	-186	-134	-85
	155 BA/O					-75	-25	
	908 BA/O	-208	-172	-137	-104	-90	-80	-71
<b>Total Federal funds .....</b>	BA	<b>9,641</b>	<b>10,678</b>	<b>11,584</b>	<b>11,073</b>	<b>10,653</b>	<b>10,629</b>	<b>10,644</b>
	O	10,107	9,598	9,461	10,157	10,033	10,185	10,168
<b>Trust funds:</b>								
(As shown in detail above) .....	BA	13,953	13,353	11,323	10,163	10,213	9,713	8,783
	O	15,150	13,763	12,552	11,792	11,092	10,572	9,772
<b>Deductions for offsetting receipts:</b>								
Proprietary receipts from the public .....	155 BA/O	-15,128	-13,750	-12,550	-11,790	-11,090	-10,570	-9,770
<b>Total Trust funds .....</b>	BA	<b>-1,175</b>	<b>-397</b>	<b>-1,227</b>	<b>-1,627</b>	<b>-877</b>	<b>-857</b>	<b>-987</b>
	O	22	13	2	2	2	2	2
<b>Interfund transactions .....</b>	602 BA/O	<b>-3</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>
<b>Total International Assistance Program .....</b>	BA	<b>8,463</b>	<b>10,279</b>	<b>10,355</b>	<b>9,444</b>	<b>9,775</b>	<b>9,771</b>	<b>9,656</b>
	O	10,126	9,609	9,461	10,157	10,034	10,186	10,169

**NATIONAL AERONAUTICS AND SPACE ADMINISTRATION**  
(In millions of dollars)

Account		1997 actual	estimate					2003
			1998	1999	2000	2001	2002	
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
<b>Human space flight:</b>								
Appropriation, current .....	252 BA	5,540	5,507	5,511	3,178	3,223	3,164	3,169
Advance appropriation .....	BA				2,134	1,933	1,766	1,546
Spending authority from offsetting collections .....	BA	69	71	200	200	200	200	200
Outlays .....	O	5,740	5,647	5,674	5,579	5,412	5,208	4,991
<b>Human space flight (gross) .....</b>	BA	<b>5,609</b>	<b>5,578</b>	<b>5,711</b>	<b>5,512</b>	<b>5,356</b>	<b>5,130</b>	<b>4,915</b>
	O	5,740	5,647	5,674	5,579	5,412	5,208	4,991
<b>Change in orders on hand from Federal sources .....</b>	BA	<b>15</b>						
<b>Total, offsetting collections .....</b>		<b>-84</b>	<b>-71</b>	<b>-200</b>	<b>-200</b>	<b>-200</b>	<b>-200</b>	<b>-200</b>
<b>Total Human space flight (net) .....</b>	BA	<b>5,540</b>	<b>5,507</b>	<b>5,511</b>	<b>5,312</b>	<b>5,156</b>	<b>4,930</b>	<b>4,715</b>
	O	5,656	5,576	5,474	5,379	5,212	5,008	4,791
<b>Science, Aeronautics and Technology</b>								
<b>(Space flight, research, and supporting activities):</b>								
(Appropriation, current) .....	252 BA	4,746	4,760	4,671	4,798	4,969	5,156	5,345
(Spending authority from offsetting collections) .....	BA	376	585	598	588	588	588	604
(Outlays) .....	O	5,355	5,028	5,229	5,485	5,450	5,625	5,828
<b>Science, Aeronautics and Technology (gross) .....</b>	BA	<b>5,122</b>	<b>5,345</b>	<b>5,269</b>	<b>5,386</b>	<b>5,557</b>	<b>5,744</b>	<b>5,949</b>
	O	5,355	5,028	5,229	5,485	5,450	5,625	5,828
<b>(Change in orders on hand from Federal sources) .....</b>	BA	<b>11</b>						
<b>Total, offsetting collections .....</b>		<b>-388</b>	<b>-585</b>	<b>-598</b>	<b>-588</b>	<b>-588</b>	<b>-588</b>	<b>-604</b>
<b>Total (Space flight, research, and supporting activities) (net) .....</b>	BA	<b>4,745</b>	<b>4,760</b>	<b>4,671</b>	<b>4,798</b>	<b>4,969</b>	<b>5,156</b>	<b>5,345</b>
	O	4,967	4,443	4,631	4,897	4,862	5,037	5,224
<b>(Air transportation):</b>								
(Appropriation, current) .....	402 BA	844	920	786	732	757	761	775
(Spending authority from offsetting collections) .....	BA	64	58	55	64	64	64	66

**NATIONAL AERONAUTICS AND SPACE ADMINISTRATION—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
(Outlays)	O	987	1,205	1,079	867	810	821	833
Science, Aeronautics and Technology (gross)	BA	5,653	5,738	5,512	5,594	5,790	5,981	6,186
	O	5,954	5,648	5,710	5,764	5,672	5,858	6,057
Total, offsetting collections		-63	-58	-55	-64	-64	-64	-66
Total (Air transportation) (net)	BA	845	920	786	732	757	761	775
	O	924	1,147	1,024	803	746	757	767
Total Science, Aeronautics and Technology	BA	5,590	5,680	5,457	5,530	5,726	5,917	6,120
	O	5,891	5,590	5,655	5,700	5,608	5,794	5,991
Mission support								
(Space flight, research, and supporting activities):								
(Appropriation, current)	252 BA	2,154	2,027	2,065	2,029	2,027	2,123	2,167
(Spending authority from offsetting collections)	BA	114	101	111	111	111	111	111
(Outlays)	O	2,207	2,063	2,002	1,998	2,046	2,215	2,261
Mission support (gross)	BA	2,268	2,128	2,176	2,140	2,138	2,234	2,278
	O	2,207	2,063	2,002	1,998	2,046	2,215	2,261
(Change in orders on hand from Federal sources)	BA	-23						
Total, offsetting collections		-91	-101	-111	-111	-111	-111	-111
Total (Space flight, research, and supporting activities) (net)	BA	2,154	2,027	2,065	2,029	2,027	2,123	2,167
	O	2,116	1,962	1,891	1,887	1,935	2,104	2,150
(Air transportation):								
(Appropriation, current)	402 BA	408	406	412	387	386	404	413
(Spending authority from offsetting collections)	BA	19	21	21	21	21	21	21
(Outlays)	O	376	373	432	383	391	423	432
Mission support (gross)	BA	2,581	2,454	2,498	2,437	2,434	2,548	2,601
	O	2,492	2,335	2,323	2,270	2,326	2,527	2,582
(Change in orders on hand from Federal sources)	BA	-4						
Total, offsetting collections		-15	-21	-21	-21	-21	-21	-21
Total (Air transportation) (net)	BA	408	406	412	387	386	404	413
	O	361	352	411	362	370	402	411
Total Mission support	BA	2,562	2,433	2,477	2,416	2,413	2,527	2,580
	O	2,477	2,314	2,302	2,249	2,305	2,506	2,561
Research and development								
(Space flight, research, and supporting activities):								
(Outlays)	252 O	112	134					
Research and development (gross)	O	112	134					
(Change in orders on hand from Federal sources)	BA	25	32					
Total, offsetting collections		-25	-32					
Total (Space flight, research, and supporting activities) (net)	BA							
	O	87	102					
(Air transportation):								
(Outlays)	402 O	15	4					
Research and development (gross)	BA							
	O	102	106					
(Change in orders on hand from Federal sources)	BA	1	2					
Total, offsetting collections		-1	-2					
Total (Air transportation) (net)	BA							
	O	14	2					
Total Research and development	BA							
	O	101	104					

**NATIONAL AERONAUTICS AND SPACE ADMINISTRATION—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Space flight, control, and data communications:								
Outlays	252 O	95	58					
Space flight, control, and data communications (gross)	O	95	58					
Change in orders on hand from Federal sources	BA	3	2					
Total, offsetting collections		-3	-2					
Total Space flight, control, and data communications (net)	BA O	92	56					
Construction of facilities								
(Space flight, research, and supporting activities):								
(Outlays)	252 O	119	30	52				
(Air transportation):								
(Outlays)	402 O	3	40					
Total Construction of facilities	O	122	70	52				
Research and program management								
(Space flight, research, and supporting activities):								
(Outlays)	252 O	2						
Total Research and program management	O	2						
Office of Inspector General:								
Appropriation, current	252 BA	17	18	20	20	20	20	20
Outlays	O	17	18	19	20	20	20	20
<i>Trust funds</i>								
Science, space, and technology education trust fund:								
Appropriation, permanent	503 BA	2	1	1	1	1	1	1
Outlays	O	2	1	1	1	1	1	1
<b>Summary</b>								
Federal funds:								
(As shown in detail above)	BA	13,709	13,638	13,465	13,278	13,315	13,394	13,435
	O	14,358	13,728	13,502	13,348	13,145	13,328	13,363
Trust funds:								
(As shown in detail above)	BA	2	1	1	1	1	1	1
	O	2	1	1	1	1	1	1
Total National Aeronautics and Space Administration	BA	13,711	13,639	13,466	13,279	13,316	13,395	13,436
	O	14,360	13,729	13,503	13,349	13,146	13,329	13,364

**NATIONAL SCIENCE FOUNDATION**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Research and related activities								
(Defense-related activities):								
(Appropriation, current)	054 BA	63	63	63	63	63	63	63
(Outlays)	O	34	72	60	66	66	63	63
(General science and basic research):								
(Appropriation, current)	251 BA	2,370	2,483	2,784	2,874	2,967	3,062	3,161
(Spending authority from offsetting collections)	BA	77	123	100	100	100	100	100
(Outlays)	O	2,198	2,301	2,552	2,750	2,909	3,038	3,146
Research and related activities (gross)	BA	2,510	2,669	2,947	3,037	3,130	3,225	3,324
	O	2,232	2,373	2,612	2,816	2,975	3,101	3,209
(Change in orders on hand from Federal sources)	BA	-4	-2					

**NATIONAL SCIENCE FOUNDATION—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					2003
			1998	1999	2000	2001	2002	
Total, offsetting collections .....		-73	-121	-100	-100	-100	-100	-100
Total (General science and basic research) (net) .....	BA	<b>2,370</b>	<b>2,483</b>	<b>2,784</b>	<b>2,874</b>	<b>2,967</b>	<b>3,062</b>	<b>3,161</b>
	O	2,125	2,180	2,452	2,650	2,809	2,938	3,046
Total Research and related activities .....	BA	<b>2,433</b>	<b>2,546</b>	<b>2,847</b>	<b>2,937</b>	<b>3,030</b>	<b>3,125</b>	<b>3,224</b>
	O	2,159	2,252	2,512	2,716	2,875	3,001	3,109
Academic research infrastructure:								
Outlays .....	251 O	98	77	42	20			
Major research equipment:								
Appropriation, current .....	251 BA	<b>80</b>	<b>109</b>	<b>94</b>	<b>56</b>	<b>64</b>	<b>77</b>	<b>84</b>
Advance appropriation .....	BA				<b>38</b>	<b>30</b>	<b>17</b>	<b>10</b>
Outlays .....	O	133	76	89	99	96	94	94
Total Major research equipment .....	BA	<b>80</b>	<b>109</b>	<b>94</b>	<b>94</b>	<b>94</b>	<b>94</b>	<b>94</b>
	O	133	76	89	99	96	94	94
Salaries and expenses:								
Appropriation, current .....	251 BA	<b>134</b>	<b>137</b>	<b>144</b>	<b>149</b>	<b>154</b>	<b>159</b>	<b>165</b>
Spending authority from offsetting collections .....	BA	<b>4</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
Outlays .....	O	138	146	148	154	158	163	169
Salaries and expenses (gross) .....	BA	<b>138</b>	<b>142</b>	<b>149</b>	<b>154</b>	<b>159</b>	<b>164</b>	<b>170</b>
	O	138	146	148	154	158	163	169
Total, offsetting collections .....		-4	-5	-5	-5	-5	-5	-5
Total Salaries and expenses (net) .....	BA	<b>134</b>	<b>137</b>	<b>144</b>	<b>149</b>	<b>154</b>	<b>159</b>	<b>165</b>
	O	134	141	143	149	153	158	164
Office of the Inspector General:								
Appropriation, current .....	251 BA	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>6</b>
Outlays .....	O	5	5	5	5	6	6	6
Education and human resources:								
Appropriation, current .....	251 BA	<b>619</b>	<b>632</b>	<b>683</b>	<b>701</b>	<b>720</b>	<b>739</b>	<b>758</b>
Spending authority from offsetting collections .....	BA	<b>3</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
Outlays .....	O	579	579	618	660	693	712	735
Education and human resources (gross) .....	BA	<b>622</b>	<b>637</b>	<b>688</b>	<b>706</b>	<b>725</b>	<b>744</b>	<b>763</b>
	O	579	579	618	660	693	712	735
Total, offsetting collections .....		-3	-5	-5	-5	-5	-5	-5
Total Education and human resources (net) .....	BA	<b>619</b>	<b>632</b>	<b>683</b>	<b>701</b>	<b>720</b>	<b>739</b>	<b>758</b>
	O	576	574	613	655	688	707	730
<i>Trust funds</i>								
Donations:								
Appropriation, permanent .....	251 BA	<b>37</b>	<b>40</b>	<b>37</b>	<b>37</b>	<b>34</b>	<b>31</b>	<b>31</b>
Outlays .....	O	25	40	37	37	34	31	31
<b>Summary</b>								
Federal funds:								
(As shown in detail above) .....	BA	<b>3,271</b>	<b>3,429</b>	<b>3,773</b>	<b>3,886</b>	<b>4,004</b>	<b>4,123</b>	<b>4,247</b>
	O	3,105	3,125	3,404	3,644	3,818	3,966	4,103
Trust funds:								
(As shown in detail above) .....	BA	<b>37</b>	<b>40</b>	<b>37</b>	<b>37</b>	<b>34</b>	<b>31</b>	<b>31</b>
	O	25	40	37	37	34	31	31
Total National Science Foundation .....	BA	<b>3,308</b>	<b>3,469</b>	<b>3,810</b>	<b>3,923</b>	<b>4,038</b>	<b>4,154</b>	<b>4,278</b>
	O	3,130	3,165	3,441	3,681	3,852	3,997	4,134

**OFFICE OF PERSONNEL MANAGEMENT**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current	805 BA	87	85	85	81	81	81	83
Spending authority from offsetting collections	BA	126	123	127	127	125	123	126
Outlays	O	202	208	212	208	206	204	209
Salaries and expenses (gross)	BA	213	208	212	208	206	204	209
	O	202	208	212	208	206	204	209
Total, offsetting collections		-126	-123	-127	-127	-125	-123	-126
Total Salaries and expenses (net)	BA	87	85	85	81	81	81	83
	O	76	85	85	81	81	81	83
Office of Inspector General:								
Appropriation, current	805 BA	1	1	1	1	1	1	1
Spending authority from offsetting collections	BA	9	9	9	10	10	10	10
Outlays	O	10	10	10	11	11	11	11
Office of Inspector General (gross)	BA	10	10	10	11	11	11	11
	O	10	10	10	11	11	11	11
Total, offsetting collections		-9	-9	-9	-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	3,087	4,053	4,632	5,006	5,369	5,745	6,161
Outlays	O	3,972	4,130	4,480	4,976	5,339	5,714	6,126
Government payment for annuitants, employee life insurance benefits:								
Appropriation, current	602 BA	28	32	35	38	41	44	47
Outlays	O	28	32	35	37	41	44	47
Payment to civil service retirement and disability fund:								
Appropriation, current	805 BA	8,085	8,367	8,682	8,988	9,078	9,157	9,342
					<sup>A</sup> -103	<sup>A</sup> -385	<sup>A</sup> -722	<sup>A</sup> -1,129
Appropriation, permanent	BA	13,169	12,821	12,802	12,821	12,885	12,989	13,154
Outlays	O	21,254	21,188	21,484	21,809	21,963	22,146	22,496
					<sup>A</sup> -103	<sup>A</sup> -385	<sup>A</sup> -722	<sup>A</sup> -1,129
Total Payment to civil service retirement and disability fund	BA	21,254	21,188	21,484	21,706	21,578	21,424	21,367
	O	21,254	21,188	21,484	21,706	21,578	21,424	21,367
<b>Intragovernmental Funds:</b>								
Revolving fund:								
Spending authority from offsetting collections	805 BA	167	175	179	179	179	179	179
Outlays	O	122	175	179	179	179	179	179
Revolving fund (gross)	BA	167	175	179	179	179	179	179
	O	122	175	179	179	179	179	179
Change in orders on hand from Federal sources	BA	-44						
Total, offsetting collections		-123	-175	-179	-179	-179	-179	-179
Total Revolving fund (net)	BA							
	O	-1						
<i>Trust funds</i>								
Civil service retirement and disability fund:								
Appropriation, current	602 BA	85	83	83	84	82	80	83
Appropriation, permanent	BA	41,586	43,297	45,187	47,152	49,048	50,976	52,991
Outlays	O	41,722	43,234	45,115	47,069	48,967	50,082	52,889
Total Civil service retirement and disability fund	BA	41,671	43,380	45,270	47,236	49,130	51,056	53,074
	O	41,722	43,234	45,115	47,069	48,967	50,082	52,889
Employees life insurance fund:								
Spending authority from offsetting collections	602 BA	2,836	2,727	2,838	2,938	3,049	3,149	3,222
Outlays	O	1,735	1,625	1,673	1,730	1,787	1,846	1,910
Employees life insurance fund (gross)	BA	2,836	2,727	2,838	2,938	3,049	3,149	3,222
	O	1,735	1,625	1,673	1,730	1,787	1,846	1,910



**OFFICE OF PERSONNEL MANAGEMENT—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					2003
			1998	1999	2000	2001	2002	
Change in orders on hand from Federal sources .....	BA	-66	37	-20	-16	-18	-16	-7
Total, offsetting collections .....		-2,770	-2,764	-2,818	-2,922	-3,031	-3,133	-3,215
Total Employees life insurance fund (net) .....	BA							
	O	-1,035	-1,139	-1,145	-1,192	-1,244	-1,287	-1,305
Employees and retired employees health benefits fund:								
Spending authority from offsetting collections .....	551 BA	16,072	17,019	18,122	19,669	20,809	22,230	23,766
Outlays .....	O	16,578	17,056	18,095	19,391	20,593	22,081	23,589
Employees and retired employees health benefits fund (gross) .....	BA	16,072	17,019	18,122	19,669	20,809	22,230	23,766
	O	16,578	17,056	18,095	19,391	20,593	22,081	23,589
Change in orders on hand from Federal sources .....	BA	-162	-64	-84	-117	-90	-109	-118
Total, offsetting collections .....		-15,910	-16,955	-18,038	-19,552	-20,718	-22,121	-23,648
Total Employees and retired employees health benefits fund (net) .....	BA					1		
	O	668	101	57	-161	-125	-40	-59
<b>Summary</b>								
Federal funds:								
(As shown in detail above) .....	BA	24,457	25,359	26,237	26,832	27,070	27,295	27,659
	O	25,330	25,436	26,085	26,801	27,040	27,264	27,624
Trust funds:								
(As shown in detail above) .....	BA	41,671	43,380	45,270	47,236	49,131	51,056	53,074
	O	41,355	42,196	44,027	45,716	47,598	48,755	51,525
Interfund transactions .....	602 BA/O	-27	-26	-25	-24	-23	-23	-23
	805 BA/O	-21,254	-21,188	-21,484	-21,706	-21,578	-21,424	-21,367
Total Office of Personnel Management .....	BA	44,847	47,525	49,998	52,338	54,600	56,904	59,343
	O	45,404	46,418	48,603	50,787	53,037	54,572	57,759

**SMALL BUSINESS ADMINISTRATION**  
(In millions of dollars)

Account		1997 actual	estimate					2003
			1998	1999	2000	2001	2002	
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current .....	376 BA	235	254	281	245	245	245	252
Spending authority from offsetting collections .....	BA	258	271	275	271	271	271	278
Outlays .....	O	493	519	550	524	516	516	528
Salaries and expenses (gross) .....	BA	493	525	556	516	516	516	530
	O	493	519	550	524	516	516	528
Total, offsetting collections .....		-258	-271	-275	-271	-271	-271	-278
Total Salaries and expenses (net) .....	BA	235	254	281	245	245	245	252
	O	235	248	275	253	245	245	250
Office of Inspector General:								
Appropriation, current .....	376 BA	9	10	11	11	11	11	11
Spending authority from offsetting collections .....	BA	1	1					
Outlays .....	O	11	9	11	11	11	11	11
Office of Inspector General (gross) .....	BA	10	11	11	11	11	11	11
	O	11	9	11	11	11	11	11
Total, offsetting collections .....		-1	-1					
Total Office of Inspector General (net) .....	BA	9	10	11	11	11	11	11
	O	10	8	11	11	11	11	11
<b>Public Enterprise Funds:</b>								
Surety bond guarantees revolving fund:								
Appropriation, current .....	376 BA	4	4	3				

**SMALL BUSINESS ADMINISTRATION—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Spending authority from offsetting collections .....	BA	8	11	12	12	12	13	13
Outlays .....	O	12	13	10	7	7	7	7
Surety bond guarantees revolving fund (gross) .....	BA	12	15	15	12	12	13	13
	O	12	13	10	7	7	7	7
Total, offsetting collections .....		-8	-11	-12	-12	-12	-13	-13
Total Surety bond guarantees revolving fund (net) .....	BA	4	4	3				
	O	4	2	-2	-5	-5	-6	-6
<b>Credit Accounts:</b>								
Business loan program account:								
Appropriation, current .....	376 BA	279	275	263	267	267	267	274
Appropriation, permanent .....	BA		303					
Outlays .....	O	258	580	268	265	267	267	271
Total Business loan program account .....	BA	279	578	263	267	267	267	274
	O	258	580	268	265	267	267	271
Business loan fund liquidating account:								
Spending authority from offsetting collections .....	376 BA	653	505	972	972			
Outlays .....	O	349	348	348	416			
Business loan fund liquidating account (gross) .....	BA	653	505	972	972			
	O	349	348	348	416			
Total, offsetting collections .....		-653	-505	-972	-972			
Total Business loan fund liquidating account (net) .....	BA							
	O	-304	-157	-624	-556			
Disaster loans program account:								
Appropriation, current .....	453 BA	327	173	166	192	192	192	192
Appropriation, permanent .....	BA		36					
Outlays .....	O	354	315	246	192	192	192	192
Total Disaster loans program account .....	BA	327	209	166	192	192	192	192
	O	354	315	246	192	192	192	192
Disaster loan fund liquidating account:								
Spending authority from offsetting collections .....	453 BA	313	258	615	476	1	1	1
Outlays .....	O	104	69	64	38	1	1	1
Disaster loan fund liquidating account (gross) .....	BA	313	258	615	476	1	1	1
	O	104	69	64	38	1	1	1
Total, offsetting collections .....		-313	-258	-615	-476	-1	-1	-1
Total Disaster loan fund liquidating account (net) .....	BA							
	O	-209	-189	-551	-438			
Pollution control equipment fund liquidating account:								
Outlays .....	376 O	1						
<b>Summary</b>								
Federal funds:								
(As shown in detail above) .....	BA	854	1,055	724	715	715	715	729
	O	349	807	-377	-278	710	709	718
Deductions for offsetting receipts:								
Proprietary receipts from the public .....	376 BA/O	-16	-479	-44	-57			
	453 BA/O		-390					
Total Small Business Administration .....	BA	838	186	680	658	715	715	729
	O	333	-62	-421	-335	710	709	718

**SOCIAL SECURITY ADMINISTRATION**  
(In millions of dollars)

Account	1997 actual	estimate						
		1998	1999	2000	2001	2002	2003	
<b>Social Security Administration</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Payments to social security trust funds:								
Appropriation, current .....	651 BA	31	21	20	20	20	19	19
Appropriation, permanent .....	BA	6,864	9,629	8,879	9,343	9,893	10,543	11,248
Outlays .....	O	6,880	9,650	8,899	9,363	9,913	10,562	11,267
Total Payments to social security trust funds .....	BA	6,895	9,650	8,899	9,363	9,913	10,562	11,267
	O	6,880	9,650	8,899	9,363	9,913	10,562	11,267
Special benefits for disabled coal miners:								
Appropriation, current .....	601 BA	460	426	383	377	353	327	304
Advance appropriation .....	BA	170	160	160	141	130	123	114
Outlays .....	O	630	593	556	521	487	453	421
Total Special benefits for disabled coal miners .....	BA	630	586	543	518	483	450	418
	O	630	593	556	521	487	453	421
Supplemental security income program:								
Appropriation, current .....	609 BA	19,547	18,460	21,672	21,803	22,474	23,157	23,873
				<i>B 11</i>	<i>B -44</i>	<i>B -39</i>	<i>B -33</i>	<i>B -33</i>
				<i>J -104</i>	<i>J -104</i>	<i>J -8</i>	<i>J -4</i>	<i>J -3</i>
Advance appropriation .....	BA	9,260	9,690	8,680	9,550	9,860	10,200	10,550
Spending authority from offsetting collections .....	BA	2,917	3,045	3,025	3,030	3,040	3,050	3,060
				<i>J 7</i>	<i>J 9</i>	<i>J 9</i>	<i>J 9</i>	<i>J 9</i>
Outlays .....	O	31,636	32,826	33,445	34,416	35,389	36,405	37,482
				<i>B 7</i>	<i>B -40</i>	<i>B -39</i>	<i>B -33</i>	<i>B -33</i>
				<i>J -98</i>	<i>J -95</i>	<i>J 1</i>	<i>J 5</i>	<i>J 6</i>
Supplemental security income program (gross) .....	BA	31,724	31,195	33,291	34,244	35,336	36,379	37,456
	O	31,636	32,826	33,354	34,281	35,351	36,377	37,455
Total, offsetting collections .....		-2,917	-3,045	-3,025	-3,030	-3,040	-3,050	-3,060
				<i>J -7</i>	<i>J -9</i>	<i>J -9</i>	<i>J -9</i>	<i>J -9</i>
Total Supplemental security income program (net) .....	BA	28,807	28,150	30,259	31,205	32,287	33,320	34,387
	O	28,719	29,781	30,322	31,242	32,302	33,318	34,386
Office of the Inspector General:								
Appropriation, current .....	651 BA	6	10	12	12	12	13	13
Spending authority from offsetting collections .....	BA	31	38	40	41	43	44	46
Outlays .....	O	33	52	52	53	55	57	59
Office of the Inspector General (gross) .....	BA	37	48	52	53	55	57	59
	O	33	52	52	53	55	57	59
Change in orders on hand from Federal sources .....	BA	-3	4					
Total, offsetting collections .....		-28	-42	-40	-41	-43	-44	-46
Total Office of the Inspector General (net) .....	BA	6	10	12	12	12	13	13
	O	5	10	12	12	12	13	13
<i>Trust funds</i>								
Federal old-age and survivors insurance trust fund:								
Appropriation, current .....	651 BA	2,069	2,063	1,798	1,796	1,801	1,800	1,802
Appropriation, permanent .....	BA	317,620	328,997	341,872	355,055	370,191	384,315	399,960
				<i>J 20</i>	<i>J 107</i>	<i>J 136</i>	<i>J 144</i>	<i>J 138</i>
Spending authority from offsetting collections .....	BA	2,073	2,345	2,429	2,394	2,400	2,406	2,415
Outlays .....	O	320,642	333,210	345,156	358,146	373,166	387,196	402,808
				<i>J 20</i>	<i>J 107</i>	<i>J 136</i>	<i>J 144</i>	<i>J 138</i>
Federal old-age and survivors insurance trust fund (gross) .....	BA	321,762	333,405	346,119	359,352	374,528	388,665	404,315
	O	320,642	333,210	345,176	358,253	373,302	387,340	402,946
Total, offsetting collections .....		-2,073	-2,345	-2,429	-2,394	-2,400	-2,406	-2,415
Total Federal old-age and survivors insurance trust fund (net) .....	BA	319,689	331,060	343,690	356,958	372,128	386,259	401,900
	O	318,569	330,865	342,747	355,859	370,902	384,934	400,531
Federal disability insurance trust fund:								
Appropriation, current .....	651 BA	1,382	1,132	1,353	1,403	1,388	1,379	1,379

**SOCIAL SECURITY ADMINISTRATION—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					2003
			1998	1999	2000	2001	2002	
Appropriation, permanent .....	BA	44,982	49,147	52,033	55,672	59,563	64,258	69,179
Outlays .....	O	46,701	50,644	53,479	56,794	60,660	65,270	70,159
				✓12	✓12	✓18	✓24	✓30
				✓11	✓12	✓18	✓24	✓30
Total Federal disability insurance trust fund .....	BA	46,364	50,279	53,398	57,087	60,969	65,661	70,588
	O	46,701	50,644	53,490	56,806	60,678	65,294	70,189
Total Federal funds Social Security Administration .....	BA	36,338	38,396	39,713	41,098	42,695	44,345	46,085
	O	36,234	40,034	39,789	41,138	42,714	44,346	46,087
Total Trust funds Social Security Administration .....	BA	366,053	381,339	397,088	414,045	433,097	451,920	472,488
	O	365,270	381,509	396,237	412,665	431,580	450,228	470,720
<b>Summary</b>								
<b>On-Budget</b>								
Federal funds:								
(As shown in detail above) .....	BA	36,338	38,396	39,713	41,098	42,695	44,345	46,085
	O	36,234	40,034	39,789	41,138	42,714	44,346	46,087
Deductions for offsetting receipts:								
Proprietary receipts from the public .....	609 BA/O	-1,295	-1,393	-1,421	-1,466	-1,511	-1,558	-1,608
Total Federal funds .....	BA	35,043	37,003	38,292	39,632	41,184	42,787	44,477
	O	34,939	38,641	38,368	39,672	41,203	42,788	44,479
Interfund transactions .....	651 BA/O					-1,182		
Total Social Security Administration (on-budget) .....	BA	35,043	37,003	38,292	39,632	40,002	42,787	44,477
	O	34,939	38,641	38,368	39,672	40,021	42,788	44,479
<b>Off-Budget</b>								
Trust funds:								
(As shown in detail above) .....	BA	366,053	381,339	397,088	414,045	433,097	451,920	472,488
	O	365,270	381,509	396,237	412,665	431,580	450,228	470,720
Deductions for offsetting receipts:								
Proprietary receipts from the public .....	651 BA/O	-18	-20	-20	-20	-20	-20	-20
				✓12	✓17	✓17	✓17	✓17
Total Trust funds .....	BA	366,035	381,319	397,056	414,008	433,060	451,883	472,451
	O	365,252	381,489	396,205	412,628	431,543	450,191	470,683
Interfund transactions .....	651 BA/O	-6,880	-9,650	-8,899	-9,363	-9,913	-10,562	-11,267
Total Social Security Administration (off-budget) .....	BA	359,155	371,669	388,157	404,645	423,147	441,321	461,184
	O	358,372	371,839	387,306	403,265	421,630	439,629	459,416
Total Social Security Administration .....	BA	394,198	408,672	426,449	444,277	463,149	484,108	505,661
	O	393,311	410,480	425,674	442,937	461,651	482,417	503,895

**OTHER INDEPENDENT AGENCIES**

(In millions of dollars)

Account		1997 actual	estimate					2003
			1998	1999	2000	2001	2002	
<b>Advisory Council on Historic Preservation</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current .....	303 BA	3	3	3	3	3	3	3
Outlays .....	O	3	3	3	3	3	3	3
<b>Appalachian Regional Commission</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Appalachian regional commission:								
Appropriation, current .....	452 BA	160	170	67	67	66	65	67

**OTHER INDEPENDENT AGENCIES—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	240	165	183	145	105	98	77
Delta region economic development program:								
Appropriation, current .....	452 BA			126	126	126	126	126
Outlays .....	O			13	18	16	20	23
<i>Trust funds</i>								
Miscellaneous trust funds:								
Appropriation, permanent .....	452 BA	5	5	5	5	5	5	5
Outlays .....	O	5	5	5	5	5	5	5
<b>Summary</b>								
Federal funds:								
(As shown in detail above) .....	BA	160	170	93	93	92	91	93
	O	240	165	186	153	121	118	100
Trust funds:								
(As shown in detail above) .....	BA	5	5	5	5	5	5	5
	O	5	5	5	5	5	5	5
Deductions for offsetting receipts:								
Proprietary receipts from the public .....	452 BA/O	-2	-2	-3	-3	-3	-3	-3
Total Trust funds .....								
	BA	3	3	2	2	2	2	2
	O	3	3	2	2	2	2	2
Interfund transactions .....	452 BA/O	-2	-2	-3	-3	-3	-3	-3
Total Appalachian Regional Commission .....								
	BA	161	171	92	92	91	90	92
	O	241	166	185	152	120	117	99

**Architectural and Transportation Barriers Compliance Board**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	751 BA	4	4	4	4	4	4	4
Outlays .....	O	5	4	4	4	4	4	4

**Arms Control and Disarmament Agency**

*Federal funds*

**General and Special Funds:**

Arms control and disarmament activities:

Appropriation, current .....	153 BA	42	43	43	43	43	43	43
Outlays .....	O	39	42	43	45	43	43	43

**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

**Central Intelligence Agency**

*Federal funds*

**General and Special Funds:**

Payment to Central Intelligence Agency retirement and disability system fund:

Appropriation, current .....	054 BA	184	197	202	214	226	237	249
Outlays .....	O	184	197	202	214	226	237	249

**Chemical Safety and Hazard Investigation Board**

*Federal funds*

**General and Special Funds:**

Chemical safety and hazard investigation board:

Appropriation, current .....	304 BA	4	7	7	7	7	7	7
Outlays .....	O	4	7	7	7	7	7	7

**OTHER INDEPENDENT AGENCIES—Continued**  
(In millions of dollars)

Account	1997 actual	estimate						
		1998	1999	2000	2001	2002	2003	
<b>Commission of Fine Arts</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
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	6	7	7	6	6	6	6
Outlays .....	O	6	7	7	6	6	6	6
Total Federal funds Commission of Fine Arts .....	BA	7	8	8	7	7	7	7
	O	7	8	8	7	7	7	7
<b>Commission on Civil Rights</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current .....	751 BA	9	9	11	11	12	12	12
Outlays .....	O	9	8	11	11	12	12	12
<b>Committee for Purchase from People who are Blind or Severely Disabled</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current .....	505 BA	2	2	2	2	2	2	2
Outlays .....	O	2	3	2	2	2	2	2
<b>Commodity Futures Trading Commission</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Commodity Futures Trading Commission:								
Appropriation, current .....	376 BA	55	58	63	60	60	60	62
Outlays .....	O	53	58	62	60	60	60	62
<b>Consumer Product Safety Commission</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current .....	554 BA	42	45	46	46	46	46	46
Spending authority from offsetting collections .....	BA	1	1	1	1	1	1	1
Outlays .....	O	43	46	47	47	47	47	47
Salaries and expenses (gross) .....	BA	43	46	47	47	47	47	47
	O	43	46	47	47	47	47	47
Total, offsetting collections .....		-1	-1	-1	-1	-1	-1	-1
Total Salaries and expenses (net) .....	BA	42	45	46	46	46	46	46
	O	42	45	46	46	46	46	46
<b>Corporation for National and Community Service</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
National and community service programs, operating expenses:								
Appropriation, current .....	506 BA	400	426	500	510	510	510	510
Outlays .....	O	361	374	456	451	458	481	502
Domestic volunteer service programs, Operating expenses:								
Appropriation, current .....	506 BA	214	257	279	287	287	287	287
Spending authority from offsetting collections .....	BA	7	7	7	7	7	7	7

**OTHER INDEPENDENT AGENCIES—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	234	245	277	267	291	294	294
Domestic volunteer service programs, Operating expenses (gross) .....	BA	<b>221</b>	<b>264</b>	<b>286</b>	<b>294</b>	<b>294</b>	<b>294</b>	<b>294</b>
	O	234	245	277	267	291	294	294
Total, offsetting collections .....		-7	-7	-7	-7	-7	-7	-7
Total Domestic volunteer service programs, Operating expenses (net) .....	BA	<b>214</b>	<b>257</b>	<b>279</b>	<b>287</b>	<b>287</b>	<b>287</b>	<b>287</b>
	O	227	238	270	260	284	287	287
Inspector general:								
Appropriation, current .....	506 BA	2	3	2	2	2	2	2
Outlays .....	O	2	3	2	2	2	2	2
	<i>Trust funds</i>							
Gifts and contributions:								
Appropriation, permanent .....	506 BA	71	145	125	130	130	130	130
Outlays .....	O	36	58	53	96	96	96	96
<b>Summary</b>								
Federal funds:								
(As shown in detail above) .....	BA	<b>616</b>	<b>686</b>	<b>781</b>	<b>799</b>	<b>799</b>	<b>799</b>	<b>799</b>
	O	590	615	728	713	744	770	791
Trust funds:								
(As shown in detail above) .....	BA	71	145	125	130	130	130	130
	O	36	58	53	96	96	96	96
Interfund transactions .....	506 BA/O	-61	-123	-98	-98	-98	-98	-98
Total Corporation for National and Community Service .....	BA	<b>626</b>	<b>708</b>	<b>808</b>	<b>831</b>	<b>831</b>	<b>831</b>	<b>831</b>
	O	565	550	683	711	742	768	789

**Corporation for Public Broadcasting**

*Federal funds*

**General and Special Funds:**

Corporation for public broadcasting:

Advance appropriation .....	503 BA	260	250	250	300	340	325	325
Outlays .....	O	260	250	250	300	340	325	325

Public broadcasting digital transition fund:

Appropriation, current .....	503 BA			50	65	90	85	85
Outlays .....	503 O			5	20	40	66	79

Total Federal funds Corporation for Public Broadcasting .....	BA	<b>260</b>	<b>250</b>	<b>300</b>	<b>365</b>	<b>430</b>	<b>410</b>	<b>410</b>
	O	260	250	255	320	380	391	404

**Court of Veterans Appeals**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	705 BA	9	9	10	10	11	11	11
Outlays .....	O	8	9	10	11	11	11	11

**Defense Nuclear Facilities Safety Board**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	053 BA	16	17	18	18	18	18	18
Outlays .....	O	16	17	18	18	18	18	18

**OTHER INDEPENDENT AGENCIES—Continued**  
(In millions of dollars)

Account	1997 actual	estimate					
		1998	1999	2000	2001	2002	2003
<b>District of Columbia</b>							
<i>District of Columbia Courts</i>							
<i>Federal funds</i>							
<b>General and Special Funds:</b>							
Federal payment to the District of Columbia Courts:							
Appropriation, current .....	806 BA		142	124	126	129	122
Outlays .....	O		142	124	126	129	122
Federal payment to the District of Columbia Criminal Justice System:							
Appropriation, current .....	806 BA	151					
Outlays .....	O	151					
Federal payment to the District of Columbia Judicial Retirement and Survivors Annuity Fund:							
Appropriation, current .....	752 BA		6	6	6	6	6
			<i>J-6</i>	<i>J-6</i>	<i>J-6</i>	<i>J-6</i>	<i>J-6</i>
Appropriation, permanent .....	BA		<i>B 6</i>	<i>B 6</i>	<i>B 6</i>	<i>B 6</i>	<i>B 6</i>
Outlays .....	O		6	6	6	6	6
			<i>B 6</i>	<i>B 6</i>	<i>B 6</i>	<i>B 6</i>	<i>B 6</i>
			<i>J-6</i>	<i>J-6</i>	<i>J-6</i>	<i>J-6</i>	<i>J-6</i>
<hr/>							
Total Federal payment to the District of Columbia Judicial Retirement and Survivors Annuity Fund .....	BA		6	6	6	6	6
	O		6	6	6	6	6
<hr/>							
<i>Trust funds</i>							
District of Columbia Judicial Retirement and Survivors Annuity Fund:							
Appropriation, permanent .....	602 BA		6	6	6	6	6
Outlays .....	O		5	5	5	5	5
<hr/>							
<b>Summary</b>							
Federal funds:							
(As shown in detail above) .....	BA		151	148	130	132	135
	O		151	148	130	132	135
<hr/>							
Trust funds:							
(As shown in detail above) .....	BA		6	6	6	6	6
	O		5	5	5	5	5
<hr/>							
Interfund transactions .....	752 BA/O		-6	-6	-6	-6	-6
<hr/>							
Total District of Columbia Courts .....	BA		151	148	130	132	135
	O		151	147	129	131	134
<hr/>							
<i>District of Columbia Corrections</i>							
<i>Federal funds</i>							
<b>General and Special Funds:</b>							
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	140	146	2	2
Outlays .....	O	169	185	140	146	2	2
<hr/>							
Total Federal funds District of Columbia Corrections .....	BA	471	185	140	146	2	2
	O	471	185	140	146	2	2
<hr/>							
<i>District of Columbia General and Special Payments</i>							
<i>Federal funds</i>							
<b>General and Special Funds:</b>							
Federal support for economic development and management reforms in the District:							
Appropriation, current .....	806 BA	190	100				
Outlays .....	O	190	100				
Federal payment for Management Reform:							
Appropriation, current .....	806 BA	8					
Outlays .....	O	8					
Federal payment for Medicare Coordinated Care Demonstration Project:							
Appropriation, current .....	806 BA	3					
Outlays .....	O	3					



**OTHER INDEPENDENT AGENCIES—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Federal payment to the District of Columbia:								
Appropriation, current	806 BA	719						
Outlays	O	719						
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			-21	-42	-65	-90	-115
	<i>Trust funds</i>							
District of Columbia Federal pension liability trust fund:								
Appropriation, permanent	601 BA		382	403	425	447	470	493
Outlays	O		382	403	425	447	470	493
<b>Summary</b>								
Federal funds:								
(As shown in detail above)	BA	719	201	79	-42	-65	-90	-115
	O	719	201	79	-42	-65	-90	-115
Trust funds:								
(As shown in detail above)	BA		382	403	425	447	470	493
	O		382	403	425	447	470	493
Deductions for offsetting receipts:								
Proprietary receipts from the public	601 BA/O		-382	-403	-425	-447	-470	-493
Total Trust funds	BA							
	O							
Total District of Columbia General and Special Payments	BA	719	201	79	-42	-65	-90	-115
	O	719	201	79	-42	-65	-90	-115

*District of Columbia Financing*

<b>Summary</b>								
Federal funds:								
Deductions for offsetting receipts:								
Proprietary receipts from the public	806 BA/O		-12	-12	-12	-12	-15	
Total District of Columbia Financing	BA		-12	-12	-12	-12	-15	
	O		-12	-12	-12	-12	-15	
Total Federal funds District of Columbia	BA	707	811	400	216	198	47	15
	O	707	811	400	216	198	47	15
Total Trust funds District of Columbia	BA			6	6	6	6	6
	O			5	5	5	5	5
Interfund transactions	752 BA/O			-6	-6	-6	-6	-6
Total District of Columbia	BA	707	811	400	216	198	47	15
	O	707	811	399	215	197	46	14

**District of Columbia Offender Supervision Defender and Courts Services Agency**

*Federal funds*

<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current	752 BA			59	60	61	62	64
Outlays	O			47	60	61	62	64

**OTHER INDEPENDENT AGENCIES—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>Equal Employment Opportunity Commission</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current .....	751 BA	240	242	279	288	298	308	319
Outlays .....	O	232	250	279	287	297	307	318
<b>Intragovernmental Funds:</b>								
EEOC Education, technical assistance and training revolving fund:								
Spending authority from offsetting collections .....	751 BA	2	1	1	1	1	1	1
Outlays .....	O	1	1	1	1	1	1	1
EEOC Education, technical assistance and training revolving fund (gross) .....	BA	2	1	1	1	1	1	1
	O	1	1	1	1	1	1	1
Total, offsetting collections .....		-2	-1	-1	-1	-1	-1	-1
Total EEOC Education, technical assistance and training revolving fund (net) .....	BA							
	O	-1						
Total Federal funds Equal Employment Opportunity Commission .....	BA	240	242	279	288	298	308	319
	O	231	250	279	287	297	307	318

**Export-Import Bank of the United States**

*Federal funds*

**Credit Accounts:**

Export Import Bank loans program account:

Appropriation, current .....	155 BA	773	732	859	859	859	859	859
Outlays .....	O	934	637	703	709	778	775	779

Export-Import Bank of the United States liquidating account:

Spending authority from offsetting collections .....	155 BA	1,300	903	793	605	467	421	314
Outlays .....	O	266	268	119	107	100	93	80

Export-Import Bank of the United States liquidating account (gross) .....	BA	1,300	903	793	605	467	421	314
	O	266	268	119	107	100	93	80

Total, offsetting collections .....		-1,300	-903	-793	-605	-467	-421	-314
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Total Export-Import Bank of the United States liquidating account (net) .....	BA							
	O	-1,034	-635	-674	-498	-367	-328	-234

**Summary**

Federal funds:

(As shown in detail above) .....	BA	773	732	859	859	859	859	859
	O	-100	2	29	211	411	447	545

Deductions for offsetting receipts:

Proprietary receipts from the public .....	155 BA/O	-15	-36	-34	-34	-34	-34	-34
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Total Export-Import Bank of the United States .....	BA	758	696	825	825	825	825	825
	O	-115	-34	-5	177	377	413	511

**Farm Credit Administration**

*Federal funds*

**Public Enterprise Funds:**

Revolving fund for administrative expenses:

Spending authority from offsetting collections .....	351 BA	36	35	36	37	38	39	41
Outlays .....	O	33	41	36	37	38	39	41
Limitation on administrative expenses .....		(36)	(35)					

Revolving fund for administrative expenses (gross) .....	BA	36	35	36	37	38	39	41
	O	33	41	36	37	38	39	41

Total, offsetting collections .....		-36	-35	-36	-37	-38	-39	-41
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Total Revolving fund for administrative expenses (net) .....	BA							
	O	-3	6					

**OTHER INDEPENDENT AGENCIES—Continued**  
(In millions of dollars)

Account		1997 actual	estimate						
			1998	1999	2000	2001	2002	2003	
<b>Farm Credit System Financial Assistance Corporation</b>									
<i>Federal funds</i>									
<b>Credit Accounts:</b>									
Financial assistance corporation assistance fund, liquidating account:									
Spending authority from offsetting collections .....	351	BA	162	202	208	213	220	226	253
Outlays .....		O	117	117	117	117	117	117	117
Financial assistance corporation assistance fund, liquidating account (gross) .....		BA	162	202	208	213	220	226	253
		O	117	117	117	117	117	117	117
Total, offsetting collections .....			-162	-202	-208	-213	-220	-226	-253
Total Financial assistance corporation assistance fund, liquidating account (net) .....		BA							
		O	-45	-85	-91	-96	-103	-109	-136
<i>Trust funds</i>									
Financial assistance corporation trust fund:									
Appropriation, permanent .....	351	BA	6	6	7	5	6	6	6
<b>Farm Credit System Insurance Corporation</b>									
<i>Federal funds</i>									
<b>Public Enterprise Funds:</b>									
Farm credit system insurance fund:									
Spending authority from offsetting collections .....	351	BA	144	90	82	82	86	90	94
Outlays .....		O	2	2	2	2	2	2	2
Farm credit system insurance fund (gross) .....		BA	144	90	82	82	86	90	94
		O	2	2	2	2	2	2	2
Total, offsetting collections .....			-144	-90	-82	-82	-86	-90	-94
Total Farm credit system insurance fund (net) .....		BA							
		O	-142	-88	-80	-80	-84	-88	-92
<b>Federal Communications Commission</b>									
<i>Federal funds</i>									
<b>General and Special Funds:</b>									
Salaries and expenses:									
Appropriation, current .....	376	BA	35	24	213	38	31	27	22
Spending authority from offsetting collections .....		BA	188	224	33	178	182	187	191
Outlays .....		O	213	247	245	216	213	214	213
Salaries and expenses (gross) .....		BA	223	248	246	216	213	214	213
		O	213	247	245	216	213	214	213
Total, offsetting collections .....			-188	-224	-206	-179	-183	-188	-192
Total Salaries and expenses (net) .....		BA	35	24	40	37	30	26	21
		O	25	23	39	37	30	26	21
Universal service fund:									
Appropriation, permanent .....	376	BA	1,031	3,306	7,096	10,348	12,532	13,210	13,377
Outlays .....		O	1,001	3,336	7,096	10,348	12,532	13,210	13,377
<b>Credit Accounts:</b>									
Spectrum auction program account:									
Appropriation, permanent .....	376	BA	940	3,295	2	2	2	2	2
Outlays .....		O	940	3,295	2	2	2	2	2
<b>Summary</b>									
Federal funds:									
(As shown in detail above) .....		BA	2,006	6,625	7,138	10,387	12,564	13,238	13,400
		O	1,966	6,654	7,137	10,387	12,564	13,238	13,400
Deductions for offsetting receipts:									
Proprietary receipts from the public .....	376	BA/O	-38	-38	-38	-38	-38	-38	-38
Total Federal Communications Commission .....		BA	1,968	6,587	7,100	10,349	12,526	13,200	13,362
		O	1,928	6,616	7,099	10,349	12,526	13,200	13,362

**OTHER INDEPENDENT AGENCIES—Continued**  
(In millions of dollars)

Account		1997 actual	estimate						
			1998	1999	2000	2001	2002	2003	
<b>Federal Deposit Insurance Corporation</b>									
<i>Bank Insurance</i>									
<i>Federal funds</i>									
<b>Public Enterprise Funds:</b>									
Bank insurance fund:									
Spending authority from offsetting collections .....	373	BA	5,056	2,689	2,136	2,548	2,985	3,414	4,029
					<i>B 89</i>	<i>B 94</i>	<i>B 97</i>	<i>B 101</i>	<i>B 106</i>
					<i>J 4</i>	<i>J 7</i>	<i>J 15</i>	<i>J 20</i>	<i>J 26</i>
Outlays .....		O	1,031	1,011	1,375	2,232	2,668	3,529	4,390
				<i>J -6</i>	<i>J -13</i>	<i>J -14</i>	<i>J -15</i>	<i>J -17</i>	<i>J -19</i>
Bank insurance fund (gross) .....		BA	5,056	2,689	2,229	2,649	3,097	3,535	4,161
		O	1,031	1,005	1,362	2,218	2,653	3,512	4,371
Total, offsetting collections .....			-5,056	-2,689	-2,136	-2,548	-2,985	-3,414	-4,029
					<i>B -89</i>	<i>B -94</i>	<i>B -97</i>	<i>B -101</i>	<i>B -106</i>
					<i>J -4</i>	<i>J -7</i>	<i>J -15</i>	<i>J -20</i>	<i>J -26</i>
Total Bank insurance fund (net) .....		BA							
		O	-4,025	-1,684	-867	-431	-444	-23	210
<i>Savings Association Insurance</i>									
<i>Federal funds</i>									
<b>Public Enterprise Funds:</b>									
Savings association insurance fund:									
Spending authority from offsetting collections .....	373	BA	4,639	595	663	760	891	1,077	1,338
Outlays .....		O	85	268	341	491	720	1,026	1,482
Savings association insurance fund (gross) .....		BA	4,639	595	663	760	891	1,077	1,338
		O	85	268	341	491	720	1,026	1,482
Total, offsetting collections .....			-4,639	-595	-663	-760	-891	-1,077	-1,338
Total Savings association insurance fund (net) .....		BA							
		O	-4,554	-327	-322	-269	-171	-51	144
<i>FSLIC Resolution</i>									
<i>Federal funds</i>									
<b>Public Enterprise Funds:</b>									
FSLIC resolution fund:									
Appropriation, current .....	373	BA	-26	-34					
				<i>B -10</i>	<i>B -51</i>	<i>B -49</i>	<i>B -41</i>	<i>B -35</i>	<i>B -28</i>
Spending authority from offsetting collections .....		BA	6,444	2,731	3,359	1,081	681	929	454
Outlays .....		O	840	396	288	78	28	3	2
FSLIC resolution fund (gross) .....		BA	6,418	2,687	3,308	1,032	640	894	426
		O	840	396	288	78	28	3	2
Total, offsetting collections .....			-6,444	-2,731	-3,359	-1,081	-681	-929	-454
Total FSLIC resolution fund (net) .....		BA	-26	-44	-51	-49	-41	-35	-28
		O	-5,604	-2,335	-3,071	-1,003	-653	-926	-452
<i>FDIC-Office of Inspector General</i>									
<i>Federal funds</i>									
<b>Intragovernmental Funds:</b>									
FDIC-Office of inspector general:									
Spending authority from offsetting collections .....	373	BA	33	34	35	35	35	35	35
Outlays .....		O	33	34	35	35	35	35	35
FDIC-Office of inspector general (gross) .....		BA	33	34	35	35	35	35	35
		O	33	34	35	35	35	35	35

**OTHER INDEPENDENT AGENCIES—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Total, offsetting collections .....		-33	-34	-35	-35	-35	-35	-35
Total FDIC-Office of inspector general (net) .....	BA O							
Total Federal funds Federal Deposit Insurance Corporation .....	BA O	-26 -14,183	-44 -4,346	-51 -4,260	-49 -1,703	-41 -1,268	-35 -1,000	-28 -98

**Federal Drug Control Programs**

*Federal funds*

**General and Special Funds:**

High intensity drug trafficking areas program:

Appropriation, current .....	802 BA	95	118	162	162	162	162	162
Outlays .....	O	70	113	132	162	162	162	162

Special forfeiture fund:

Appropriation, current .....	802 BA	2	216	251	251	251	251	251
Outlays .....	O		130	216	248	251	251	251

Total Federal funds Federal Drug Control Programs .....	BA O	97 70	334 243	413 348	413 410	413 413	413 413	413 413
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**Federal Election Commission**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	808 BA	28	31	37	37	37	37	37
Outlays .....	O	28	31	36	37	37	37	37

**Federal Financial Institutions Examination Council Appraisal Subcommittee**

*Federal funds*

**General and Special Funds:**

Registry fees:

Appropriation, permanent .....	376 BA	2	2	2	2	2	2	2
Outlays .....	O	1	2	2	2	2	2	2

**Federal Housing Finance Board**

*Federal funds*

**Public Enterprise Funds:**

Federal housing finance board:

Spending authority from offsetting collections .....	371 BA	15	19	19	20	21	21	22
Outlays .....	O	15	18	19	20	21	21	22

Federal housing finance board (gross) .....	BA O	15 15	19 18	19 19	20 20	21 21	21 21	22 22
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Total, offsetting collections .....		-15	-19	-19	-20	-21	-21	-22
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Total Federal housing finance board (net) .....	BA O		-1					
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**Federal Labor Relations Authority**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	805 BA	22	22	23	23	23	23	23
Outlays .....	O	22	22	23	23	23	23	23

**Federal Maritime Commission**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	403 BA	14	14	14	14	14	14	14
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**OTHER INDEPENDENT AGENCIES—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	14	14	14	14	14	14	14

**Federal Mediation and Conciliation Service**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	505 BA	33	33	35	35	35	35	35
Spending authority from offsetting collections .....	BA	1	2	2	2	2	2	2
Outlays .....	O	34	35	37	37	37	37	37
Salaries and expenses (gross) .....	BA	34	35	37	37	37	37	37
	O	34	35	37	37	37	37	37
Total, offsetting collections .....		-1	-2	-2	-2	-2	-2	-2
Total Salaries and expenses (net) .....	BA	33	33	35	35	35	35	35
	O	33	33	35	35	35	35	35

**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 .....	803 BA	45	59	72	73	76	77	80
Outlays .....	O	58	59	72	73	76	77	80

**Summary**

Federal funds:

(As shown in detail above) .....	BA	45	59	72	73	76	77	80
	O	58	59	72	73	76	77	80
Deductions for offsetting receipts:								
Proprietary receipts from the public .....	803 BA/O	-45	-59	-72	-73	-76	-77	-80
Total Federal Retirement Thrift Investment Board .....	BA							
	O	13						

**Federal Trade Commission**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	376 BA	27	18	101	15	15	15	15
Spending authority from offsetting collections .....	BA	77	89	12	86	86	86	86
Outlays .....	O	103	111	112	102	101	101	101
Salaries and expenses (gross) .....	BA	104	107	113	101	101	101	101
	O	103	111	112	102	101	101	101
Total, offsetting collections .....		-78	-83	-86	-86	-86	-86	-86
Total Salaries and expenses (net) .....	BA	26	24	27	15	15	15	15
	O	25	28	26	16	15	15	15

**Harry S. Truman Scholarship Foundation**

*Trust funds*

Harry S. Truman memorial scholarship trust fund:

Appropriation, permanent .....	502 BA	3	4	4	4	4	4	4
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**OTHER INDEPENDENT AGENCIES—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	3	4	4	4	3	3	3

**Institute of American Indian and Alaska Native Culture and Arts Development**

*Federal funds*

**General and Special Funds:**

Payment to the institute:								
Appropriation, current .....	502 BA	6	4	3	2	1		
Outlays .....	O	6	4	3	2	1		

**Intelligence community management account**

*Federal funds*

**General and Special Funds:**

Intelligence community management account:								
Appropriation, current .....	054 BA	102	94	112	96	92	94	96
Outlays .....	O	145	104	105	100	94	94	95

**International Trade Commission**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:								
Appropriation, current .....	153 BA	41	41	46	47	48	49	50
Outlays .....	O	40	41	46	46	48	49	50

**James Madison Memorial Fellowship Foundation**

*Trust funds*

James Madison Memorial Fellowship Trust Fund:								
Appropriation, permanent .....	502 BA	3	3	3	3	3	3	3
Outlays .....	O	2	2	2	2	2	2	2

**Japan-United States Friendship Commission**

*Trust funds*

Japan-United States friendship trust fund:								
Appropriation, permanent .....	154 BA	1	1	1	1	1	1	1
Outlays .....	O	2	2	1	1	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	2					
Outlays .....	O	2	2					

**Legal Services Corporation**

*Federal funds*

**General and Special Funds:**

Payment to the Legal Services Corporation:								
Appropriation, current .....	752 BA	283	283	340	350	361	372	383
Outlays .....	O	282	283	335	349	360	371	382

**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

**OTHER INDEPENDENT AGENCIES—Continued**  
(In millions of dollars)

Account	1997 actual	estimate						
		1998	1999	2000	2001	2002	2003	
<b>Merit Systems Protection Board</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current	805 BA	24	25	26	26	26	26	26
Spending authority from offsetting collections	BA	2	2	2	2	2	2	2
Outlays	O	25	28	28	28	28	28	28
Salaries and expenses (gross)	BA	26	27	28	28	28	28	28
	O	25	28	28	28	28	28	28
Total, offsetting collections		-2	-2	-2	-2	-2	-2	-2
Total Salaries and expenses (net)	BA	24	25	26	26	26	26	26
	O	23	26	26	26	26	26	26

**Morris K. Udall Scholarship and Excellence in National Environmental Policy Foundation**

<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Federal payment to the Morris K Udall scholarship and excellence in national government:								
Appropriation, current	502 BA	2	2	2	2	2	2	2
Outlays	O	2	2	2	2	2	2	2
<b>Intragovernmental Funds:</b>								
Environmental dispute resolution fund:								
Appropriation, current	306 BA		4	1	1	1	1	1
Outlays	O		3	2	1	1	1	1
<i>Trust funds</i>								
Morris K. Udall Scholarship and Excellence in National Environmental Policy Foundation:								
Appropriation, permanent	502 BA	2	1	1	1	1	1	1
Outlays	O	1	1	1	1	1	1	1
<b>Summary</b>								
Federal funds:								
(As shown in detail above)	BA	2	6	3	3	3	3	1
	O	2	5	4	3	3	3	1
Trust funds:								
(As shown in detail above)	BA	2	1	1	1	1	1	1
	O	1	1	1	1	1	1	1
Interfund transactions	502 BA/O	-2	-2	-2	-2	-2	-2	-2
Total Morris K. Udall Scholarship and Excellence in National Environmental Policy Foundation	BA	2	1	5	2	2	2	2
	O	1	1	4	3	2	2	2

**National Archives and Records Administration**

<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Operating expenses:								
Appropriation, current	804 BA	193	200	225	219	219	219	219
Spending authority from offsetting collections	BA	35	31	32	32	32	32	32
Outlays	O	227	224	246	252	251	251	251
Operating expenses (gross)	BA	228	231	257	251	251	251	251
	O	227	224	246	252	251	251	251
Total, offsetting collections		-35	-31	-32	-32	-32	-32	-32
Total Operating expenses (net)	BA	193	200	225	219	219	219	219
	O	192	193	214	220	219	219	219
Repairs and restoration:								
Appropriation, current	804 BA	16	14	10	4	4	4	4
Outlays	O	1	1	15	6	6	4	4
National historical publications and records commission:								
Appropriation, current	804 BA	5	6	6	4	4	4	4



**OTHER INDEPENDENT AGENCIES—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	5	6	6	4	4	4	4
<i>Trust funds</i>								
National archives trust fund:								
Spending authority from offsetting collections .....	804 BA	13	14	14	14	14	16	16
Outlays .....	O	13	14	15	14		-1	
National archives trust fund (gross) .....	BA	13	14	14	14	14	16	16
	O	13	14	15	14		-1	
Total, offsetting collections .....		-13	-14	-14	-14	-14	-16	-16
Total National archives trust fund (net) .....	BA			1		-14	-17	-16
	O							
Total Federal funds National Archives and Records Administration .....	BA	214	220	241	227	227	227	227
	O	198	200	235	230	229	227	227
Total Trust funds National Archives and Records Administration .....	BA			1		-14	-17	-16
	O							

**National Bankruptcy Review Commission**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Outlays .....	752 O	1						
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**National Capital Planning Commission**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	451 BA	5	6	6	6	6	6	6
Outlays .....	O	5	6	6	6	6	6	6

**National Commission on Libraries and Information Science**

*Federal funds*

**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*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	506 BA	2	2	2	2	2	2	2
Outlays .....	O	2	3	2	2	2	2	2

**National Credit Union Administration**

*Federal funds*

**Public Enterprise Funds:**

Operating fund:

Spending authority from offsetting collections .....	373 BA	111	94	94	94	94	94	94
Outlays .....	O	111	93	94	94	94	94	94

Operating fund (gross) .....	BA	111	94	94	94	94	94	94
	O	111	93	94	94	94	94	94

Total, offsetting collections .....		-111	-94	-94	-94	-94	-94	-94
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Total Operating fund (net) .....	BA							
	O		-1					

Credit union share insurance fund:

Spending authority from offsetting collections .....	373 BA	322	354	367	331	331	331	331
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**OTHER INDEPENDENT AGENCIES—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	151	168	166	163	163	163	163
Credit union share insurance fund (gross) .....	BA	<b>322</b>	<b>354</b>	<b>367</b>	<b>331</b>	<b>331</b>	<b>331</b>	<b>331</b>
	O	151	168	166	163	163	163	163
Total, offsetting collections .....		-322	-354	-367	-331	-331	-331	-331
Total Credit union share insurance fund (net) .....	BA							
	O	-171	-186	-201	-168	-168	-168	-168
Central liquidity facility:								
Spending authority from offsetting collections .....	373 BA	<b>80</b>	<b>84</b>	<b>88</b>	<b>92</b>	<b>96</b>	<b>100</b>	<b>104</b>
Outlays .....	O	80	84	88	92	96	100	104
Central liquidity facility (gross) .....	BA	<b>80</b>	<b>84</b>	<b>88</b>	<b>92</b>	<b>96</b>	<b>100</b>	<b>104</b>
	O	80	84	88	92	96	100	104
Total, offsetting collections .....		-80	-84	-88	-92	-96	-100	-104
Total Central liquidity facility (net) .....	BA							
	O							
Community development credit union revolving loan fund:								
Appropriation, current .....	373 BA	<b>1</b>	<b>1</b>					
Spending authority from offsetting collections .....	BA	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
Outlays .....	O	4	3	2	2	2	2	2
Community development credit union revolving loan fund (gross) .....	BA	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
	O	4	3	2	2	2	2	2
Total, offsetting collections .....		-2	-2	-2	-2	-2	-2	-2
Total Community development credit union revolving loan fund (net) .....	BA	<b>1</b>	<b>1</b>					
	O	2	1					
Total Federal funds National Credit Union Administration .....	BA	<b>1</b>	<b>1</b>					
	O	-169	-186	-201	-168	-168	-168	-168

**National Education Goals Panel**

*Federal funds*

**General and Special Funds:**

National education goals panel:

Appropriation, current .....	503 BA	<b>1</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
Outlays .....	O	1	2	2	2	2	2	2

**National Endowment for the Arts**

*Federal funds*

**General and Special Funds:**

National endowment for the arts: Grants and administration:

Appropriation, current .....	503 BA	<b>99</b>	<b>98</b>	<b>136</b>	<b>136</b>	<b>136</b>	<b>136</b>	<b>136</b>
Appropriation, permanent .....	BA	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
Spending authority from offsetting collections .....	BA	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
Outlays .....	O	107	116	117	135	135	137	137
National endowment for the arts (gross) .....	BA	<b>101</b>	<b>100</b>	<b>138</b>	<b>138</b>	<b>138</b>	<b>138</b>	<b>138</b>
	O	107	116	117	135	135	137	137
Total, offsetting collections .....		-1	-1	-1	-1	-1	-1	-1
Total National endowment for the arts (net) .....	BA	<b>100</b>	<b>99</b>	<b>137</b>	<b>137</b>	<b>137</b>	<b>137</b>	<b>137</b>
	O	106	115	116	134	134	136	136

**National Endowment for the Humanities**

*Federal funds*

**General and Special Funds:**

National endowment for the humanities: Grants and administration:

Appropriation, current .....	503 BA	<b>110</b>	<b>111</b>	<b>136</b>	<b>136</b>	<b>136</b>	<b>136</b>	<b>136</b>
Spending authority from offsetting collections .....	BA	<b>1</b>						

**OTHER INDEPENDENT AGENCIES—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	125	117	123	132	135	136	136
National endowment for the humanities (gross) .....	BA	111	111	136	136	136	136	136
	O	125	117	123	132	135	136	136
Total, offsetting collections .....		-1						
Total National endowment for the humanities (net) .....	BA	110	111	136	136	136	136	136
	O	124	117	123	132	135	136	136

**Institute of Museum and Library Services**

*Federal funds*

**General and Special Funds:**

Office of Museum Services: Grants and administration:

Appropriation, current .....	503	BA	22	23	26	26	26	26	26
Outlays .....		O	24	35	23	26	26	26	26

Office of Library Services: Grants and administration:

Appropriation, current .....	503	BA	136	146	146	146	146	146	146
Outlays .....		O	135	192	143	146	146	146	146

Total Federal funds Institute of Museum and Library Services .....	BA	158	169	172	172	172	172	172
	O	159	227	166	172	172	172	172

**National Labor Relations Board**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	505	BA	175	175	184	184	184	184	184
Outlays .....		O	175	176	184	184	184	184	184

**National Mediation Board**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	505	BA	8	9	8	8	8	8	8
Outlays .....		O	8	9	8	8	8	8	8

**National Transportation Safety Board**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	407	BA	78	48	47	47	47	47	47
Spending authority from offsetting collections .....		BA			6	6	6	6	6
Outlays .....		O	45	76	52	53	53	53	53

Salaries and expenses (gross) .....	BA	78	48	53	53	53	53	53
	O	45	76	52	53	53	53	53

Total, offsetting collections .....

Total Salaries and expenses (net) .....	BA	78	48	47	47	47	47	47
	O	45	76	46	47	47	47	47

Emergency fund:

Appropriation, current .....	407	BA	1	1	1			
Outlays .....		O	1					

Total Federal funds National Transportation Safety Board .....	BA	79	49	48	47	47	47	47
	O	46	76	46	47	47	47	47

**OTHER INDEPENDENT AGENCIES—Continued**  
(In millions of dollars)

Account	1997 actual	estimate						
		1998	1999	2000	2001	2002	2003	
<b>Neighborhood Reinvestment Corporation</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Payment to the Neighborhood Reinvestment Corporation:								
Appropriation, current	451 BA	50	60	90	78	78	47	48
Outlays	O	50	60	90	78	78	47	48

<b>Nuclear Regulatory Commission</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current	276 BA	472	468	174	168	169	176	181
Spending authority from offsetting collections	BA	5	8	8	2	2	2	2
Outlays	O	510	476	256	172	171	176	182
				∧233	∧317	∧327	∧337	∧347
Salaries and expenses (gross)	BA	477	476	492	489	500	517	532
	O	510	476	489	489	498	513	529
Total, offsetting collections		-5	-8	-8	-2	-2	-2	-2
Total Salaries and expenses (net)	BA	472	468	484	487	498	515	530
	O	505	468	481	487	496	511	527
Office of Inspector General:								
Appropriation, current	276 BA	5	6	2	2	2	2	2
Outlays	O	5	5	2	2	2	2	2
				∧3	∧3	∧3	∧3	∧3
Total Office of Inspector General	BA	5	6	5	5	5	5	5
	O	5	5	5	5	5	5	5

<b>Summary</b>								
Federal funds:								
(As shown in detail above)	BA	477	474	489	492	503	520	535
	O	510	473	486	492	501	516	532
Deductions for offsetting receipts:								
Offsetting governmental receipts	276 BA/O	-459	-455	-154	-155	-158	-164	-168
				∧-313	∧-314	∧-322	∧-332	∧-342
Total Nuclear Regulatory Commission	BA	18	19	22	23	23	24	25
	O	51	18	19	23	21	20	22

<b>Nuclear Waste Technical Review Board</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current	271 BA	3	3	3	3	3	3	3
Outlays	O	3	3	3	3	3	3	3

<b>Occupational Safety and Health Review Commission</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current	554 BA	8	8	8	8	8	8	8
Outlays	O	8	8	8	8	8	8	8

<b>Office of Government Ethics</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Salaries and expenses:								
Appropriation, current	805 BA	8	8	8	8	8	8	8

**OTHER INDEPENDENT AGENCIES—Continued**  
(In millions of dollars)

Account	1997 actual	estimate						
		1998	1999	2000	2001	2002	2003	
Outlays .....	O	8	8	8	8	8	8	8

**Office of Navajo and Hopi Indian Relocation**  
*Federal funds*

**General and Special Funds:**

Salaries and expenses:

Appropriation, current .....	808 BA	19	15	15	15	15	15	15
Outlays .....	O	20	16	21	21	15	15	15

**Office of Special Counsel**  
*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

**Other Commissions and Boards**  
*Federal funds*

**General and Special Funds:**

Other commissions and boards:

Appropriation, current .....	808 BA	1						
Outlays .....	O	1	1					

**Ounce of Prevention Council**  
*Federal funds*

**General and Special Funds:**

Ounce of prevention council:

Outlays .....	754 O	2						
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**Panama Canal Commission**  
*Federal funds*

**Public Enterprise Funds:**

Panama Canal revolving fund:

Spending authority from offsetting collections .....	403 BA	664	706	718	183			
Outlays .....	O	663	696	718	432	14		

Panama Canal revolving fund (gross) .....	BA	664	706	718	183			
	O	663	696	718	432	14		

Total, offsetting collections .....		-664	-706	-718	-183			
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Total Panama Canal revolving fund (net) .....	BA							
	O	-1	-10		249	14		

Panama Canal Commission Dissolution Fund:

Total, offsetting collections .....	403	-2	-2	-1				
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Total Federal funds Panama Canal Commission .....	BA	-2	-2	-1				
	O	-3	-12	-1	249	14		

**Postal Service-Payments to the Postal Service**  
*Federal funds*

**General and Special Funds:**

Payment to the Postal Service fund:

Appropriation, current .....	372 BA	90	86	100	100	100	100	100
Outlays .....	O	90	86	100	100	100	100	100

Payment to the Postal Service fund for nonfunded liabilities:

Appropriation, current .....	372 BA	36						
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**OTHER INDEPENDENT AGENCIES—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	36						
Total Federal funds Postal Service-Payments to the Postal Service .....	BA	126	86	100	100	100	100	100
	O	126	86	100	100	100	100	100

**Postal Service**  
*Federal funds*

**Public Enterprise Funds:**

Postal Service fund:

Authority to borrow, permanent .....	372 BA	3,725	4,607	1,869	449	-365	-2,058	-320
Spending authority from offsetting collections .....	BA	58,655	61,136	64,550	66,100	68,600	71,100	73,600
Outlays .....	O	58,606	62,857	65,396	68,544	69,084	70,312	71,921
Postal Service fund (gross) .....	BA	62,380	65,743	66,419	66,549	68,235	69,042	73,280
	O	58,606	62,857	65,396	68,544	69,084	70,312	71,921
Total, offsetting collections .....		-58,655	-61,136	-64,550	-66,100	-68,600	-71,100	-73,600
Total Postal Service fund (net) .....	BA	3,725	4,607	1,869	449	-365	-2,058	-320
	O	-49	1,721	846	2,444	484	-788	-1,679

**Presidio Trust**  
*Federal funds*

**Intragovernmental Funds:**

Presidio Trust:

Appropriation, current .....	304 BA			15	14	14	14	14
Authority to borrow, current .....	BA			25	25			
Spending authority from offsetting collections .....	BA			2	5	7	7	6
Outlays .....	O			18	35	39	31	23
Presidio Trust (gross) .....	BA			42	44	21	21	20
	O			18	35	39	31	23
Total, offsetting collections .....				-3	-7	-9	-9	-9
Total Presidio Trust (net) .....	BA			39	37	12	12	11
	O			15	28	30	22	14

**Railroad Retirement Board**  
*Federal funds*

**General and Special Funds:**

Federal windfall subsidy:

Appropriation, current .....	601 BA	223	206	191	175	160	146	132
Outlays .....	O	216	206	191	175	160	146	132
Federal payments to the railroad retirement accounts:								
Appropriation, permanent .....	601 BA	238	254	254	257	261	265	271
Outlays .....	O	238	254	254	257	261	265	271

*Trust funds*

Railroad unemployment insurance trust fund:

Appropriation, permanent .....	603 BA	74	75	73	76	76	77	77
Outlays .....	O	74	75	73	76	76	77	77

Rail Industry Pension Fund:

Appropriation, current .....	601 BA	93	93	91	89	87	85	85
Appropriation, permanent .....	BA	2,915	2,931	2,962	3,001	3,040	3,097	3,150
				B -7	B -9	B -9	B -9	B -9
Spending authority from offsetting collections .....	BA	4	4	4	4	4	4	4
Outlays .....	O	2,998	3,026	3,055	3,092	3,128	3,182	3,235
				B -6	B -9	B -9	B -9	B -9
Rail Industry Pension Fund (gross) .....	BA	3,012	3,028	3,050	3,085	3,122	3,177	3,230
	O	2,998	3,026	3,049	3,083	3,119	3,173	3,226
Total, offsetting collections .....		-4	-4	-4	-4	-4	-4	-4
Total Rail Industry Pension Fund (net) .....	BA	3,008	3,024	3,046	3,081	3,118	3,173	3,226
	O	2,994	3,022	3,045	3,079	3,115	3,169	3,222

**OTHER INDEPENDENT AGENCIES—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Supplemental Annuity Pension Fund:								
Appropriation, permanent .....	601 BA	82	79	76	72	69	67	64
Outlays .....	O	82	79	76	72	69	67	64
Railroad social security equivalent benefit account:								
Appropriation, permanent .....	601 BA	2,084	2,195	2,217	2,213	2,226	2,245	2,254
				<sup>B</sup> 43	<sup>B</sup> 57	<sup>B</sup> 58	<sup>B</sup> 58	<sup>B</sup> 58
Authority to borrow, permanent .....	BA	3,184	3,131	3,137	3,141	3,146	3,146	3,167
Outlays .....	O	5,250	5,325	5,338	5,351	5,370	5,385	5,416
				<sup>B</sup> 38	<sup>B</sup> 57	<sup>B</sup> 58	<sup>B</sup> 58	<sup>B</sup> 58
Total Railroad social security equivalent benefit account .....	BA	5,268	5,326	5,397	5,411	5,430	5,449	5,479
	O	5,250	5,325	5,376	5,408	5,428	5,443	5,474

**Summary**

Federal funds:								
(As shown in detail above) .....	BA	461	460	445	432	421	411	403
	O	454	460	445	432	421	411	403
Trust funds:								
(As shown in detail above) .....	BA	8,432	8,504	8,592	8,640	8,693	8,766	8,846
	O	8,400	8,501	8,570	8,635	8,688	8,756	8,837
Deductions for offsetting receipts:								
Intrafund transactions .....	601 BA/O	-3,747	-3,784	-3,785	-3,806	-3,692	-3,797	-3,796
Total Trust funds .....	BA	4,685	4,720	4,807	4,834	5,001	4,969	5,050
	O	4,653	4,717	4,785	4,829	4,996	4,959	5,041
Interfund transactions .....	601 BA/O	-238	-254	-254	-257	-261	-265	-271
Total Railroad Retirement Board .....	BA	4,908	4,926	4,998	5,009	5,161	5,115	5,182
	O	4,869	4,923	4,976	5,004	5,156	5,105	5,173

**Securities and Exchange Commission**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:								
Appropriation, current .....	376 BA	38	33	118	13	13	13	13
Spending authority from offsetting collections .....	BA	224	284	225	331	313	300	284
Outlays .....	O	302	305	336	340	325	312	296
Salaries and expenses (gross) .....	BA	262	317	343	344	326	313	297
	O	302	305	336	340	325	312	296
Total, offsetting collections .....		-324	-367	-348	-331	-313	-300	-284
Total Salaries and expenses (net) .....	BA	-62	-50	-5	13	13	13	13
	O	-22	-62	-12	9	12	12	12

**Smithsonian Institution**

*Federal funds*

**General and Special Funds:**

Salaries and expenses:								
Appropriation, current .....	503 BA	318	333	357	365	378	389	403
Outlays .....	O	325	314	348	351	365	376	387
Museum programs and related research (special foreign currency program):								
Outlays .....	503 O	1	1					
Construction and improvements, National Zoological Park:								
Appropriation, current .....	503 BA	4	4	5	5	5	5	5
Outlays .....	O	5	3	4	4	5	5	5
Repair and restoration of buildings:								
Appropriation, current .....	503 BA	39	32	40	40	50	50	50
Outlays .....	O	28	23	35	35	45	45	46
Construction:								
Appropriation, current .....	503 BA	10	33	18	2	9	9	9
Advance appropriation .....	BA				19			

**OTHER INDEPENDENT AGENCIES—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
Outlays .....	O	32	21	18	16	12	10	9
Total Construction .....	BA	<b>10</b>	<b>33</b>	<b>18</b>	<b>21</b>	<b>9</b>	<b>9</b>	<b>9</b>
	O	32	21	18	16	12	10	9
Operations and maintenance, JFK center for the performing arts:								
Appropriation, current .....	503 BA	<b>12</b>	<b>11</b>	<b>13</b>	<b>14</b>	<b>14</b>	<b>15</b>	<b>15</b>
Outlays .....	O	10	9	13	14	14	15	15
Construction, JFK center for the performing arts:								
Appropriation, current .....	503 BA	<b>12</b>	<b>9</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>19</b>	<b>17</b>
Outlays .....	O	23	7	12	20	20	20	19
Salaries and expenses, National Gallery of Art:								
Appropriation, current .....	503 BA	<b>54</b>	<b>56</b>	<b>58</b>	<b>60</b>	<b>62</b>	<b>64</b>	<b>66</b>
Outlays .....	O	54	56	56	59	61	63	66
Repair, restoration, and renovation of buildings:								
Appropriation, current .....	503 BA	<b>6</b>	<b>6</b>	<b>6</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>
Outlays .....	O	8	8	8	6	6	6	6
Salaries and expenses, Woodrow Wilson International Center for Scholars:								
Appropriation, current .....	503 BA	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>7</b>	<b>7</b>
Outlays .....	O	6	4	6	6	6	7	7
Total Federal funds Smithsonian Institution .....	BA	<b>461</b>	<b>490</b>	<b>523</b>	<b>538</b>	<b>551</b>	<b>565</b>	<b>579</b>
	O	492	446	500	511	534	547	560

**State Justice Institute**

*Federal funds*

**General and Special Funds:**

State Justice Institute: Salaries and expenses:

Appropriation, current .....	752 BA	<b>6</b>	<b>7</b>	<b>6</b>	<b>6</b>	<b>5</b>	<b>5</b>	<b>5</b>
Outlays .....	O	8	9	9	6	6	5	5

**Tennessee Valley Authority**

*Federal funds*

**Public Enterprise Funds:**

Tennessee Valley Authority fund

(Energy supply):

(Spending authority from offsetting collections) .....	271 BA	<b>5,204</b>	<b>5,367</b>	<b>5,463</b>	<b>5,750</b>	<b>5,743</b>	<b>5,748</b>	<b>5,802</b>
(Outlays) .....	O	5,152	5,367	5,463	5,750	5,743	5,748	5,802

Tennessee Valley Authority fund (gross) .....	BA	<b>5,204</b>	<b>5,367</b>	<b>5,463</b>	<b>5,750</b>	<b>5,743</b>	<b>5,748</b>	<b>5,802</b>
	O	5,152	5,367	5,463	5,750	5,743	5,748	5,802

Total, offsetting collections .....		-5,601	-6,278	-6,486	-6,656	-6,789	-6,900	-7,024
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Total (Energy supply) (net) .....	BA	<b>-397</b>	<b>-911</b>	<b>-1,023</b>	<b>-906</b>	<b>-1,046</b>	<b>-1,152</b>	<b>-1,222</b>
	O	-449	-911	-1,023	-906	-1,046	-1,152	-1,222

(Area and regional development):

(Appropriation, current) .....	452 BA	<b>106</b>	<b>70</b>	<b>77</b>	<b>95</b>	<b>102</b>	<b>105</b>	<b>130</b>
(Spending authority from offsetting collections) .....	BA	<b>11</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>
(Outlays) .....	O	123	79	83	76	91	106	116

Tennessee Valley Authority fund (gross) .....	BA	<b>-280</b>	<b>-834</b>	<b>-939</b>	<b>-804</b>	<b>-937</b>	<b>-1,040</b>	<b>-1,085</b>
	O	-326	-832	-940	-830	-955	-1,046	-1,106

Total, offsetting collections .....		-11	-7	-7	-7	-7	-7	-7
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Total (Area and regional development) (net) .....	BA	<b>106</b>	<b>70</b>	<b>77</b>	<b>95</b>	<b>102</b>	<b>105</b>	<b>130</b>
	O	112	72	76	69	84	99	109

Total Tennessee Valley Authority fund .....	BA	<b>-291</b>	<b>-841</b>	<b>-946</b>	<b>-811</b>	<b>-944</b>	<b>-1,047</b>	<b>-1,092</b>
	O	-337	-839	-947	-837	-962	-1,053	-1,113

Total Federal funds Tennessee Valley Authority .....	BA	<b>-291</b>	<b>-841</b>	<b>-946</b>	<b>-811</b>	<b>-944</b>	<b>-1,047</b>	<b>-1,092</b>
	O	-337	-839	-947	-837	-962	-1,053	-1,113



**OTHER INDEPENDENT AGENCIES—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>United Mine Workers of America Benefit Funds</b>								
<i>Trust funds</i>								
United mine workers of America combined benefit fund:								
Appropriation, permanent .....	551 BA	340	329	321	312	304	296	288
Outlays .....	O	340	329	321	312	304	296	288
United mine workers of America 1992 benefit plan:								
Appropriation, permanent .....	551 BA	30	30	31	31	32	32	33
Outlays .....	O	30	30	31	31	32	32	33
<b>Summary</b>								
Trust funds:								
(As shown in detail above) .....	BA	370	359	352	343	336	328	321
	O	370	359	352	343	336	328	321
Interfund transactions .....	551 BA/O	-31	-36	-70	-70	-70	-70	-70
Total United Mine Workers of America Benefit Funds .....	BA	339	323	282	273	266	258	251
	O	339	323	282	273	266	258	251
<b>United States Enrichment Corporation Fund</b>								
<i>Federal funds</i>								
<b>Public Enterprise Funds:</b>								
United States Enrichment Corporation Fund:								
Spending authority from offsetting collections .....	271 BA	1,611	756					
Outlays .....	O	1,509	763					
United States Enrichment Corporation Fund (gross) .....	BA	1,611	756					
	O	1,509	763					
Total, offsetting collections .....		-1,611	-756					
Total United States Enrichment Corporation Fund (net) .....	BA							
	O	-102	7					
<b>United States Holocaust Memorial Council</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Holocaust Memorial Council:								
Appropriation, current .....	808 BA	32	32	33	33	34	34	35
Outlays .....	O	30	30	34	34	34	34	35
<b>United States Information Agency</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
International information programs:								
Appropriation, current .....	154 BA	442	452	462	462	462	462	462
Spending authority from offsetting collections .....	BA	9	11	11	11	11	11	11
Outlays .....	O	468	462	471	473	473	473	473
International information programs (gross) .....	BA	451	463	473	473	473	473	473
	O	468	462	471	473	473	473	473
Total, offsetting collections .....		-9	-11	-11	-11	-11	-11	-11
Total International information programs (net) .....	BA	442	452	462	462	462	462	462
	O	459	451	460	462	462	462	462
Buying power maintenance:								
Appropriation, current .....	154 BA	5						
Reappropriation .....	BA	9						
Total Buying power maintenance .....	BA	14						
Technology fund:								
Appropriation, current .....	154 BA	5	5	5	5	5	5	5
Outlays .....	O	4	10	5	5	5	5	5

**OTHER INDEPENDENT AGENCIES—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					
			1998	1999	2000	2001	2002	2003
<b>Educational and cultural exchange programs:</b>								
Appropriation, current	154 BA	219	198	199	199	199	199	199
Spending authority from offsetting collections	BA	4	2	2	2	2	2	2
Outlays	O	250	215	202	201	201	201	201
<hr/>								
Educational and cultural exchange programs (gross)	BA	223	200	201	201	201	201	201
	O	250	215	202	201	201	201	201
<hr/>								
Total, offsetting collections		-4	-2	-2	-2	-2	-2	-2
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Total Educational and cultural exchange programs (net)	BA	219	198	199	199	199	199	199
	O	246	213	200	199	199	199	199
<hr/>								
<b>National Endowment for Democracy:</b>								
Appropriation, current	154 BA	30	30	31	31	31	31	31
Outlays	O	29	31	31	31	31	31	31
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<b>Broadcasting to Cuba:</b>								
Appropriation, current	154 BA	25	22					
Outlays	O	25	23	4				
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<b>East West Center:</b>								
Appropriation, current	154 BA	10	12	5	5	5	5	5
Outlays	O	10	12	5	5	5	5	5
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<b>North/South Center:</b>								
Appropriation, current	154 BA	2	2	2	2	2	2	2
Outlays	O	3	2	2	2	2	2	2
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<b>Radio construction:</b>								
Appropriation, current	154 BA	35	40	25	25	25	25	25
Outlays	O	61	37	34	29	26	25	25
<hr/>								
<b>International broadcasting operations:</b>								
Appropriation, current	154 BA	325	364	389	389	389	389	389
Spending authority from offsetting collections	BA		1	1	1	1	1	1
Outlays	O	324	359	386	390	390	390	390
<hr/>								
International broadcasting operations (gross)	BA	325	365	390	390	390	390	390
	O	324	359	386	390	390	390	390
<hr/>								
Total, offsetting collections			-1	-1	-1	-1	-1	-1
<hr/>								
Total International broadcasting operations (net)	BA	325	364	389	389	389	389	389
	O	324	358	385	389	389	389	389
<hr/>								
<i>Trust funds</i>								
<b>American studies endowment fund:</b>								
Outlays	154 O	1						
<hr/>								
<b>Israeli Arab and Eisenhower exchange fellowship program:</b>								
Appropriation, current	154 BA	1	1	1	1	1	1	1
Outlays	O	1	1	1	1	1	1	1
<hr/>								
<b>Foreign service national separation liability trust fund:</b>								
Appropriation, permanent	602 BA	8	2	2	2	2	2	2
Outlays	O	10	3	2	2	2	2	2
<hr/>								
<b>Miscellaneous trust funds:</b>								
Appropriation, permanent	154 BA	2	1	1	1	1	1	1
Outlays	O	2	1	1	1	1	1	1
<hr/>								
<b>Summary</b>								
<b>Federal funds:</b>								
(As shown in detail above)	BA	1,107	1,125	1,118	1,118	1,118	1,118	1,118
	O	1,161	1,137	1,126	1,122	1,119	1,118	1,118
<hr/>								
<b>Trust funds:</b>								
(As shown in detail above)	BA	11	4	4	4	4	4	4
	O	14	5	4	4	4	4	4
<hr/>								
Interfund transactions	602 BA/O	-8	-2	-2	-2	-2	-2	-2
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Total United States Information Agency	BA	1,110	1,127	1,120	1,120	1,120	1,120	1,120
	O	1,167	1,140	1,128	1,124	1,121	1,120	1,120

**OTHER INDEPENDENT AGENCIES—Continued**  
(In millions of dollars)

Account	1997 actual	estimate						
		1998	1999	2000	2001	2002	2003	
<b>United States Institute of Peace</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Operating expenses:								
Appropriation, current	153 BA	11	11	11	11	11	11	11
Outlays	O	11	12	11	11	11	11	11
<b>Summary</b>								
<b>On-Budget</b>								
Federal funds:								
(As shown in detail above)	BA	9,130	13,598	14,332	17,610	19,734	20,150	20,308
	O	-6,258	8,141	8,734	15,086	17,622	18,365	19,476
Deductions for offsetting receipts:								
Proprietary receipts from the public	155 BA/O	-15	-36	-34	-34	-34	-34	-34
	376 BA/O	-38	-38	-38	-38	-38	-38	-38
	803 BA/O	-45	-59	-72	-73	-76	-77	-80
	806 BA/O	-12	-12	-12	-12	-15		
Offsetting governmental receipts	276 BA/O	-459	-455	-154	-155	-158	-164	-168
				-313	-314	-322	-332	-342
Total Federal funds	BA	8,561	12,998	13,709	16,984	19,091	19,505	19,646
	O	-6,827	7,541	8,111	14,460	16,979	17,720	18,814
Trust funds:								
(As shown in detail above)	BA	8,908	9,418	9,507	9,571	9,640	9,728	9,824
	O	8,836	9,322	9,404	9,524	9,577	9,657	9,755
Deductions for offsetting receipts:								
Intrafund transactions	601 BA/O	-3,747	-3,784	-3,785	-3,806	-3,692	-3,797	-3,796
Proprietary receipts from the public	452 BA/O	-2	-2	-3	-3	-3	-3	-3
	601 BA/O		-382	-403	-425	-447	-470	-493
Total Trust funds	BA	5,159	5,250	5,316	5,337	5,498	5,458	5,532
	O	5,087	5,154	5,213	5,290	5,435	5,387	5,463
Interfund transactions								
	452 BA/O	-2	-2	-3	-3	-3	-3	-3
	502 BA/O		-2	-2	-2	-2	-2	
	506 BA/O	-61	-123	-98	-98	-98	-98	-98
	551 BA/O	-31	-36	-70	-70	-70	-70	-70
	601 BA/O	-238	-254	-254	-257	-261	-265	-271
	602 BA/O	-8	-2	-2	-2	-2	-2	-2
	752 BA/O			-6	-6	-6	-6	-6
Total Other Independent Agencies (on-budget)	BA	13,380	17,829	18,590	21,883	24,147	24,517	24,728
	O	-2,080	12,276	12,889	19,312	21,972	22,661	23,827
<b>Off-Budget</b>								
Federal funds:								
(As shown in detail above)	BA	3,725	4,607	1,869	449	-365	-2,058	-320
	O	-49	1,721	846	2,444	484	-788	-1,679
Total Other Independent Agencies (off-budget)	BA	3,725	4,607	1,869	449	-365	-2,058	-320
	O	-49	1,721	846	2,444	484	-788	-1,679
Total Other Independent Agencies	BA	17,105	22,436	20,459	22,332	23,782	22,459	24,408
	O	-2,129	13,997	13,735	21,756	22,456	21,873	22,148

**ALLOWANCES**  
(In millions of dollars)

Account	1997 actual	estimate						
		1998	1999	2000	2001	2002	2003	
<b>Allowances for:</b>								
<i>Federal funds</i>								
<b>General and Special Funds:</b>								
Emergencies, including unforeseen defense and nondefense costs, natural disasters, and unanticipated nonemergency expenses of the year 2000 conversion:								
Appropriation, current	BA			3,250				

**ALLOWANCES—Continued**  
(In millions of dollars)

Account	1997 actual	estimate					
		1998	1999	2000	2001	2002	2003
Outlays .....	O		J 3,250				
Contingencies for:							
Relatively uncontrollable programs:							
Appropriation, current .....	BA		0				
Outlays .....	O		0				
Other requirements:							
Appropriation, current .....	BA		0				
Outlays .....	O		0				
<b>Summary</b>							
Federal funds:							
Total Allowances .....	BA		3,250				
	O		3,250				

**Totals**  
(In millions of dollars)

Account	1997 actual	estimate						
		1998	1999	2000	2001	2002	2003	
<b>Budget Totals</b>								
Federal funds:								
(As shown in detail above) .....	BA	1,242,033	1,264,877	1,306,928	1,336,472	1,373,165	1,405,939	1,450,916
	O	1,204,664	1,250,075	1,295,579	1,324,338	1,353,809	1,382,213	1,432,207
Deductions for offsetting receipts: (As shown in detail above):								
Intrafund transactions .....	BA/O	-7,710	-6,295	-5,711	-5,516	-5,339	-5,106	-4,857
Proprietary receipts from the public .....	BA/O	-19,807	-20,956	-25,200	-21,818	-22,566	-24,979	-24,120
				B -43	B -660	B -670	B -676	B -687
				J -50				J -285
Offsetting governmental receipts .....	BA/O	-3,133	-2,997	-3,197	-3,254	-3,307	-3,381	-3,373
				J -385	J -386	J -394	J -404	J -414
(Undistributed by agency):								
Offsetting governmental receipts:								
Other undistributed offsetting receipts .....	959 BA/O	-11,006	-2,216	-1,833	-4,889	-4,841	-11,354	-3,300
Interfund transactions:								
Other interest .....	908 BA/O	-6	-1,120	-30				
Rents and royalties on the Outer Continental Shelf .....	953 BA/O	-4,711	-4,663	-4,187	-3,952	-4,134	-4,277	-3,886
Sale of major assets .....	954 BA/O		-4,424	-728				
Total deductions .....	BA/O	-46,373	-42,671	-41,364	-40,475	-41,251	-50,177	-40,922
Federal fund totals .....	BA	1,195,660	1,222,206	1,265,564	1,295,997	1,331,914	1,355,762	1,409,994
	O	1,158,291	1,207,404	1,254,215	1,283,863	1,312,558	1,332,036	1,391,285
Trust funds:								
(As shown in detail above) .....	BA	367,557	381,025	397,980	416,633	439,686	449,183	476,612
	O	367,861	379,050	393,466	414,511	437,963	446,461	476,135
Deductions for offsetting receipts: (As shown in detail above):								
Intrafund transactions .....	BA/O	-3,748	-3,785	-3,786	-3,807	-3,693	-3,798	-3,797
Proprietary receipts from the public .....	BA/O	-37,002	-36,139	-35,564	-36,731	-38,221	-40,046	-41,957
				B -127	B -679	B -814	B -1,025	B -1,234
(Undistributed by agency):								
Total deductions .....	BA/O	-40,750	-39,924	-39,477	-41,217	-42,728	-44,869	-46,988
Trust fund totals .....	BA	326,807	341,101	358,503	375,416	396,958	404,314	429,624
	O	327,111	339,126	353,989	373,294	395,235	401,592	429,147
Interfund transactions (-):								
Interest received by on-budget trust funds .....	902 BA/O	-63,776	-65,852	-67,206	-68,804	-70,083	-71,648	-73,309
			J -99	J -214	J -457	J -728	J -967	J -1,187
Employer share, employee retirement (on-budget) .....	951 BA/O	-27,773	-27,908	-28,077	-28,644	-29,361	-30,345	-30,826

**Totals—Continued**  
(In millions of dollars)

Account		1997 actual	estimate					2003
			1998	1999	2000	2001	2002	
Applied by agency above .....	BA/O	-103,244	-104,531	-108,352	-114,632	-123,623	-131,066	-140,832
Total interfund transactions .....	BA/O	-194,793	-198,390	-203,849	-212,537	-223,795	-234,026	-246,154
<b>Budget totals</b> Δ .....	BA	<b>1,327,674</b>	<b>1,364,917</b>	<b>1,420,218</b>	<b>1,458,876</b>	<b>1,505,077</b>	<b>1,526,050</b>	<b>1,593,464</b>
	O	1,290,609	1,348,140	1,404,355	1,444,620	1,483,998	1,499,602	1,574,278
<b>Off-Budget Totals</b>								
Federal funds:								
(As shown in detail above) .....	BA	3,725	4,607	1,869	449	-365	-2,058	-320
	O	-49	1,721	846	2,444	484	-788	-1,679
Trust funds:								
(As shown in detail above) .....	BA	366,053	381,339	397,088	414,045	433,097	451,920	472,488
	O	365,270	381,509	396,237	412,665	431,580	450,228	470,720
Deductions for offsetting receipts:								
(As shown in detail above):								
Proprietary receipts from the public .....	BA/O	-18	-20	-20	-20	-20	-20	-20
				J-12	J-17	J-17	J-17	J-17
(Undistributed by agency):								
Total deductions .....	BA/O	-18	-20	-32	-37	-37	-37	-37
Trust fund totals .....	BA	366,035	381,319	397,056	414,008	433,060	451,883	472,451
	O	365,252	381,489	396,205	412,628	431,543	450,191	470,683
Interfund transactions (-):								
Interest received by off-budget trust funds .....	903 BA/O	-41,214	-46,730	-51,623	-56,966	-62,889	-69,318	-76,337
Employer share, employee retirement (off-budget) .....	952 BA/O	-6,483	-7,155	-7,667	-8,317	-8,831	-9,571	-10,304
Applied by agency above .....	BA/O	-6,880	-9,650	-8,899	-9,363	-9,913	-10,562	-11,267
Total interfund transactions .....	BA/O	-54,577	-63,535	-68,189	-74,646	-81,633	-89,451	-97,908
<b>Off-Budget totals</b> Δ .....	BA	<b>315,183</b>	<b>322,391</b>	<b>330,736</b>	<b>339,811</b>	<b>351,062</b>	<b>360,374</b>	<b>374,223</b>
	O	310,626	319,675	328,862	340,426	350,394	359,952	371,096
<b>Federal Government totals</b> Δ .....	BA	<b>1,642,857</b>	<b>1,687,308</b>	<b>1,750,954</b>	<b>1,798,687</b>	<b>1,856,139</b>	<b>1,886,424</b>	<b>1,967,687</b>
	O	1,601,235	1,667,815	1,733,217	1,785,046	1,834,392	1,859,554	1,945,374

**Federal Government Totals**  
(In millions of dollars)

	1998		1999		2000	
	BA	Outlays	BA	Outlays	BA	Outlays
<b>Federal funds:</b>						
Enacted, pending and initial requests:						
Appropriations .....	1,268,893	1,251,201	1,293,090	1,286,958	1,323,040	1,315,229
Proposed in this budget:						
Supplemental proposal <sup>(A)</sup> .....	550	550	3	3	-93	-93
To be proposed separately:						
Legislative Proposals:						
Subject to PAYGO <sup>(B)</sup> .....	-58	-48	6,208	4,042	6,222	5,106
Not subject to PAYGO <sup>(J)</sup> .....	99	93	6,246	2,172	7,752	6,540
Allowances .....			3,250	3,250		
Deductions for offsetting receipts .....	-42,671	-42,671	-40,886	-40,886	-39,429	-39,429
Subject to PAYGO <sup>(B)</sup> .....			-43	-43	-660	-660
Not subject to PAYGO <sup>(J)</sup> .....			-435	-435	-386	-386
Total Federal funds .....	1,226,813	1,209,125	1,267,433	1,255,061	1,296,446	1,286,307
<b>Trust funds:</b>						
Enacted, pending and initial requests:						
Appropriations .....	762,212	760,534	794,522	789,176	829,559	825,974
Proposed in this budget:						
To be proposed separately:						
Legislative Proposals:						
Subject to PAYGO <sup>(B)</sup> .....	152	25	514	496	1,000	1,083
Not subject to PAYGO <sup>(J)</sup> .....			32	31	119	119
Deductions for offsetting receipts .....	-39,944	-39,944	-39,370	-39,370	-40,558	-40,558
Subject to PAYGO <sup>(B)</sup> .....			-127	-127	-679	-679
Not subject to PAYGO <sup>(J)</sup> .....			-12	-12	-17	-17
Total Trust funds .....	722,420	720,615	755,559	750,194	789,424	785,922
Interfund transactions (-) .....	-261,925	-261,925	-272,038	-272,038	-287,183	-287,183
Federal Government totals .....	1,687,308	1,667,815	1,750,954	1,733,217	1,798,687	1,785,046

**Federal Government Totals—Continued**  
(In millions of dollars)

	2001		2002		2003	
	BA	Outlays	BA	Outlays	BA	Outlays
<b>Federal funds:</b>						
Enacted, pending and initial requests:						
Appropriations .....	1,357,833	1,340,417	1,390,752	1,374,426	1,435,502	1,415,638
Proposed in this budget:						
Supplemental proposal <sup>(A)</sup> .....	-369	-369	-700	-700	-1,101	-1,101
To be proposed separately:						
Legislative Proposals:						
Subject to PAYGO <sup>(B)</sup> .....	6,480	5,871	3,178	2,635	4,220	3,712
Not subject to PAYGO <sup>(J)</sup> .....	8,856	8,374	10,651	5,064	11,975	12,279
Allowances .....						
Deductions for offsetting receipts .....	-40,187	-40,187	-49,097	-49,097	-39,536	-39,536
Subject to PAYGO <sup>(B)</sup> .....	-670	-670	-676	-676	-687	-687
Not subject to PAYGO <sup>(J)</sup> .....	-394	-394	-404	-404	-699	-699
Total Federal funds .....	1,331,549	1,313,042	1,353,704	1,331,248	1,409,674	1,389,606
<b>Trust funds:</b>						
Enacted, pending and initial requests:						
Appropriations .....	871,617	868,268	899,793	895,293	947,886	945,590
Proposed in this budget:						
To be proposed separately:						
Legislative Proposals:						
Subject to PAYGO <sup>(B)</sup> .....	1,052	1,161	1,182	1,268	1,086	1,137
Not subject to PAYGO <sup>(J)</sup> .....	114	114	128	128	128	128
Deductions for offsetting receipts .....	-41,934	-41,934	-43,864	-43,864	-45,774	-45,774
Subject to PAYGO <sup>(B)</sup> .....	-814	-814	-1,025	-1,025	-1,234	-1,234
Not subject to PAYGO <sup>(J)</sup> .....	-17	-17	-17	-17	-17	-17
Total Trust funds .....	830,018	826,778	856,197	851,783	902,075	899,830
Interfund transactions (-) .....	-305,428	-305,428	-323,477	-323,477	-344,062	-344,062
Federal Government totals .....	1,856,139	1,834,392	1,886,424	1,859,554	1,967,687	1,945,374

<sup>A</sup> Supplemental proposal.<sup>B</sup> Legislative proposal, subject to PAYGO.<sup>J</sup> Legislative proposal, not subject to PAYGO.





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