
DIMENSIONS OF THE BUDGET

20. COMPARISON OF ACTUAL TO ESTIMATED TOTALS

In successive budgets, the Administration publishes several estimates of the surplus or deficit for a particular fiscal year. Initially, the year appears as an outyear projection at the end of the budget horizon. In each subsequent budget, the year advances in the estimating horizon until it becomes the “budget year.” One year later, the year becomes the “current year” then in progress, and the following year, it becomes the just-completed “actual year.”

The budget is legally required to compare budget year estimates of receipts and outlays with the subsequent actual receipts and outlays for that year. Part I of this chapter meets that requirement by comparing the actual re-

sults for 2008 with the current services estimates shown in the 2008 Budget, published in February 2007.

Part II of the chapter presents a broader comparison of estimates and actual outcomes. This part first discusses the historical record of budget year estimates versus actual results over the last two and a half decades. Second, it lengthens the focus to estimates made for each year of the budget horizon, extending four years beyond the budget year. This longer focus shows that the differences between estimates and the eventual actual results grow as the estimates extend further into the future.

PART I: COMPARISON OF ACTUAL TO ESTIMATED TOTALS FOR 2008

This part of the chapter compares the actual receipts, outlays, and deficit for 2008 with the current services estimates shown in the 2008 Budget, published in February 2007.¹ This part also presents a more detailed comparison for mandatory and related programs, and reconciles the actual receipts, outlays, and deficit totals shown here with the figures for 2008 previously published by the Department of the Treasury.

Receipts

Actual receipts for 2008 were \$2,524 billion, \$190 billion less than the \$2,714 billion current services estimate in the 2008 Budget (February 2007). As shown in Table

20–1, this increase was the net effect of legislative and administrative changes, economic conditions that differed from what had been expected, and technical factors that resulted in different collection patterns and effective tax rates than had been assumed.

Policy differences. Several laws were enacted after February 2007 that reduced 2008 receipts by a net \$140 billion. The provisions of the Tax Increase Prevention Act of 2007 (TIPRA), which provided alternative minimum tax (AMT) relief for calendar year 2007, reduced 2008 receipts by \$59 billion. Enactment of the Economic Stimulus Act of 2008, which provided tax rebates to individuals and incentives for business investment, reduced 2008 receipts by \$83 billion. The effects of other legislative and administrative changes on 2008 receipts were largely offsetting.

Economic differences. Differences between the economic assumptions upon which the current services estimates were based and actual economic performance

¹ The current services concept is discussed in Chapter 24, “Current Services Estimates.” For mandatory programs and receipts, the February 2007 current services estimate was based on laws then in place, adjusted to reflect extension of certain expiring provisions in the 2001 and 2003 tax acts. For discretionary programs the current services estimate was based on the current year estimates, excluding one-time emergency appropriations, adjusted for inflation.

Table 20–1. COMPARISON OF ACTUAL 2008 RECEIPTS WITH THE INITIAL CURRENT SERVICES ESTIMATES
(In billions of dollars)

	February 2007 estimate	Changes				Actual
		Policy	Economic	Technical	Total changes	
Individual income taxes	1,295	-132	-67	50	-149	1,146
Corporation income taxes	319	-10	2	-6	-14	304
Social insurance and retirement receipts	926	1	-26	-1	-26	900
Excise taxes	69	*	-3	1	-2	67
Estate and gift taxes	26	1	*	2	3	29
Customs duties	30	*	-1	-1	-2	28
Miscellaneous receipts	51	.....	-8	7	*	50
Total Receipts	2,714	-140	-102	53	-190	2,524

* \$500 million or less.

reduced 2008 receipts by a net \$102 billion below the February 2007 estimate. Lower-than-anticipated wages and salaries and non-wage sources of personal income were in large part responsible for the reduction in individual income taxes of \$67 billion. Lower-than-anticipated wages and salaries and proprietors' income – the tax base for Social Security and Medicare payroll taxes—are in large part responsible for the reduction in social insurance and retirement receipts of \$26 billion. Reductions in deposits of earnings by the Federal Reserve System, attributable in large part to lower-than-expected interest rates, are responsible for the \$8 billion reduction in miscellaneous receipts. Differences between anticipated and actual economic performance reduced other sources of receipts by a net \$2 billion.

Technical factors. Technical factors increased receipts by a net \$53 billion above the February 2007 current services estimate. This net increase was in large part attributable to higher-than-expected collections of individual income taxes and miscellaneous receipts that were only partially offset by lower-than-anticipated collections of corporation income taxes. Different collection patterns and effective tax rates than assumed in February 2007 were primarily responsible for the higher-than-expected collections of individual income taxes of \$50 billion and the lower-than-expected collections of corporation income taxes of \$6 billion. Higher-than-expected earnings on foreign currency holdings by the Federal Reserve System were in large part responsible for the \$7 billion increase in miscellaneous receipts relative to the February 2007 estimate. Technical factors had a much smaller effect on the remaining sources of receipts (social insurance and retirement receipts, excise taxes, estate and gift taxes and customs duties) relative to the February 2007 estimates.

Outlays

Outlays for 2008 were \$2,983 billion, \$231 billion more than the \$2,752 billion current services estimate in the 2008 Budget (February 2007).

Table 20–2 distributes the \$231 billion net increase in outlays among discretionary and mandatory programs and net interest.² 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 legislative actions that change spending levels, primarily through higher or lower appropriations or changes in authorizing legislation, which may themselves reflect responses to changed economic conditions. For 2008, policy changes increased outlays by an estimated \$226 billion relative to the initial current services estimates.

Policy changes increased discretionary outlays by \$174 billion. Defense discretionary outlays increased by \$135 billion and nondefense discretionary outlays increased by \$39 billion. A significant portion of both defense and nondefense outlay increases resulted from enactment of emergency supplemental appropriation acts for combat operations in Iraq and Afghanistan, veterans' care, and hurricane recovery in 2007 and 2008. The February 2007 current services estimates assumed no funding for these supplemental appropriations. Policy changes increased mandatory outlays by a net \$43 billion above current law. This increase largely reflects a \$33 billion increase in outlays for tax rebates to individuals, enacted in the Economic Stimulus Act of 2008; a \$7 billion increase in Medicare and Medicaid outlays, enacted in the Medicare, Medicaid, and SCHIP Extension

² Discretionary programs are controlled by annual appropriations, while mandatory programs are generally controlled by authorizing legislation. Mandatory programs are mostly formula benefit or entitlement programs with permanent spending authority that depend on eligibility criteria, benefit levels, and other factors.

Table 20–2. COMPARISON OF ACTUAL 2008 OUTLAYS WITH THE INITIAL CURRENT SERVICES ESTIMATES
(In billions of dollars)

	Current Services (Feb. 2007)	Changes				Actual
		Policy	Economic	Technical	Total changes	
Discretionary:						
Defense	466	135	.....	12	147	612
Nondefense	496	39	.....	-13	27	522
Subtotal, discretionary	961	174	.....	-*	174	1,135
Mandatory:						
Social Security	608	.....	4	1	4	612
Medicare and Medicaid	595	7	-1	-13	-7	587
Other programs	335	36	4	21	61	396
Subtotal, mandatory	1,537	43	7	8	58	1,595
Net interest	254	9	-11	1	-1	253
Total outlays	2,752	226	-4	9	231	2,983

* \$500 million or less.

Table 20–3. COMPARISON OF THE ACTUAL 2008 DEFICIT WITH THE INITIAL CURRENT SERVICES ESTIMATE
(In billions of dollars)

	Current Services (Feb. 2007)	Changes				Actual
		Policy	Economic	Technical	Total changes	
Receipts	2,714	-140	-102	53	-190	2,524
Outlays	2,752	226	-4	9	231	2,983
Deficit	38	366	98	-44	420	459

Note: Deficit changes are outlays minus receipts. For these changes, a positive number indicates an increase in the deficit.

Act of 2007 and the Medicare Improvements for Patients and Providers Act of 2008; and a \$5 billion increase in emergency unemployment compensation outlays, enacted in the Supplemental Appropriations Act of 2008. Debt service costs associated with the policy receipt and outlay changes were \$9 billion.

Economic conditions that differed from those forecast in February 2007 resulted in a net decrease in outlays of \$4 billion. This change largely reflects a \$4 billion increase in Social Security benefits due to higher cost-of-living adjustments and a \$4 billion increase in food and nutrition assistance and unemployment compensation due to higher-than-expected unemployment rates, which are more than offset by a \$11 billion decrease in net interest due to lower-than-expected interest rates.

Technical estimating factors resulted in a net increase in outlays of \$9 billion. Technical changes result from changes in such factors as the number of beneficiaries for entitlement programs, crop conditions, or other factors not associated with policy changes or economic conditions. Outlays for discretionary programs decreased slightly, because budget authority for defense programs was spent faster than expected, which was slightly more than offset by slower-than-expected spending of nondefense programs. Outlays for mandatory programs increased a net \$8 billion, largely due to higher-than-anticipated outlays for deposit insurance and other mandatory programs, which were partially offset by lower-than-anticipated outlays for Medicare and Medicaid. Net interest outlays also increased by \$1 billion due to technical factors compared to the February 2007 estimates.

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 2008. This section combines these effects to show the net deficit impact of these differences.

As shown in Table 20–3, the 2008 current services deficit was initially estimated to be \$38 billion. The actual deficit was \$459 billion, which was a \$420 billion increase from the initial estimate. Receipts were \$190 billion less than the initial estimate and outlays were \$231 billion more. The table shows the distribution of the changes according to the categories in the preceding two sections.

The net effect of policy changes for receipts and outlays increased the deficit by \$366 billion. Economic conditions that differed from the initial assumptions in February 2007 accounted for an estimated \$98 billion increase in the deficit. Technical factors reduced the deficit by an estimated \$44 billion.

Comparison of the Actual and Estimated Outlays for Mandatory and Related Programs for 2008

This section compares the original 2008 outlay estimates for mandatory and related programs under current law in the 2008 Budget (February 2007) with the actual outlays. Major examples of these programs include Social Security and Medicare benefits, agricultural price support payments to farmers, and deposit insurance for banks and thrift institutions. This category also includes net interest outlays and undistributed offsetting receipts.

A number of factors may cause differences between the amounts estimated in the budget and the actual mandatory 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 20–4 shows the differences between the actual outlays for these programs in 2008 and the amounts originally estimated in the 2008 Budget, based on laws in effect at that time. Actual outlays for mandatory spending and net interest in 2008 were \$1,848 billion, which was \$57 billion more than the initial estimate of \$1,791 billion, based on existing law in February 2007.

As Table 20–4 shows, actual outlays for mandatory human resources programs were \$1,650 billion, \$44 billion more than originally estimated. This increase 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. Most significantly, outlays for the other income security function increased by \$37 billion, largely due to the tax rebates to individuals enacted in the Economic Stimulus Act of 2008. Outlays for programs in other functions were \$14 billion more than originally estimated, largely due to higher-than-expected outlays for deposit insurance. Undistributed offsetting receipts were essentially unchanged from the original estimate.

Table 20-4. COMPARISON OF ACTUAL AND ESTIMATED OUTLAYS FOR MANDATORY AND RELATED PROGRAMS UNDER CURRENT LAW
(In billions of dollars)

	2008		
	Feb. 2007 estimate	Actual	Change
Mandatory outlays:			
Human resources programs:			
Education, training, employment, and social services	10	9	-1
Health:			
Medicaid	204	201	-2
Other	24	25	1
Total, health	228	227	-1
Medicare	391	386	-5
Income security:			
Retirement and disability	118	117	—*
Unemployment compensation	34	43	9
Food and nutrition assistance	52	54	2
Other	122	159	37
Total, income security	325	373	48
Social security	608	612	4
Veterans benefits and services:			
Income security for veterans	42	41	-1
Other	3	2	-1
Total, veterans benefits and services	45	44	-2
Total, mandatory human resources programs	1,606	1,650	44
Other functions:			
Agriculture	14	10	-4
International	-2	-9	-7
Deposit insurance	-3	19	22
Other functions	8	11	3
Total, other functions	17	31	14
Undistributed offsetting receipts:			
Employer share, employee retirement	-65	-66	-1
Rents and royalties on the outer continental shelf	-9	-18	-9
Other undistributed offsetting receipts	-12	-2	10
Total, undistributed offsetting receipts	-86	-86	—*
Total, mandatory	1,537	1,595	58
Net interest:			
Interest on Treasury debt securities (gross)	462	451	-11
Interest received by trust funds	-192	-192	1
Other interest	-16	-7	9
Total, net interest	254	253	-1
Total, outlays for mandatory and net interest	1,791	1,848	57

* \$500 million or less.

Outlays for net interest were \$253 billion or \$1 billion less than the original estimate. As shown on Table 20-4, interest payments on Treasury debt securities decreased by \$11 billion due to economic and technical factors, which was partially offset by a \$9 billion decrease in other interest receipts. This decrease was largely due to unantic-

pated losses from investment on non-Federal securities by the National Railroad Retirement Investment Trust (NRRIT). Gains on investments by the NRRIT are recorded as offsetting collections, which reduce outlays, and losses on investments, as occurred in 2008, are recorded as negative offsetting collections, which increase outlays.

Reconciliation of Differences with Amounts Published by the Treasury for 2008

Table 20–5 provides a reconciliation of the receipts, outlays, and deficit totals published by the Department of the Treasury in the September 2008 Monthly Treasury Statement (MTS) and those published in this Budget. The Department of the Treasury made adjustments to the estimates for the Combined Statement of Receipts, Outlays, and Balances, which decreased receipts by \$221 million and decreased outlays by \$231 million. Additional adjustments for this Budget increased receipts by \$689 million and increased outlays by \$4,448 million. Several financial transactions that are not reported to the Department of the Treasury, including

those for the Affordable Housing Program, the Public Company Accounting Oversight Board, the Electric Reliability Organization, and the United Mine Workers of America benefit funds, are included in the Budget. Reporting for these programs adds roughly equivalent amounts to outlays and receipts, with little impact on the deficit. Another significant conceptual difference in reporting is for the NRRIT. Reporting to the Department of the Treasury for the NRRIT is done with a one month lag so that the fiscal year total provided in the Treasury Combined Statement covers September 2007 through August 2008. The budget has been adjusted to reflect transactions that occurred during the actual fiscal year, which begins in October.

Table 20–5. RECONCILIATION OF FINAL AMOUNTS FOR 2008
(In millions of dollars)

	Receipts	Outlays	Deficit
Totals published by Treasury (September 30 MTS)	2,523,858	2,978,664	454,806
Miscellaneous Treasury adjustments	-221	-231	-10
Totals published by Treasury in Combined Statement	2,523,637	2,978,433	454,796
National Railroad Retirement Investment Trust .....	.....	3,856	3,856
Affordable Housing Program	354	354	.....
Public Company Accounting Oversight Board	134	128	-6
Electric Reliability Organization	100	100	.....
United Mine Workers of America benefit funds	76	-8	-84
Other	25	18	-7
Total adjustments, net	689	4,448	3,759
Totals in the budget	2,524,326	2,982,881	458,555
MEMORANDUM:			
Total change since year-end statement	468	4,217	3,749

PART II: HISTORICAL COMPARISON OF ACTUAL TO ESTIMATED SURPLUSES OR DEFICITS

This part of the chapter compares estimated surpluses or deficits to actual outcomes over the last two and a half decades. The first section compares the estimate for the budget year of each budget with the subsequent actual result. The second section extends the comparison to the estimated surpluses or deficits for each year of the budget window: that is, for the current year through the fourth year following the budget year. This part concludes with some observations on the historical record of estimates of the surplus or deficit versus the subsequent actual outcomes.

Historical Comparison of Actual to Estimated Results for the Budget Year

Table 20–6 compares the estimated and actual surpluses or deficits since the deficit estimated for 1982 in the 1982 Budget. The estimated surpluses or deficits for each budget include the Administration’s policy proposals. Therefore, the original deficit estimate for 2008 differs from that shown in Table 20–3, which is on a current services basis. Earlier comparisons of actual

and estimated surpluses or deficits were on a policy basis, so for consistency the figures in Table 20–6 are on this basis.

On average, the estimates for the budget year underestimated actual deficits (or overestimated actual surpluses) by \$19 billion over the 27-year period. Policy outcomes that differed from the original proposals increased the deficit by an average of \$41 billion. Differences between economic assumptions and actual economic performance increased the deficit an average of \$14 billion. Differences due to these two factors were partly offset by technical revisions, which reduced the deficit an average of \$35 billion.

The relatively small average difference between actual and estimated deficits conceals a wide variation in the differences from budget to budget. The differences ranged from a \$389 billion underestimate of the deficit to a \$192 billion overestimate. The \$389 billion underestimate, in the 2002 Budget, was due largely to receipt shortfalls related to the 2001 recession and associated weak stock market performance. About a quarter of the underestimate was due to increased spending for recovery from the

Table 20-6. COMPARISON OF ESTIMATED AND ACTUAL SURPLUSES OR DEFICITS SINCE 1982
(In billions of dollars)

Budget	Surplus (-) or deficit (+) estimated for budget year ¹	Differences due to			Total difference	Actual surplus (-) or deficit(+)
		Enacted legislation	Economic factors	Technical factors		
1982	62	-15	70	11	66	128
1983	107	12	67	22	101	208
1984	203	21	-38	*	-17	185
1985	195	12	17	-12	17	212
1986	180	8	27	7	41	221
1987	144	-2	16	-8	6	150
1988	111	9	19	16	44	155
1989	130	22	-10	11	23	153
1990	91	21	31	79	131	221
1991	63	-21	85	143	206	269
1992	281	36	21	-48	9	290
1993	350	8	13	-115	-95	255
1994	264	8	-16	-52	-61	203
1995	165	18	-1	-18	-1	164
1996	197	-6	-53	-30	-89	107
1997	140	-1	4	-121	-118	22
1998	121	9	-48	-151	-190	-69
1999	-10	22	-56	-82	-116	-126
2000	-117	42	-88	-73	-119	-236
2001	-184	129	-32	-41	56	-128
2002	-231	104	201	84	389	158
2003	80	86	34	177	297	378
2004	307	122	22	-39	105	413
2005	364	67	11	-123	-45	318
2006	390	141	-6	-277	-142	248
2007	354	85	-7	-270	-192	162
2008	239	165	98	-44	219	459
Average		41	14	-35	19	
Absolute average ²		44	40	76	107	
Standard deviation		52	57	102	143	

* \$500 million or less.

¹ Surplus or deficit estimate includes the effect of the Budget's policy proposals.

² Absolute average is the average without regard to sign.

September 11, 2001 terrorist attacks, homeland security measures, and the wars in Iraq and Afghanistan, along with lower receipts due to tax relief in the March 2002 economic stimulus act. The \$192 billion overestimate of the deficit in the 2007 Budget stemmed largely from higher-than-anticipated collections of individual and corporation income taxes due to different collection patterns and effective tax rates than initially assumed, as well as lower-than-expected outlays due to technical factors.

Because the average deficit difference obscures the degree of under- and overestimation in the historical data, a more appropriate statistic to measure the magnitude of the differences is the average absolute difference. This statistic measures the difference without regard to whether it was an under- or overestimate. Since 1982, the average absolute difference has been \$107 billion.

Another measure of variability is the standard deviation. This statistic measures the dispersion of the data around the average value. The standard deviation of the deficit differences since 1982 is \$143 billion. Like the average absolute difference, this measure illustrates the high degree of variation in the difference between estimates and actual deficits.

The large variability in errors in estimates of the surplus or deficit for the budget year underscores the inherent uncertainties in estimating the future path of the Federal budget. Some estimating errors are unavoidable, because of differences between the President's original budget proposals and the legislation that Congress subsequently enacts. Occasionally such differences are huge, such as additional appropriations for disaster recovery, homeland security, and war efforts in response to the terrorist attacks of September 11, 2001, which were obviously not envisioned in the President's Budget submitted the previous February. Even aside from differences in policy outcomes, errors in budget estimates can arise from new economic developments, unexpected changes in program costs, shifts in taxpayer behavior, and other factors. The budget impact of changes in economic assumptions is discussed further in Chapter 12 of this volume, "Economic Assumptions."

Five-Year Comparison of Actual to Estimated Surpluses or Deficits

The substantial difference between actual surpluses or deficits and the budget year estimates made less than two years earlier raises questions about the degree of

Table 20-7. DIFFERENCES BETWEEN ESTIMATED AND ACTUAL SURPLUSES OR DEFICITS FOR FIVE-YEAR BUDGET ESTIMATES SINCE 1982
(In billions of dollars)

	Current year estimate	Budget year estimate	Estimate for budget year plus			
			One year (BY+1)	Two years (BY+2)	Three years (BY+3)	Four years (BY+4)
Average difference ¹	-28	19	62	94	126	152
Average absolute difference ²	59	107	152	198	234	269
Standard deviation	70	143	201	242	261	278

¹ A positive figure represents an underestimate of the deficit or an overestimate of the surplus.

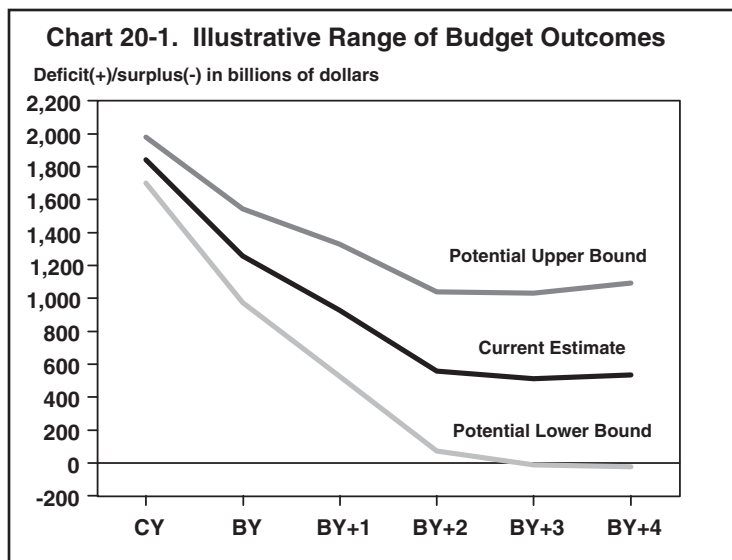
² Average absolute difference is the difference without regard to sign.

variability for estimates of years beyond the budget year. Table 20-7 shows the summary statistics for the differences for the current year (CY), budget year (BY), and the four succeeding years (BY+1 through BY+4). These are the years that are required to be estimated in the budget by the Budget Enforcement Act of 1990.

On average, the budget estimates since 1982 overstated the deficit in the CY by \$28 billion, but underestimated the deficit in the BY by \$19 billion. The budget estimates understated the deficit in the years following, by amounts growing from \$62 billion for BY+1 to \$152 billion for BY+4. While these results suggest a tendency to underestimate deficits toward the end of the budget horizon, the

averages are not statistically different from zero in light of the high variation in the data.

The estimates of variability in the difference between estimated and actual deficits can be used to construct a range of uncertainty around a given set of estimates. Statistically, if these differences are normally distributed, the actual deficit will be within a range of two standard deviations above or below the estimate about 90 percent of the time. Chart 20-1 shows this range of two standard deviations applied to the deficit estimates in this Budget. This chart illustrates that unforeseen economic developments, policy outcomes, or other factors could give rise to large swings in the deficit estimates.



21. TRUST FUNDS AND FEDERAL FUNDS

When money is received by the Federal Government, it is credited to a budget account, and when money is spent by the Government, it reduces the balances of a budget account. All budget accounts belong to one of two groups of funds: Federal funds and trust funds. This section presents summary information about the transactions of each of these two fund groups. Information is provided about the income and outgo of the major trust funds and a number of Federal funds that are financed by dedicated collections in a manner similar to trust funds.

The Federal Funds Group

The Federal funds group accounts for a larger share of the budget than the trust funds group, and includes all transactions that are not required by law to pass through trust funds.

The Federal funds group includes the “general fund,” which is the largest fund in the Government and used for the general purposes of Government rather than being restricted by law to a specific program. The general fund receives all collections not dedicated for some other fund; it includes virtually all income taxes and many excise taxes. The general fund is used for all programs not supported by trust, special, or revolving funds.

The Federal funds group also includes special funds and revolving funds, both of which receive dedicated collections for spending on specific purposes. Where the law requires that Federal fund collections be dedicated to a particular program, the collections and associated disbursements are recorded in special fund receipt and expenditure accounts. An example is the portion of the Outer Continental Shelf mineral leasing receipts deposited into the Land and Water Conservation Fund. Money in special fund receipt accounts must be appropriated before it can be obligated and spent. The majority of special fund collections are derived from the Government’s power to impose taxes or fines, or otherwise compel payment, as in the case of the Nuclear Waste Disposal Fund. In addition, a significant amount of collections that are credited to special funds are derived from business-like activity, such as the receipts from Outer Continental Shelf mineral leasing.

Revolving funds are used to conduct continuing cycles of business-like activity. Revolving funds receive proceeds from the sale of products or services, and these proceeds finance ongoing activities that continue to provide products or services. Instead of being deposited in receipt accounts, the proceeds are recorded in revolving funds, which are expenditure accounts. The proceeds collected in this way are generally available without further legislative action for obligation and expenditure. Outlays for programs with revolving funds are reported net of these

proceeds. Because the proceeds of these programs offset outlays rather than being recorded as governmental receipts, they are known as “offsetting collections.” There are two classes of revolving funds in the Federal funds group. 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.

The Trust Funds Group

The trust funds group consists of funds that are designated by law as trust funds. Like special funds and revolving funds, trust funds receive dedicated collections for spending on specific purposes. Many of the larger trust funds are used to budget for social insurance programs, such as Social Security, Medicare, and unemployment compensation. Other major trust funds are used to budget for military and Federal civilian employees’ retirement benefits, highway and transit construction, and airport and airway development. There are a few trust revolving funds that are credited with collections earmarked by law to carry out a cycle of business-type operations. There are also a few small trust funds that have been established to carry out the terms of a conditional gift or bequest.

There is no substantive difference between special funds in the Federal funds group and trust funds or, as noted below, between revolving funds in the Federal funds group and trust revolving funds. Whether a particular fund is designated in law as a trust fund is, in many cases, arbitrary. For example, the National Service Life Insurance Fund is a trust fund, but the Servicemen’s Group Life Insurance Fund is a Federal fund, even though both receive dedicated collections from veterans and both provide life insurance payments to veterans’ beneficiaries.¹

The meaning of the term “trust” in the Federal Government budget differs significantly from the private sector’s usage. The beneficiary of a private trust owns the trust’s income and may own the trust’s assets. A custodian or trustee manages the assets on behalf of the beneficiary according to the stipulations of the trust, which is set up by a trustor and which neither the trustee nor the beneficiary can change; only the trustor can change the terms of the trust agreement. In contrast, the Federal Government owns and manages the assets and the earn-

¹ Another example is the Violent Crime Reduction Trust Fund, established pursuant to the Violent Crime Control and Law Enforcement Act of 1994. Because the Fund is not required by law to be classified as a trust fund, it is classified as a Federal fund, notwithstanding the presence of the words “Trust Fund” in its official name. In addition, the Fund is substantively a means of accounting for general fund appropriations and does not contain any dedicated receipts.

ings of most Federal trust funds, and 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 whereby the Government acts as the trustee, and even then the Government generally owns the funds and has some ability to alter the amount deposited into or paid out of the funds.

By contrast, deposit funds, which are funds held by the Government as a custodian on behalf of individuals or a non-Federal entity, are similar to private-sector trust funds. The Government makes no decisions about the amount of money placed in deposit funds or about how the proceeds are spent. For this reason, these funds are not classified as Federal trust funds, but are instead considered to be non-budgetary and excluded from the Federal budget.

The income of a Federal Government trust fund must be used for the purposes specified in law. The income of some trust funds, such as the Federal Employees Health Benefits fund, is spent almost as quickly as it is collected.

In other cases, such as the Social Security and the Federal civilian employees' retirement trust funds, considerably less income is currently spent each year than is collected. A surplus of income over outgo adds to the trust fund's balance, which is available to authorize future expenditures. The balances are generally required by law to be invested in Federal securities issued by the Department of the Treasury.² The National Railroad Retirement Investment Trust is a rare example of a trust fund authorized to invest balances in equity markets.

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 trust revolving funds. Such a fund is similar to a revolving fund in the Federal funds group, in that it may consist of a single account to record both income and

² The relationships between Treasury securities held by trust funds (and by other Government accounts), debt held by the public, and gross Federal debt are discussed in Chapter 16 of this volume, "Federal Borrowing and Debt."

Table 21-1. RECEIPTS, OUTLAYS, AND SURPLUS OR DEFICIT BY FUND GROUP
(In billions of dollars)

	2008 Actual	Estimate					
		2009	2010	2011	2012	2013	2014
Receipts:							
Federal funds cash income:							
From the public	1,641.2	1,430.3	1,523.5	1,818.9	2,144.8	2,305.6	2,424.4
From trust funds	2.0	3.8	1.2	1.3	1.4	1.5	1.5
Total, Federal funds cash income	1,643.1	1,434.1	1,524.8	1,820.3	2,146.2	2,307.1	2,426.0
Trust funds cash income:							
From the public	1,041.8	1,044.5	1,095.1	1,147.3	1,213.2	1,284.0	1,344.5
From Federal funds:							
Interest	191.5	185.8	197.6	203.7	213.2	224.3	237.1
Other	354.4	394.7	420.8	433.0	456.0	499.0	535.9
Total, trust funds cash income	1,587.8	1,625.0	1,713.6	1,784.0	1,882.4	2,007.3	2,117.5
Offsetting receipts	-706.6	-902.4	-905.7	-918.9	-953.3	-1,009.3	-1,063.3
Total, unified budget receipts	2,524.3	2,156.7	2,332.6	2,685.4	3,075.3	3,305.1	3,480.1
Outlays:							
Federal funds cash outgo	2,367.7	3,411.9	2,961.9	2,950.3	2,965.1	3,102.6	3,231.7
Trust funds cash outgo	1,321.7	1,488.4	1,534.9	1,583.4	1,621.0	1,724.2	1,847.7
Offsetting receipts	-706.6	-902.4	-905.7	-918.9	-953.3	-1,009.3	-1,063.3
Total, unified budget outlays	2,982.9	3,997.8	3,591.1	3,614.8	3,632.7	3,817.5	4,016.0
Surplus or deficit(-):							
Federal funds	-724.6	-1,977.8	-1,437.1	-1,130.1	-818.9	-795.5	-805.7
Trust funds	266.1	136.6	178.7	200.6	261.4	283.2	269.8
Total, unified surplus/deficit(-)	-458.6	-1,841.2	-1,258.4	-929.4	-557.4	-512.3	-535.9

Note: Receipts include governmental, interfund, and proprietary, and exclude intrafund receipts (which are offset against intrafund payments so that cash income and cash outgo are not overstated).

outgo. Trust revolving funds are used to conduct a cycle of business-type operations; offsetting collections are credited to the funds (which are also expenditure accounts) and the funds' outlays are displayed net of the offsetting collections.

Income and Outgo by Fund Group

Table 21–1 shows income, outgo, and the surplus or deficit by fund group and in the aggregate (netted to avoid double-counting) from which the total unified budget receipts, outlays, and surplus or deficit are derived. Income consists mostly of governmental receipts (derived from governmental activity--primarily income, payroll, and excise taxes--and gifts). Income also consists of offsetting receipts, which include proprietary receipts (derived from business-like transactions with the public) and interfund collections (derived from payments from a fund in one fund group to a fund in the other fund group). Outgo consists of payments made to the public or to a fund in the other fund group.

Two types of transactions are treated specially in the table. First, income and outgo for each fund group net out all transactions that occur between funds within the same fund group.³ These intrafund transactions constitute outgo and income for the individual funds that make and collect the payments, but they are offsetting for the fund group as a whole. The totals for each fund group measure only the group's transactions with the public and the other fund group. Second, income is calculated net of the collections that are offset against outgo in expenditure accounts.⁴ These two types of offsetting collections are offset against outgo in Table 21–1 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

³ 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 not included in Table 21–1 so that the total trust fund income and outgo shown in the table reflect disbursements to the public and to Federal funds.

⁴ For example, postage stamp fees are deposited as offsetting collections in the Postal Service Fund. As a result, the Fund's outgo reported in Table 21–1 is disbursements net of collections.

Table 21–2. INCOME, OUTGO, AND BALANCES OF TRUST FUNDS GROUP
(in billions of dollars)

	2008 Actual	Estimate					
		2009	2010	2011	2012	2013	2014
Total Trust Funds							
Balance, start of year	3,687.0	3,953.1	4,089.7	4,283.9	4,484.6	4,746.0	5,029.2
Income:							
Governmental receipts	954.4	951.3	994.7	1,042.5	1,101.6	1,165.9	1,219.4
Proprietary receipts	101.9	108.4	116.7	122.2	130.0	137.6	145.8
Receipts from Federal funds:							
Interest	193.3	187.4	199.1	205.2	214.9	226.1	239.2
Other	393.7	432.9	462.2	477.9	503.1	549.1	589.4
Subtotal, income	1,643.3	1,680.1	1,772.7	1,847.8	1,949.6	2,078.7	2,193.8
Outgo:							
To the public	1,375.3	1,539.7	1,592.8	1,645.9	1,686.8	1,794.1	1,922.5
Payments to Federal funds	2.0	3.8	1.2	1.3	1.4	1.5	1.5
Subtotal, outgo	1,377.2	1,543.4	1,594	1,647.2	1,688.2	1,795.5	1,924.0
Change in fund balance:							
Surplus or deficit(-):							
Excluding interest	72.7	-50.8	-20.4	-4.6	46.5	57.1	30.6
Interest	193.3	187.4	199.1	205.2	214.9	226.1	239.2
Subtotal, surplus or deficit(-)	266.1	136.6	178.7	200.6	261.4	283.2	269.8
Adjustments:							
Transfers/lapses (net)	*	*	0.1	.....	.....	.....	.....
Other adjustments	-*	-*	15.5	.....	.....	.....	.....
Total, change in fund balance	266.1	136.6	194.2	200.6	261.4	283.2	269.8
Balance, end of year	3,953.1	4,089.7	4,283.9	4,484.6	4,746.0	5,029.2	5,299.0

* \$50 million or less

the Treasury.⁵ Borrowed funds are not recorded as receipts of the fund or included in the income of the fund. The borrowed funds finance outlays by the fund in excess of available receipts. Subsequently, any excess fund receipts are transferred from the fund to the general fund in repayment of the borrowing. The repayment is not recorded as an outlay of the fund or included in fund outgo.

Some income in both Federal funds and trust funds consists of offsetting receipts.⁶ For most budget purposes, offsetting receipts are not considered governmental receipts (such as taxes) but instead are subtracted from gross outlays. There are two reasons for this treatment:

- *Business-like or market-oriented activities with the public:* The collections from such activities are deducted from gross outlays, rather than added to receipts, in order to produce budget totals for receipts and outlays that represent governmental rather than market activity.
- *Intragovernmental transactions:* Collections by one Government account from another are deducted from gross outlays, rather than added to receipts, so that the budget totals measure the transactions of the Government with the public.

⁵ For example, the Bonneville Power Administration Fund, a revolving fund in the Department of Energy, is authorized to borrow from the general fund. The Black Lung Disability Trust Fund, a trust fund in the Department of Labor, is authorized to receive appropriations of repayable advances from the general fund; this constitutes a form of borrowing.

⁶ Interest on borrowed funds is an example of an offsetting receipt.

Because the income for Federal funds and for trust funds recorded in Table 21–1 includes offsetting receipts, those offsetting receipts must be deducted from the two fund groups' combined gross income in order to reconcile to total (net) unified budget receipts. Similarly, because the outgo for Federal funds and for trust funds in Table 21–1 consists of outlays gross of offsetting receipts, the amount of the offsetting receipts must be deducted from the sum of the Federal funds' and the trust funds' gross outgo in order to reconcile to total (net) unified budget outlays. Table 21–3 reconciles, for fiscal year 2008, the gross total of all trust fund and Federal fund receipts with the net total of the Federal fund group's and the trust fund group's cash income (as shown in Table 21–1), and with the unified budget's receipt total.

Income, Outgo, and Balances of Trust Funds

Table 21–2 shows, for the trust funds group as a whole, the 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 definitions of income and outgo in this table differ from those in Table 21–1 in one important way. Trust fund collections that are offset against outgo (as offsetting collections) within expenditure accounts instead of being

Table 21–3. COMPARISON OF TOTAL FEDERAL FUND AND TRUST FUND RECEIPTS TO UNIFIED BUDGET RECEIPTS, FISCAL YEAR 2008
(In billions of dollars)

Gross trust fund receipts	1,593.1
Gross Federal fund receipts	1,686.2
Total, gross receipts	3,279.3
Deduct intrafund receipts (from funds within the same fund group):	
Trust intrafund receipts	–5.3
Federal intrafund receipts	–43.1
Subtotal, intrafund receipts	–48.4
Total trust funds and Federal funds cash income	3,230.9
Deduct offsetting receipts:	
Trust fund receipts from Federal funds:	
Interest in receipt accounts	–191.5
General fund payment to Medicare Parts B and D	–180.4
Employing agencies' payments for pensions, Social Security, and Medicare	–54.7
General fund payments for unfunded liabilities of Federal employees retirement funds	–77.4
Transfer of taxation of Social Security and RRB benefits to OASDI, HI, and RRB	–29.9
Other receipts from Federal funds	–12.0
Subtotal, trust fund receipts from Federal funds	–546.0
Federal fund receipts from trust funds	–2.0
Proprietary receipts	–158.7
Subtotal, offsetting receipts	–706.6
Unified budget receipts	2,524.3

Note: Offsetting receipts are included in cash income for each fund group, but are deducted from outlays in the unified budget.

deposited in separate receipt accounts are classified as income in this table, but not in Table 21–1. 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 was approximately \$56 billion in 2008. Table 21–2, therefore, provides a more transparent summary of trust fund income and outgo.

The trust funds group is expected to have large and growing surpluses over the projection period. As a consequence, trust fund balances are estimated to grow substantially, continuing a trend that has persisted over the past two decades. The size of the anticipated balances is unprecedented and results mainly from changes in the way some trust funds are financed.

Primarily because of these changes, but also because of the impact of real growth and inflation, trust fund balances increased tenfold from 1982 to 2000, from \$205 billion to \$2.1 trillion. The current balances, of \$4.0 trillion, are estimated to increase by more than 30 percent by the year 2014, rising to \$5.3 trillion. Almost all of these balances are invested in Treasury securities and earn interest. The balances represent the value, in current dollars, of taxes and user fees that have been received by the Government and dedicated to particular programs but have not yet been spent.

Until the 1980s, most trust funds operated on a pay-as-you-go basis. Taxes and user fees were set at levels sufficient to finance current program expenditures and administrative expenses, and to maintain balances generally equal to one year's expenditures, as a cushion. As a result, trust fund balances tended to grow at about the same rate as the fund's annual expenditures.

For some of the larger trust funds, pay-as-you-go financing was replaced in the 1980s by full or partial advance funding. 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 and in 1986, full accrual funding of retirement benefits was mandated for Federal civilian employees hired after December 31, 1983. The two retirement program changes require Federal agencies and employees together to make payments to the Federal employees' and military retirement trust funds in an amount equal to the accruing retirement benefits. Since many years will pass between the time when benefits are earned and when they are paid, the trust funds will accumulate substantial balances over time.

These balances are available for future benefit payments and other trust fund expenditures, but only in a bookkeeping sense. The holdings of the trust funds are not assets of the Government as a whole that can

be drawn down in the future to fund benefits. Instead, they are claims on the Treasury. From a cash perspective, when trust fund holdings are redeemed to authorize the payment of benefits, the Department of the Treasury finances the expenditure in the same way as any other Federal expenditure—by using current receipts or by borrowing from the public.⁷ The existence of large trust fund balances, therefore, does not, by itself, increase the Government's ability to pay benefits. Put differently, these trust fund balances are assets of the program agencies and corresponding liabilities of the Treasury, netting to zero for the Government as a whole.

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 while maintaining an unchanged Federal fund deficit, so that the trust fund surplus reduces the unified budget deficit or increases the 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. As long as the increase in Government saving is not offset by a reduction in private saving, greater investment would increase future national income, which would yield greater tax revenue to support the benefits.

Table 21–4 shows estimates of income, outgo, and balances for 2008 through 2014 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 21–2 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 as a whole. Additional information for these and other trust funds can be found in the Status of Funds tables in the *Budget Appendix*.

Table 21–5 shows income, outgo, and balances of five Federal funds—three revolving funds and two special funds. All these funds are similar to trust funds in that they are financed by dedicated receipts, the excess of income over outgo is invested in Treasury securities, the interest earnings add to fund balances, and the balances remain available to cover future expenditures. The table is illustrative of the Federal funds group, which includes many other revolving funds and special funds.

⁷ Trust fund balances cover obligations that will later be incurred. When Treasury liquidates these obligations, it must use cash that it either has on hand or acquires by borrowing from the public. To avoid borrowing from the public, Treasury must have sufficient cash on hand. Sufficient cash can be on hand if the economy grows sufficiently to generate adequate tax receipts. Alternatively, changes in tax laws or other spending may be necessary to ensure that Treasury has adequate cash on hand when the trust fund holdings are redeemed.

Table 21-4. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS
(In billions of dollars)

	2008 Actual	Estimate					
		2009	2010	2011	2012	2013	2014
Airport and Airway Trust Fund							
Balance, start of year	10.1	9.7	9.5	8.8	5.9	4.7	4.9
Income:							
Governmental receipts	12.0	11.3	11.7	2.8	3.3	3.9	4.3
Proprietary receipts	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Receipts from Federal funds:							
Interest	0.4	0.3	0.3	0.2	0.2	0.2	0.3
Other	*	0.1	0.1	0.1	0.1	0.1	0.1
Receipts from Trust funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, income	12.5	11.7	12.1	3.2	3.7	4.3	4.8
Outgo:							
To the public	12.9	11.9	12.9	6.0	5.0	4.0	3.6
Payments to Federal funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, outgo	12.9	11.9	12.9	6.0	5.0	4.0	3.6
Change in fund balance:							
Surplus or deficit(-):							
Excluding interest	-0.8	-0.5	-1.0	-3.1	-1.5	-*	0.9
Interest	0.4	0.3	0.3	0.2	0.2	0.2	0.3
Subtotal, surplus or deficit(-)	-0.4	-0.2	-0.8	-2.8	-1.3	0.2	1.2
Adjustments:							
Transfers/lapses (net) .....	.....	.....	.....	.....	.....	.....	.....
Other adjustments .....	.....	.....	.....	.....	.....	.....	.....
Total, change in fund balance	-0.4	-0.2	-0.8	-2.8	-1.3	0.2	1.2
Balance, end of year	9.7	9.5	8.8	5.9	4.7	4.9	6.1
Civil Service Retirement and Disability Fund							
Balance, start of year	701.7	728.9	757.3	785.6	814.4	843.6	872.9
Income:							
Governmental receipts	4.1	4.4	4.3	4.1	3.9	3.7	3.6
Proprietary receipts .....	.....	.....	.....	.....	.....	.....	.....
Receipts from Federal funds:							
Interest	37.2	40.4	41.3	42.6	43.7	44.8	46.1
Other	49.5	50.9	52.5	54.0	55.7	57.6	59.4
Receipts from Trust funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, income	90.9	95.7	98.2	100.7	103.3	106.2	109.2
Outgo:							
To the public	63.7	67.2	69.9	71.9	74.1	76.9	79.9
Payments to Federal funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, outgo	63.7	67.2	69.9	71.9	74.1	76.9	79.9
Change in fund balance:							
Surplus or deficit(-):							
Excluding interest	-10.0	-11.9	-13.1	-13.8	-14.5	-15.5	-16.9
Interest	37.2	40.4	41.3	42.6	43.7	44.8	46.1
Subtotal, surplus or deficit(-)	27.2	28.5	28.3	28.8	29.2	29.3	29.2
Adjustments:							
Transfers/lapses (net) .....	.....	.....	.....	.....	.....	.....	.....
Other adjustments .....	.....	.....	.....	.....	.....	.....	.....
Total, change in fund balance	27.2	28.5	28.3	28.8	29.2	29.3	29.2
Balance, end of year	728.9	757.3	785.6	814.4	843.6	872.9	902.1

Table 21-4. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued
(In billions of dollars)

	2008 Actual	Estimate					
		2009	2010	2011	2012	2013	2014
Federal Employees Health Benefits Fund							
Balance, start of year	15.8	15.5	15.4	15.6	16.2	16.5	16.8
Income:							
Governmental receipts .....	.....	.....	.....	.....	.....	.....	.....
Proprietary receipts	9.8	10.7	11.6	12.6	13.5	14.5	15.6
Receipts from Federal funds:							
Interest	0.6	0.5	0.4	0.5	0.6	0.7	0.8
Other	25.0	26.4	28.6	31.1	33.1	35.5	38.2
Receipts from Trust funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, income	35.3	37.6	40.6	44.2	47.2	50.7	54.5
Outgo:							
To the public	35.6	37.7	40.5	43.7	46.8	50.5	54.1
Payments to Federal funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, outgo	35.6	37.7	40.5	43.7	46.8	50.5	54.1
Change in fund balance:							
Surplus or deficit(-):							
Excluding interest	-0.9	-0.6	-0.3	*	-0.3	-0.5	-0.3
Interest	0.6	0.5	0.4	0.5	0.6	0.7	0.8
Subtotal, surplus or deficit(-)	-0.3	-0.1	0.2	0.6	0.4	0.2	0.4
Adjustments:							
Transfers/lapses (net) .....	.....	.....	.....	.....	.....	.....	.....
Other adjustments .....	.....	.....	.....	.....	.....	.....	.....
Total, change in fund balance	-0.3	-0.1	0.2	0.6	0.4	0.2	0.4
Balance, end of year	15.5	15.4	15.6	16.2	16.5	16.8	17.2
Foreign Military Sales Trust Fund							
Balance, start of year	9.5	14.2	18.5	18.6	17.3	17.2	17.3
Income:							
Governmental receipts .....	.....	.....	.....	.....	.....	.....	.....
Proprietary receipts	21.8	24.0	21.6	19.3	18.7	17.4	16.1
Receipts from Federal funds:							
Interest .....	.....	.....	.....	.....	.....	.....	.....
Other .....	.....	.....	.....	.....	.....	.....	.....
Receipts from Trust funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, income	21.8	24.0	21.6	19.3	18.7	17.4	16.1
Outgo:							
To the public	17.2	19.6	21.6	20.6	18.8	17.2	16.0
Payments to Federal funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, outgo	17.2	19.6	21.6	20.6	18.8	17.2	16.0
Change in fund balance:							
Surplus or deficit(-):							
Excluding interest	4.7	4.4	*	-1.3	-0.1	0.1	0.1
Interest .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, surplus or deficit(-)	4.7	4.4	*	-1.3	-0.1	0.1	0.1
Adjustments:							
Transfers/lapses (net) .....	.....	.....	.....	.....	.....	.....	.....
Other adjustments .....	.....	.....	.....	.....	.....	.....	.....
Total, change in fund balance	4.7	4.4	*	-1.3	-0.1	0.1	0.1
Balance, end of year	14.2	18.5	18.6	17.3	17.2	17.3	17.4

Table 21-4. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued
(In billions of dollars)

	2008 Actual	Estimate					
		2009	2010	2011	2012	2013	2014
Highway Trust Fund ¹							
Balance, start of year	15.4	16.8	5.4	3.0	8.7	10.3	11.1
Income:							
Governmental receipts	36.4	36.0	37.5	38.2	39	39.9	40.6
Proprietary receipts	*	0.2	*	*	*	*	*
Receipts from Federal funds:							
Interest .....	.....	.....	.....	.....	.....	.....	.....
Other	8.1	0.2	0.2	0.2	0.2	0.2	0.2
Receipts from Trust funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, income	44.5	36.4	37.8	38.5	39.2	40.1	40.9
Outgo:							
To the public	43.1	47.8	40.2	32.7	37.7	39.3	39.3
Payments to Federal funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, outgo	43.1	47.8	40.2	32.7	37.7	39.3	39.3
Change in fund balance:							
Surplus or deficit(-):							
Excluding interest	1.4	-11.4	-2.4	5.8	1.6	0.9	1.6
Interest .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, surplus or deficit(-)	1.4	-11.4	-2.4	5.8	1.6	0.9	1.6
Adjustments:							
Transfers/lapses (net) .....	*	.....	.....	.....	.....	.....	.....
Other adjustments .....	-*	.....	.....	.....	.....	.....	.....
Total, change in fund balance	1.4	-11.4	-2.4	5.8	1.6	0.9	1.6
Balance, end of year	16.8	5.4	3.0	8.7	10.3	11.1	12.7
Medicare: Hospital Insurance (HI) Trust Fund							
Balance, start of year	310.9	318.9	307.4	292.4	270.6	251.3	219.7
Income:							
Governmental receipts	194.5	191.8	196.4	210.4	222.7	235.9	247.8
Proprietary receipts	8.1	8.2	8.5	8.9	9.3	9.6	10.0
Receipts from Federal funds:							
Interest	15.9	15.8	14.7	13.8	12.7	11.3	9.2
Other	16.3	18.5	20.2	22.5	23.6	25.5	27.8
Receipts from Trust funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, income	234.8	234.3	239.9	255.5	268.4	282.3	294.8
Outgo:							
To the public	226.8	245.8	254.9	277.4	287.6	313.9	348.0
Payments to Federal funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, outgo	226.8	245.8	254.9	277.4	287.6	313.9	348.0
Change in fund balance:							
Surplus or deficit(-):							
Excluding interest	-7.9	-27.4	-29.7	-35.7	-32.0	-42.9	-62.4
Interest	15.9	15.8	14.7	13.8	12.7	11.3	9.2
Subtotal, surplus or deficit(-)	8.0	-11.5	-15.0	-21.9	-19.3	-31.6	-53.2
Adjustments:							
Transfers/lapses (net) .....	.....	.....	.....	.....	.....	.....	.....
Other adjustments .....	.....	.....	.....	.....	.....	.....	.....
Total, change in fund balance	8.0	-11.5	-15.0	-21.9	-19.3	-31.6	-53.2
Balance, end of year	318.9	307.4	292.4	270.6	251.3	219.7	166.5

Table 21-4. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued
(In billions of dollars)

	2008 Actual	Estimate					
		2009	2010	2011	2012	2013	2014
Medicare: Supplementary Medical Insurance SMI Trust Fund							
Balance, start of year	47.6	59.1	64.5	62.8	55.0	62.2	69.6
Income:							
Governmental receipts .....	.....	.....	.....	.....	.....	.....	.....
Proprietary receipts	62.1	65.6	68.5	73.3	80.0	88.1	96.2
Receipts from Federal funds:							
Interest	3.2	3.0	3.0	2.9	3.0	3.5	3.8
Other	184.3	195.4	206.7	222.9	237.8	269.7	295.4
Receipts from Trust funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, income	249.6	264.0	278.2	299.0	320.8	361.2	395.5
Outgo:							
To the public	238.0	258.6	279.9	306.8	313.7	353.8	394.0
Payments to Federal funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, outgo	238.0	258.6	279.9	306.8	313.7	353.8	394.0
Change in fund balance:							
Surplus or deficit(-):							
Excluding interest	8.4	2.3	-4.7	-10.7	4.1	4.0	-2.3
Interest	3.2	3.0	3.0	2.9	3.0	3.5	3.8
Subtotal, surplus or deficit(-)	11.6	5.4	-1.7	-7.8	7.2	7.5	1.5
Adjustments:							
Transfers/lapses (net) .....	.....	.....	.....	.....	.....	.....	.....
Other adjustments .....	.....	.....	.....	.....	.....	.....	.....
Total, change in fund balance	11.6	5.4	-1.7	-7.8	7.2	7.5	1.5
Balance, end of year	59.1	64.5	62.8	55.0	62.2	69.6	71.1
Military Retirement Fund							
Balance, start of year	216.0	250.9	277.2	330.0	386.1	446.9	511.5
Income:							
Governmental receipts .....	.....	.....	.....	.....	.....	.....	.....
Proprietary receipts .....	.....	.....	.....	.....	.....	.....	.....
Receipts from Federal funds:							
Interest	15.5	4.0	18.0	20.0	22.2	24.1	26.2
Other	65.2	71.0	84.4	86.4	89.6	92.9	96.4
Receipts from Trust funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, income	80.8	75.0	102.4	106.4	111.8	117.0	122.6
Outgo:							
To the public	45.8	48.7	49.7	50.3	51.0	52.5	54.0
Payments to Federal funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, outgo	45.8	48.7	49.7	50.3	51.0	52.5	54.0
Change in fund balance:							
Surplus or deficit(-):							
Excluding interest	19.4	22.3	34.7	36.1	38.6	40.4	42.4
Interest	15.5	4.0	18.0	20.0	22.2	24.1	26.2
Subtotal, surplus or deficit(-)	34.9	26.3	52.8	56.1	60.8	64.6	68.6
Adjustments:							
Transfers/lapses (net) .....	.....	.....	.....	.....	.....	.....	.....
Other adjustments .....	.....	.....	.....	.....	.....	.....	.....
Total, change in fund balance	34.9	26.3	52.8	56.1	60.8	64.6	68.6
Balance, end of year	250.9	277.2	330.0	386.1	446.9	511.5	580.1

Table 21-4. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued
(In billions of dollars)

	2008 Actual	Estimate					
		2009	2010	2011	2012	2013	2014
Railroad Retirement Trust Funds							
Balance, start of year	30.7	23.3	15.3	14.0	12.8	11.8	10.6
Income:							
Governmental receipts	4.4	4.3	4.3	4.4	4.6	4.9	5.0
Proprietary receipts	-6.0	-5.9	0.6	0.7	0.7	0.7	0.6
Receipts from Federal funds:							
Interest	0.1	0.1	*	0.1	0.1	0.1	0.1
Other	0.5	0.4	0.6	0.6	0.6	0.7	0.7
Receipts from Trust funds	4.0	4.0	4.3	4.5	4.5	4.5	4.6
Subtotal, income	3.0	2.9	9.8	10.2	10.5	10.7	10.9
Outgo:							
To the public	10.2	10.8	11.0	11.2	11.4	11.7	12.0
Payments to Federal funds	0.2	0.2	0.1	0.2	0.2	0.2	0.2
Subtotal, outgo	10.4	10.9	11.1	11.3	11.6	11.9	12.2
Change in fund balance:							
Surplus or deficit(-):							
Excluding interest	-7.5	-8.1	-1.3	-1.2	-1.1	-1.2	-1.3
Interest	0.1	0.1	*	0.1	0.1	0.1	0.1
Subtotal, surplus or deficit(-)	-7.4	-8.0	-1.3	-1.1	-1.1	-1.1	-1.3
Adjustments:							
Transfers/lapses (net) .....	.....	.....	.....	.....	.....	.....	.....
Other adjustments .....	*	-*	-*	.....	.....	.....	.....
Total, change in fund balance	-7.4	-8.0	-1.3	-1.1	-1.1	-1.1	-1.3
Balance, end of year	23.3	15.3	14.0	12.8	11.8	10.6	9.3
Social Security: Old-Age, Survivors and Disability Insurance (OASDI) Trust Funds							
Balance, start of year	2,180.8	2,366.4	2,506.9	2,645.0	2,800.0	2,974.0	3,166.7
Income:							
Governmental receipts	658.0	654.9	683.2	719.1	757.6	804.0	843.8
Proprietary receipts	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Receipts from Federal funds:							
Interest	113.7	117.8	117.1	121.1	128.3	137.2	147.7
Other	31.0	35.0	39.5	42.7	45.0	49.0	52.5
Receipts from Trust funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, income	802.8	807.8	839.9	882.9	931.0	990.3	1,044.1
Outgo:							
To the public	612.1	662.2	696.3	722.3	751.3	791.9	839.7
Payments to Federal funds	5.1	5.1	5.5	5.6	5.7	5.7	5.9
Subtotal, outgo	617.2	667.4	701.7	727.9	757.0	797.6	845.6
Change in fund balance:							
Surplus or deficit(-):							
Excluding interest	71.9	22.6	21.0	33.9	45.7	55.4	50.9
Interest	113.7	117.8	117.1	121.1	128.3	137.2	147.7
Subtotal, surplus or deficit(-)	185.7	140.5	138.1	155.0	174.0	192.7	198.5
Adjustments:							
Transfers/lapses (net) .....	.....	.....	.....	.....	.....	.....	.....
Other adjustments .....	.....	.....	.....	.....	.....	.....	.....
Total, change in fund balance	185.7	140.5	138.1	155.0	174.0	192.7	198.5
Balance, end of year	2,366.4	2,506.9	2,645.0	2,800.0	2,974.0	3,166.7	3,365.2

Table 21-4. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued
(In billions of dollars)

	2008 Actual	Estimate					
		2009	2010	2011	2012	2013	2014
Unemployment Trust Fund							
Balance, start of year	76.3	73.5	29.8	23.6	8.9	14.1	29.5
Income:							
Governmental receipts	39.5	44.0	52.4	57.2	63.4	66.3	66.6
Proprietary receipts	*	*	*	1.5	1.8	1.4	1.1
Receipts from Federal funds:							
Interest	3.6	2.3	1.0	0.8	0.7	0.8	1.3
Other	0.7	13.7	14.2	1.2	1.0	0.9	0.9
Receipts from Trust funds							
Subtotal, income	43.9	60.0	67.5	60.7	66.8	69.3	69.9
Outgo:							
To the public	46.7	103.8	89.2	75.4	61.6	53.9	52.5
Payments to Federal funds							
Subtotal, outgo	46.7	103.8	89.2	75.4	61.6	53.9	52.5
Change in fund balance:							
Surplus or deficit(-):							
Excluding interest	-6.5	-46.0	-22.7	-15.5	4.5	14.7	16.1
Interest	3.6	2.3	1.0	0.8	0.7	0.8	1.3
Subtotal, surplus or deficit(-)	-2.8	-43.8	-21.7	-14.7	5.2	15.5	17.4
Adjustments:							
Transfers/lapses (net)							
Other adjustments			15.5				
Total, change in fund balance	-2.8	-43.8	-6.2	-14.7	5.2	15.5	17.4
Balance, end of year	73.5	29.8	23.6	8.9	14.1	29.5	47.0
Veterans Life Insurance Funds							
Balance, start of year	11.9	11.5	10.9	10.3	9.6	8.9	8.1
Income:							
Governmental receipts	*	*	*	*	*	*	*
Proprietary receipts	0.5	0.4	0.4	0.4	0.3	0.3	0.3
Receipts from Federal funds:							
Interest	0.7	0.6	0.6	0.5	0.5	0.4	0.4
Other	*	*	*	*	*	*	*
Receipts from Trust funds							
Subtotal, income	1.2	1.1	1.0	0.9	0.8	0.7	0.7
Outgo:							
To the public	1.6	1.7	1.6	1.6	1.6	1.5	1.4
Payments to Federal funds							
Subtotal, outgo	1.6	1.7	1.6	1.6	1.6	1.5	1.4
Change in fund balance:							
Surplus or deficit(-):							
Excluding interest	-1.1	-1.2	-1.2	-1.2	-1.2	-1.2	-1.1
Interest	0.7	0.6	0.6	0.5	0.5	0.4	0.4
Subtotal, surplus or deficit(-)	-0.5	-0.6	-0.6	-0.7	-0.7	-0.8	-0.8
Adjustments:							
Transfers/lapses (net)							
Other adjustments							
Total, change in fund balance	-0.5	-0.6	-0.6	-0.7	-0.7	-0.8	-0.8
Balance, end of year	11.5	10.9	10.3	9.6	8.9	8.1	7.3

Table 21-4. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued
(In billions of dollars)

	2008 Actual	Estimate					
		2009	2010	2011	2012	2013	2014
Other Trust Funds							
Balance, start of year	60.3	64.4	71.5	74.4	79.1	84.6	90.5
Income:							
Governmental receipts	5.4	4.6	4.9	6.4	7.1	7.4	7.6
Proprietary receipts	5.4	5.1	5.2	5.4	5.5	5.6	5.8
Receipts from Federal funds:							
Interest	2.4	2.6	2.6	2.7	2.9	3.0	3.3
Other	13.0	21.2	15.2	16.2	16.5	17.0	17.7
Receipts from Trust funds	*	*	*	*	*	*	*
Subtotal, income	26.2	33.4	27.9	30.7	31.9	32.9	34.4
Outgo:							
To the public	21.4	26.2	25.1	26.0	26.4	27.1	28.0
Payments to Federal funds	0.7	*	.....	.....	.....	.....	.....
Subtotal, outgo	22.1	26.3	25.1	26.0	26.4	27.1	28.0
Change in fund balance:							
Surplus or deficit(-):							
Excluding interest	1.7	4.6	0.2	2.0	2.7	2.9	3.1
Interest	2.4	2.6	2.6	2.7	2.9	3.0	3.3
Subtotal, surplus or deficit(-)	4.1	7.2	2.7	4.7	5.6	5.9	6.5
Adjustments:							
Transfers/lapses (net)	*	*	0.1	.....	.....	.....	.....
Other adjustments .....	.....	.....	.....	.....	.....	.....	.....
Total, change in fund balance	4.1	7.2	2.8	4.7	5.6	5.9	6.5
Balance, end of year	64.4	71.5	74.4	79.1	84.6	90.5	96.9

* \$50 million or less.

Note: Balances shown include committed and uncommitted cash balances.

¹ See Chapter 15 of this volume, "Budget Reform Proposals," for a discussion of the Budget treatment of Highway Trust Fund balances.

Table 21-5. INCOME, OUTGO, AND BALANCES OF SELECTED FEDERAL FUNDS
(In billions of dollars)

	2008 Actual	Estimate					
		2009	2010	2011	2012	2013	2014
Abandoned Mine Reclamation Fund							
Balance, start of year	2.4	2.4	2.5	2.6	2.7	2.8	2.9
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	0.4	0.3	0.4	0.4	0.4	0.4	0.4
Outgo:							
To the public	0.3	0.3	0.2	0.3	0.3	0.3	0.4
Payments to Federal funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, outgo	0.3	0.3	0.2	0.3	0.3	0.3	0.4
Change in fund balance:							
Surplus or deficit(-):							
Excluding interest	-*	*	*	-*	-*	-0.1	-0.1
Interest	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Subtotal, surplus or deficit(-)	0.1	0.1	0.1	0.1	0.1	*	*
Adjustments:							
Transfers/lapses (net) .....	.....	-*	.....	.....	.....	.....	.....
Other adjustments .....	.....	.....	.....	.....	.....	.....	.....
Total, change in fund balance	0.1	0.1	0.1	0.1	0.1	*	*
Balance, end of year	2.4	2.5	2.6	2.7	2.8	2.9	2.9
National Credit Union Share Insurance Fund							
Balance, start of year	7.0	7.2	6.1	1.1	1.4	2.3	3.8
Income:							
Governmental receipts .....	.....	.....	.....	.....	.....	.....	.....
Proprietary receipts	0.3	0.8	1.8	2.2	2.6	2.9	3.2
Receipts from Federal funds:							
Interest	0.2	0.2	0.3	0.1	0.1	0.1	0.2
Other .....	.....	.....	.....	.....	.....	.....	.....
Receipts from Trust funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, income	0.6	1.0	2.0	2.2	2.7	3.0	3.4
Outgo:							
To the public	0.4	2.1	7.0	2.0	1.7	1.5	1.4
Payments to Federal funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, outgo	0.4	2.1	7.0	2.0	1.7	1.5	1.4
Change in fund balance:							
Surplus or deficit(-):							
Excluding interest	-0.1	-1.3	-5.3	0.2	0.9	1.4	1.9
Interest	0.2	0.2	0.3	0.1	0.1	0.1	0.2
Subtotal, surplus or deficit(-)	0.1	-1.1	-5.0	0.3	1.0	1.5	2.1
Adjustments:							
Transfers/lapses (net) .....	.....	.....	.....	.....	.....	.....	.....
Other adjustments .....	.....	.....	.....	.....	.....	.....	.....
Total, change in fund balance	0.1	-1.1	-5.0	0.3	1.0	1.5	2.1
Balance, end of year	7.2	6.1	1.1	1.4	2.3	3.8	5.9

Table 21-5. INCOME, OUTGO, AND BALANCES OF SELECTED FEDERAL FUNDS—Continued
(In billions of dollars)

	2008 Actual	Estimate					
		2009	2010	2011	2012	2013	2014
Department of Defense Medicare-Eligible Retiree Health Care Fund							
Balance, start of year	108.5	132.8	154.5	178.0	203.3	230.5	259.8
Income:							
Governmental receipts .....	.....	.....	.....	.....	.....	.....	.....
Proprietary receipts .....	.....	.....	.....	.....	.....	.....	.....
Receipts from Federal funds:							
Interest	7.8	9.1	10.5	11.9	13.5	15.4	17.3
Other	24.4	21.3	22.1	23.2	24.4	25.6	26.9
Receipts from Trust funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, income	32.3	30.4	32.6	35.1	37.9	41.0	44.1
Outgo:							
To the public	7.9	8.7	9.1	9.8	10.7	11.6	12.6
Payments to Federal funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, outgo	7.9	8.7	9.1	9.8	10.7	11.6	12.6
Change in fund balance:							
Surplus or deficit(-):							
Excluding interest	16.5	12.6	13.0	13.4	13.7	14.0	14.3
Interest	7.8	9.1	10.5	11.9	13.5	15.4	17.3
Subtotal, surplus or deficit(-)	24.4	21.7	23.5	25.3	27.2	29.3	31.5
Adjustments:							
Transfers/lapses (net) .....	.....	.....	.....	.....	.....	.....	.....
Other adjustments .....	.....	.....	.....	.....	.....	.....	.....
Total, change in fund balance	24.4	21.7	23.5	25.3	27.2	29.3	31.5
Balance, end of year	132.8	154.5	178.0	203.3	230.5	259.8	291.4
Overseas Private Investment Corporation							
Balance, start of year	4.4	4.6	4.8	4.9	5.1	5.2	5.4
Income:							
Governmental receipts .....	.....	.....	.....	.....	.....	.....	.....
Proprietary receipts	*	*	*	*	*	*	*
Receipts from Federal funds:							
Interest	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other	*	*	*	*	*	*	*
Receipts from Trust funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, income	0.3	0.3	0.2	0.2	0.2	0.3	0.3
Outgo:							
To the public	*	0.1	0.1	0.1	0.1	0.1	0.1
Payments to Federal funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, outgo	*	0.1	0.1	0.1	0.1	0.1	0.1
Change in fund balance:							
Surplus or deficit(-):							
Excluding interest	*	-*	-*	-*	-*	-*	-*
Interest	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Subtotal, surplus or deficit(-)	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Adjustments:							
Transfers/lapses (net)	-0.1	-0.1	-0.1	.....	.....	.....	.....
Other adjustments .....	.....	.....	.....	.....	.....	.....	.....
Total, change in fund balance	0.2	0.1	0.1	0.2	0.2	0.2	0.2
Balance, end of year	4.6	4.8	4.9	5.1	5.2	5.4	5.6

Table 21-5. INCOME, OUTGO, AND BALANCES OF SELECTED FEDERAL FUNDS—Continued
(In billions of dollars)

	2008 Actual	Estimate					
		2009	2010	2011	2012	2013	2014
Pension Benefit Guaranty Corporation Fund							
Balance, start of year	14.6	13.2	13.5	13.6	14.6	15.8	16.2
Income:							
Governmental receipts .....	.....	.....	.....	.....	.....	.....	.....
Proprietary receipts	3.8	4.6	5.5	7.9	9.9	10.5	10.7
Receipts from Federal funds:							
Interest	-0.4	1.0	1.0	1.1	1.1	1.2	1.2
Other .....	.....	.....	.....	.....	.....	.....	.....
Receipts from Trust funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, income	3.3	5.6	6.5	9.0	11.1	11.7	11.8
Outgo:							
To the public	4.7	5.4	6.4	8.0	9.8	11.3	12.6
Payments to Federal funds .....	.....	.....	.....	.....	.....	.....	.....
Subtotal, outgo	4.7	5.4	6.4	8.0	9.8	11.3	12.6
Change in fund balance:							
Surplus or deficit(-):							
Excluding interest	-0.9	-0.7	-0.9	-0.1	0.1	-0.8	-2.0
Interest	-0.4	1.0	1.0	1.1	1.1	1.2	1.2
Subtotal, surplus or deficit(-)	-1.4	0.2	0.1	1.0	1.2	0.4	-0.8
Adjustments:							
Transfers/lapses (net) .....	.....	.....	.....	.....	.....	.....	.....
Other adjustments .....	.....	.....	.....	.....	.....	.....	.....
Total, change in fund balance	-1.4	0.2	0.1	1.0	1.2	0.4	-0.8
Balance, end of year	13.2	13.5	13.6	14.6	15.8	16.2	15.4

* \$50 million or less.

Note: Balances shown include committed and uncommitted cash balances.

22. OFF-BUDGET FEDERAL ENTITIES AND NON-BUDGETARY ACTIVITIES

The Federal Government's activities have far-reaching impacts, affecting the economy and society of the Nation and the world. One of the primary activities of the Government is to allocate resources to provide public goods and achieve public policy objectives. The budget is the Government's financial plan for proposing, deciding, and controlling the allocation of resources. Those financial activities that constitute the direct allocation of resources are included in the budget's measures of receipts and expenditures, and characterized as "budgetary."

Federal Government activities that do not involve the direct allocation of resources in a measurable way are characterized as "non-budgetary" and classified outside of the budget. For example, the budget does not include funds that are privately owned but held and managed by the Government in a fiduciary capacity, such as the deposit funds owned by Native American Indians. In addition, the budget does not include costs that are borne by the private sector even when those costs result from Federal regulatory activity. Also, although the budget includes the "subsidy costs"¹ of Federal loan programs, it does not include the other cash flows of these programs that do not involve an allocation of resources by the Government. Non-budgetary activities can be important instruments of Federal policy and are discussed briefly in this chapter and in more detail in other parts of the budget.

The term "off-budget" may appear to be synonymous with non-budgetary. However, it has a meaning distinct from non-budgetary and, as discussed below, refers to Federal Government activities that are required by law to be excluded from the budget totals. In addition, the term off-budget is used colloquially to refer to ongoing costs such as relief from the Alternative Minimum Tax (AMT) that were omitted entirely from, or shown for only one year in, past budgets. The term is also used colloquially to refer to emergency funding or supplemental appropriations for war costs because these items have been outside the normal budget enforcement procedures used by the Congress. Despite the colloquial usage of the term off-budget, AMT relief, emergency aid, and war costs are all on-budget; outlays and reduced receipts for these items are recorded in the budget along with all other Government outlays and receipts. In contrast, off-budget amounts are required by law to be recorded separately in the budget. Also in contrast, non-budgetary transactions are correctly viewed as not being in the budget under any circumstances because they do not impose direct costs on the Treasury.

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, following a recommendation made by the President's Commission on Budget Concepts in 1967. It calls for the budget to include the financial transactions of all of the Federal Government's programs and agencies.

Every year since 1971, however, at least one Federal entity that would otherwise be included in the budget has been declared to be off-budget by law. Such off-budget Federal entities are federally owned and controlled, but their transactions are excluded from the on-budget totals by law. When a Federal entity is off-budget by law, its receipts, budget authority, outlays, and surplus or deficit are separated from the on-budget receipts, budget authority, outlays, and surplus or deficit. The budget reflects the legal distinction between on-budget entities and off-budget entities by showing outlays and receipts for both types of entities separately.

Although there is a legal distinction between on-budget and off-budget entities, there is no conceptual difference between the two. The off-budget Federal entities engage in the same basic activities of government as the on-budget entities, and the programs of off-budget entities result in the same kind of outlays and receipts as on-budget entities. The "unified budget" reflects the conceptual similarity between on-budget and off-budget entities by showing combined totals of outlays and receipts for both types of entities.

The off-budget Federal entities currently consist of the Postal Service Fund and the two Social Security Trust Funds: Old-Age and Survivors Insurance and Disability Insurance. Social Security has been classified as off-budget since 1986 and the Postal Service Fund has been classified as off-budget since 1990.² A number of other entities that had been declared off-budget by law at different times before 1986 have been classified as on-budget by law since at least 1985.

Table 22-1 divides total Federal Government receipts, outlays, and the surplus or deficit between on-budget and off-budget amounts. Within this table, the Social Security and Postal Service transactions are classified as off-budget for all years in order to provide a consistent comparison over time. Entities that were off-budget at one time but are now on-budget are classified as on-budget for all years.

Because Social Security is the largest single program in the unified budget and is classified by law as off-budget, the off-budget accounts comprise a significant part of total Federal spending and receipts. In 2010, off-budget receipts are an estimated 29.3 percent of total receipts,

¹ Subsidy costs are explained in the section below on "Federal credit programs."

² See 42 U.S.C. § 911 and 39 U.S.C. § 2009a.

Table 22–1. COMPARISON OF TOTAL, ON-BUDGET, AND OFF-BUDGET TRANSACTIONS¹
(In billions of dollars)

Fiscal Year	Receipts			Outlays			Surplus or deficit (–)		
	Total	On-budget	Off-budget	Total	On-budget	Off-budget	Total	On-budget	Off-budget
1980	517.1	403.9	113.2	590.9	477.0	113.9	–73.8	–73.1	–0.7
1981	599.3	469.1	130.2	678.2	543.0	135.3	–79.0	–73.9	–5.1
1982	617.8	474.3	143.5	745.7	594.9	150.9	–128.0	–120.6	–7.4
1983	600.6	453.2	147.3	808.4	660.9	147.4	–207.8	–207.7	–0.1
1984	666.5	500.4	166.1	851.9	685.7	166.2	–185.4	–185.3	–0.1
1985	734.1	547.9	186.2	946.4	769.4	176.9	–212.3	–221.5	9.2
1986	769.2	569.0	200.2	990.4	806.9	183.5	–221.2	–237.9	16.7
1987	854.4	641.0	213.4	1,004.1	809.3	194.8	–149.7	–168.4	18.6
1988	909.3	667.8	241.5	1,064.5	860.1	204.4	–155.2	–192.3	37.1
1989	991.2	727.5	263.7	1,143.8	932.9	210.9	–152.6	–205.4	52.8
1990	1,032.1	750.4	281.7	1,253.1	1,028.1	225.1	–221.0	–277.6	56.6
1991	1,055.1	761.2	293.9	1,324.3	1,082.6	241.7	–269.2	–321.4	52.2
1992	1,091.3	788.9	302.4	1,381.6	1,129.3	252.3	–290.3	–340.4	50.1
1993	1,154.5	842.5	311.9	1,409.5	1,142.9	266.6	–255.1	–300.4	45.3
1994	1,258.7	923.7	335.0	1,461.9	1,182.5	279.4	–203.2	–258.8	55.7
1995	1,351.9	1,000.9	351.1	1,515.9	1,227.2	288.7	–164.0	–226.4	62.4
1996	1,453.2	1,085.7	367.5	1,560.6	1,259.7	300.9	–107.4	–174.0	66.6
1997	1,579.4	1,187.4	392.0	1,601.3	1,290.7	310.6	–21.9	–103.2	81.4
1998	1,722.0	1,306.2	415.8	1,652.7	1,336.1	316.6	69.3	–29.9	99.2
1999	1,827.6	1,383.2	444.5	1,702.0	1,381.3	320.8	125.6	1.9	123.7
2000	2,025.5	1,544.9	480.6	1,789.2	1,458.5	330.8	236.2	86.4	149.8
2001	1,991.4	1,483.9	507.5	1,863.2	1,516.4	346.8	128.2	–32.4	160.7
2002	1,853.4	1,338.1	515.3	2,011.2	1,655.5	355.7	–157.8	–317.4	159.7
2003	1,782.5	1,258.7	523.8	2,160.1	1,797.1	363.0	–377.6	–538.4	160.8
2004	1,880.3	1,345.5	534.7	2,293.0	1,913.5	379.5	–412.7	–568.0	155.2
2005	2,153.9	1,576.4	577.5	2,472.2	2,070.0	402.2	–318.3	–493.6	175.3
2006	2,407.3	1,798.9	608.4	2,655.4	2,233.4	422.1	–248.2	–434.5	186.3
2007	2,568.2	1,933.2	635.1	2,728.9	2,275.3	453.6	–160.7	–342.2	181.5
2008	2,524.3	1,866.3	658.0	2,982.9	2,508.1	474.8	–458.6	–641.8	183.3
2009 estimate	2,156.7	1,501.8	654.9	3,997.8	3,479.6	518.2	–1,841.2	–1,977.8	136.6
2010 estimate	2,332.6	1,649.4	683.2	3,591.1	3,041.9	549.1	–1,258.4	–1,392.5	134.1
2011 estimate	2,685.4	1,966.3	719.1	3,614.8	3,047.4	567.4	–929.4	–1,081.1	151.7
2012 estimate	3,075.3	2,317.7	757.6	3,632.7	3,047.5	585.3	–557.4	–729.8	172.4
2013 estimate	3,305.1	2,501.2	804.0	3,817.5	3,205.6	611.8	–512.3	–704.5	192.2
2014 estimate	3,480.1	2,636.3	843.8	4,016.0	3,370.7	645.3	–535.9	–734.4	198.5

¹ Off-budget transactions consist of the Social Security trust funds and the Postal Service fund.

and off-budget outlays are a smaller, but still significant, percentage of total outlays at 15.3 percent. The estimated unified budget deficit in 2010 is \$1,258 billion—a \$1,393 billion on-budget deficit partly offset by a \$134 billion off-budget surplus. The off-budget surplus consists entirely of the Social Security surplus.³ Social Security had small deficits or surpluses from its inception through the early 1980s, but since the middle 1980s it has had a large and growing surplus. However, under present law, the surplus is eventually estimated to decline, turn into a deficit, and never reach balance again. The long-term challenge of Social Security is discussed in Chapter 13 of this volume, “Stewardship.”

Non-Budgetary Activities

Some important Government activities are characterized as non-budgetary because they do not involve the direct allocation of resources by the Government. Some of the Government’s major non-budgetary activities are discussed below. As noted below, some of these activities affect budget outlays or receipts even though they have components that are non-budgetary.

Federal credit programs: budgetary and non-budgetary transactions.—Federal credit programs make direct loans or guarantee private loans. The Federal Credit Reform Act of 1990 changed how the costs of credit programs are recorded in the budget by defining as budgetary the subsidy cost of the credit programs and classifying the other credit program cash flows as non-budgetary.

One way to view the budgetary and non-budgetary components of a credit program is to consider a portfolio of new direct loans made to a cohort of students. The loan terms may include deferrals of interest while the students are in school, and some of the students will default on their loans; over time the Government will likely not be repaid the full amount it loaned to the students. Under credit reform, the estimated cash flows over time are discounted to the point of the loan disbursement, and the present value of the net cash flows, or the subsidy, is recorded as an outlay or cost when the loan is disbursed. In other words, the difference between the amount disbursed by the Government and the value of the loan assets the Government ultimately receives in return, the cash value of the students’ promissory notes, is the subsidy. Because the loan assets have value, the remainder of the transaction (beyond the amount correctly recorded as a subsidy) is simply an exchange of financial assets of equal value, and does not result in a cost to the Government or the taxpayer. That remaining portion of the loan transaction, the cash flows apart from the subsidies, is correctly classified as non-budgetary.

Since the adoption of credit reform, the budget outlays of credit programs reflect only the subsidy costs of Government credit and show this cost when the credit assistance is provided, reflecting more accurately the cost

³ The 2008 off-budget surplus reflects a \$185.7 billion surplus for Social Security and a \$2.4 billion deficit for Postal Service. The estimated 2009 off-budget surplus reflects a \$140.5 billion surplus for Social Security and a \$3.8 billion deficit for Postal Service, and the projected 2010 off-budget surplus reflects a \$138.1 billion surplus for Social Security and a \$4.0 billion deficit for Postal Service.

of credit decisions. This enables the budget to fulfill its purpose of being a financial plan for allocating resources among alternative uses by comparing the expected cost of credit programs with their 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.⁴ Credit programs are discussed in more detail in Chapter 7 of this volume, “Credit and Insurance.”

Deposit funds.—Deposit funds are non-budgetary accounts that record amounts held by the Government temporarily until ownership is determined (such as earnest money paid by bidders for mineral leases) or held by the Government as an agent for others (such as State income taxes withheld from Federal employees’ salaries and not yet paid to the States). The largest deposit fund is the Government Securities Investment Fund, which is also known as the G Fund. It is one of several investment funds managed by the Federal Retirement Thrift Investment Board, as an agent, for Federal employees who participate in the Government’s defined contribution retirement plan, the Thrift Savings Plan. Because the G Fund assets, which are held by the Department of the Treasury, are the property of Federal employees and are held by the Government only in a fiduciary capacity, the transactions of the Fund are not transactions of the Government itself and are therefore non-budgetary.⁵ For similar reasons, the budget excludes funds that are owned by Native American Indians, but held and managed by the Government in a fiduciary capacity.

Government-sponsored enterprises.—The Federal Government has chartered Government-sponsored enterprises (GSEs) such as the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal Home Loan Banks, the Farm Credit System, and the Federal Agricultural Mortgage Corporation to provide financial intermediation for specified public purposes. The GSEs are excluded from the budget because, although federally chartered, they are privately owned. However, because they were established by the Federal Government to serve public-policy purposes and because they still serve such purposes to some extent, estimates of their activities are reported in a separate chapter of the *Budget Appendix* and their activities are analyzed in Chapter 7 of this volume, “Credit and Insurance.”

On September 6, 2008, the director of the Federal Housing Finance Agency (FHFA)⁶ placed Fannie Mae

⁴ For more explanation of the budget concepts for direct loans and loan guarantees, see the sections on Federal credit and credit financing accounts in Chapter 25 of this volume, “The Budget System and Concepts.” The structure of credit reform is further explained in Chapter VIII.A of the *Budget of the United States Government, Fiscal Year 1992*, Part Two, pp. 223–26. The implementation of credit reform through 1995 is reviewed in Chapter 8, “Underwriting Federal Credit and Insurance,” *Analytical Perspectives, Budget of the United States Government, Fiscal Year 1997*, pp. 142–44. Refinements and simplifications enacted by the Balanced Budget Act of 1997 or provided by later OMB guidance are explained in Chapter 8, “Underwriting Federal Credit and Insurance,” *Analytical Perspectives, Budget of the United States Government, Fiscal Year 1999*, p. 170.

⁵ The administrative functions of the Federal Retirement Thrift Investment Board are carried out by Government employees, and are, therefore, included in the budget.

⁶ The Housing and Economic Recovery Act of 2008, enacted on July 30, 2008, created the FHFA as the new regulator for Fannie Mae, Freddie Mac and the Federal Home Loan Banks. FHFA reflects the merger of the Office of Federal Housing Enterprise Oversight, the Federal Housing Finance Board and the Department of Housing and Urban Development’s Govern-

and Freddie Mac into conservatorship for the purpose of preserving the assets and restoring the solvency of these two GSEs. FHFA will control and direct the operations of these GSEs as long as the conservatorship remains in place.

This Budget continues to treat these two GSEs as private entities in conservatorship rather than as Government agencies. By contrast, the Congressional Budget Office (CBO) has reached the opposite conclusion:

[B]ecause of the extraordinary degree of management and financial control that the government has now exercised, CBO concludes that the entities should now be considered federal operations. Although the GSEs are not legally government agencies and their employees are not civil servants, CBO believes it is appropriate and useful to policymakers to account for and display the GSEs' financial transactions alongside all other federal activities in the budget.

CBO goes on to cite the 1967 President's Commission on Budget Concepts to the effect that borderline cases should be recorded as Government agencies.⁷

The two different treatments of these GSEs each include both budgetary and non-budgetary amounts. Under the approach in the Budget, all of the GSEs' transactions with the public are non-budgetary because the GSEs are not considered to be Government agencies. However, because the GSEs are currently operating at a loss and are expected to do so for an additional period of time, the GSEs require payments of cash from the Treasury to continue operating. These payments from the U.S. Treasury to the GSEs are recorded as budgetary outlays and add to the budget deficit.⁸ Under CBO's approach, which treats these GSEs as Federal agencies, the subsidy costs, or expected losses over time, of the GSEs' past credit activities have already been recorded in CBO's budget estimates and the subsidy costs of future credit activities will be recorded when the activities occur. Cash transactions between the GSEs and the public apart from the subsidy costs are treated as non-budgetary by CBO, and the Treasury cash payments to the GSEs are intragovernmental (transfers from the Treasury to the GSEs) and net to zero in CBO's budget estimates.

Overall, both the Budget's accounting and CBO's accounting present the GSEs' losses as Government outlays and as increasing Government deficits. The two approaches, however, reflect those losses as budget costs at different times.⁹ Further consideration and evaluation of which approach better fits both legal considerations and goals of budgetary accounting are warranted.

Regulation.—Government regulation often requires the private sector to make expenditures for specified purposes, such as safety and pollution control. Although the

budget reflects the Government's cost of conducting regulatory activities, the costs imposed on the private sector as a result of the regulation are treated as non-budgetary and not included in the budget. The Government's regulatory priorities and plans are described in the annual Regulatory Plan and the semi-annual Unified Agenda of Federal Regulatory and Deregulatory Actions.¹⁰

Although not included in the budget, the estimated costs and benefits of Federal regulation have been published annually by the Office of Management and Budget (OMB) since 1997. The latest report was released in January 2009.¹¹ OMB reports that the estimated annual benefits of Federal regulations it reviewed from October 1, 1997, to September 30, 2007, range from \$122 billion to \$656 billion, while the estimated annual costs range from \$46 to \$54 billion. In its report, OMB discusses the impact of Federal regulation on State, local, and tribal governments, and agency compliance with the Unfunded Mandates Reform Act of 1995.

Monetary policy.—As noted above, the budget is a financial plan for allocating resources by raising revenues and spending those revenues. As a fiscal policy tool, the budget is used by elected Government officials to promote economic growth and achieve other public policy objectives. Monetary policy is another tool that governments use to promote economic growth. In the United States, monetary policy is conducted by the Federal Reserve System, which is comprised of a Board of Governors and 12 regional Federal Reserve Banks. The Federal Reserve Act says that the goal of monetary policy is to "maintain long run growth of the monetary and credit aggregates commensurate with the economy's long run potential to increase production, so as to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates." The dual goals of full employment and price stability were reaffirmed by the Full Employment and Balanced Growth Act of 1978, known as the Humphrey-Hawkins Act.

By law, the Federal Reserve System is a self-financing entity that is independent of the other branches of Government. Consistent with the recommendations of the 1967 President's Commission on Budget Concepts, the effects of monetary policy and the actions of the Federal Reserve System are, with one rather limited exception, non-budgetary. That is, the actions the Federal Reserve takes to affect the economy, including but not limited to the purchase or sale of Treasury securities and, more recently, of other public and private-sector financial instruments, are not reflected as outlays or offsetting receipts. Thus, the recent substantial increase in the Federal Reserve's balance sheet, while having important macro-

ment-sponsored enterprise mission team.

⁷ Congressional Budget Office, *The Budget and Economic Outlook: Fiscal years 2009 to 2019*, January 2009, page 26.

⁸ For a discussion of an alternative treatment of financial asset acquisitions, which the Treasury payments reflect, see Chapter 15 of this volume, "Budget Reform Proposals."

⁹ This conclusion—that the two approaches are the same over time—is accurate only under the assumption that the Government maintains its current relationship with the two GSEs indefinitely.

¹⁰ The most recent Regulatory Plan and introduction to the Unified Agenda were issued by the General Services Administration's Regulatory Information Service Center and were printed in the Federal Register of November 24, 2008. Both the Regulatory Plan and Unified Agenda are available on-line at www.reginfo.gov and at www.gpoaccess.gov.

¹¹ Office of Information and Regulatory Affairs, Office of Management and Budget, 2008 Draft Report to Congress on the Costs and Benefits of Federal Regulations and Unfunded Mandates on State, Local, and Tribal Entities (2008). The Report is available at www.whitehouse.gov/omb/infoereg_regpol_reports_congress/.

economic consequences, is not recorded as affecting the Federal deficit.

The exception to the treatment of Federal Reserve transactions as non-budgetary involves excess earnings of the Federal Reserve System. The Federal Reserve System earns income from a variety of sources including interest on U.S. Government securities, foreign currency investments and loans to depository institutions and fees for services (e.g., check clearing services) provided to depository institutions. After paying its expenses, the Federal Reserve System remits to the U.S. Treasury any excess income. This income, which is classified in the budget as a governmental receipt, was equal to \$34 billion in 2008.

The Board of Governors is a Federal Government agency, but because of its independent status, its budget is not subject to Executive Branch review. Its budget is included in the *Budget Appendix* for informational purposes. The Federal Reserve Banks are subject to Board oversight and managed by boards of directors chosen by the Board of Governors and member banks, which include all national banks and state banks that choose to become members. The budgets of the regional Banks, although subject to approval by the Board of Governors, are not included in the *Budget Appendix*.

Indirect macroeconomic effects of Federal activity.—Government activity has many effects on the Nation’s economy that extend beyond the amounts recorded in the budget. Government expenditures, taxation, tax expenditures, regulation, and trade policy can all affect the allocation of resources among private uses and income distribution among individuals. These effects, resulting indirectly from Federal activity, are generally not part of the budget, but the most important of them are discussed in this volume.

Credit market stabilization activity.—Since late 2007, the Federal Reserve System, Executive Branch agencies, and the GSEs Fannie Mae and Freddie Mac have engaged in a variety of activities designed to stabilize the financial markets and restore economic growth. The actions taken by the Federal Reserve System¹² are non-budgetary for reasons discussed above in the section on “Monetary policy.” However, as also noted above, Federal Reserve actions may affect the System’s earnings, which ultimately affect governmental receipts. The placement of Fannie Mae and Freddie Mac into conservatorship, discussed above in the section on “Government-sponsored enterprises,” is not treated as affecting their non-budgetary status, so the GSEs’ transactions with the public are not included in the 2010 Budget. However, as with other transactions between non-budgetary entities and the Government, the transactions of the GSEs with the Government, cash payments from the Treasury, are included in the budget.

¹² Examples of Federal Reserve actions include the creation of the following liquidity facilities: the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility, the Commercial Paper Funding Facility, the Money Market Investor Funding Facility, the Primary Dealer Credit Facility, the Term Asset-Backed Securities Loan Facility, the Term Auction Facility, and the Term Securities Lending Facility.

Executive Branch activities include actions taken by the Department of the Treasury, the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA) and the Federal Housing Finance Agency (FHFA). Treasury activities include the Capital Purchase Program, which was created in 2008, and the Capital Assistance Program, which was created in 2009 by the current Administration.¹³ Actions by the FDIC include the Temporary Liquidity Guarantee Program and actions by the NCUA include the Temporary Corporate Credit Union Liquidity Guarantee Program, the Credit Union Homeowners Affordability Relief Program, and the Credit Union System Investment Program. Actions by the FHFA include the placement of the GSEs into conservatorship in 2008, and the subsequent and ongoing management of the GSEs.

As distinct from the activities of the Federal Reserve and the GSEs, the activities of the Department of the Treasury, the FDIC, and the NCUA are budgetary. Most of these activities, including all asset acquisitions, loans, and loan guarantees under the Troubled Asset Relief Program (TARP), are reported in the budget on a credit basis.¹⁴ As discussed above in the section on “Federal credit programs,” this means that outlays equal to the net present value of all future cash flows with the public are recorded when the transaction occurs. The rationale for recording asset purchases under TARP on a credit basis rather than on a cash basis is the same as the rationale, discussed above, for loans and loan guarantees generally. The Government’s cost of purchasing a financial asset that is intended to be sold at some point in the future is not equal to the cash used to acquire the asset at the time of acquisition. Rather, the cost is equal to the present value of the cash outflows for acquiring the asset less the present value of cash inflows from holding and ultimately selling the asset.

A very limited portion of credit market stabilization activities resulted in outlays in 2008; most activities will result in outlays in 2009. The total budget impact of all of the credit market stabilization efforts undertaken by Treasury, other Executive Branch agencies, the GSEs, and the Federal Reserve may not be known with certainty for several years. Nevertheless, actual and estimated outlays and receipts are included in the 2010 Budget. In addition, the actual and estimated impacts of credit market stabilization efforts on the debt held by the public are included in the 2010 Budget.¹⁵

¹³ These Treasury activities were authorized by TARP. Other Treasury activities, some of which were also authorized by TARP, include the Asset Guarantee Program, the Auto Industry Financing Program, the Auto Supplier Support Program, the GSE Credit Facility, the Homeowner Affordability and Stability Plan, the Public Private Partnership Investment Program, the Systemically Failing Institutions Program, the Targeted Investment Program, the acquisition of GSE mortgage-backed securities, and the supplementary financing program.

¹⁴ The Emergency Economic Stabilization Act (EESA) requires that the discount rate used for recording costs of transactions under TARP on a credit basis reflect market risk, which is in contrast to the risk-free discount rate required under the Federal Credit Reform Act for calculating the costs of loans and loan guarantees not authorized by EESA.

¹⁵ For an analysis of the Government’s response to the financial crisis, see Chapter 7 of this volume, “Credit and Insurance.”

23. FEDERAL EMPLOYMENT AND COMPENSATION

This section provides information on civilian and military employment in the Executive, Legislative, and Judicial branches. It also provides information on personnel compensation and benefits and on overseas staffing presence.

Measuring Federal Employment

For budgetary purposes, civilian employment is measured on the basis of full-time equivalents (FTE). One FTE is equal to one work year (see OMB Circular A-11, Section 85). Put simply, one full-time employee counts as one FTE, and two half-time employees also count as one FTE.

Significant Changes in Employment

Table 23-1 shows Executive Branch civilian FTE (excluding the U.S. Postal Service) growing by 16 percent between 2006 and 2010. The primary reason for this growth is the hiring of over 100 thousand temporary staff to perform the 2010 census. In addition, there continue to be mission increases for homeland security and enforcing immigration laws. Chart 23-1 shows the trend in Executive Branch civilian FTE over the last several years. Table 23-2 shows FTE totals Government-wide, to include military. For the 2010 Budget, additional significant changes by agency are discussed below.

The *Department of Commerce's* FTE increase by over 104 thousand from 2008 to 2010. Of this amount, 102,473 can be attributed to the ramp up for the 2010 Decennial Census. The remaining 1,649 are distributed throughout the Department and constitute an increase of less than one percent.

Since 2001, *Department of Defense* support service contractors grew to 39 percent of the Pentagon's civilian and service contractor workforce. The Department is embarking on a five year plan to return to the 2000, or pre-war level, of 26 percent of these services being provided by contractors. In 2010, the Department plans to insource 13,800 contractors, 2,500 of whom will be in the acquisition workforce. Additionally, the Department will hire 1,600 more acquisition personnel to increase acquisition management oversight capabilities.

Within the *Department of Energy*, FTE growth is a result of the Department's increased investment in research and development efforts, and early deployment of clean sources of energy. FTE will provide increased levels of management and oversight of all federally-funded projects, including additional audits and on-site monitoring of expanding technology programs, Weatherization Assistance, State Energy Program grants, and Loan Guarantee Programs that have grown in loan guaran-

tee authority from \$4 billion in 2007 to an estimated level of about \$100 billion in 2009 (including American Reinvestment and Recovery Act (ARRA) funds).

In 2009 and 2010 the *Department of Health and Human Services* will increase its staffing levels to support activities such as: expanding health care access and quality; uncovering new knowledge that will lead to better health for everyone; and improving food and medical product safety. The Department's operating divisions will also experience an increase in personnel to support the ARRA, including implementation of the health information technology initiative, expansion of health centers, increased Federal Medicaid funding to States, and oversight of ARRA activities.

Within the *Department of Homeland Security*, Immigration and Customs Enforcement and Customs and Border Protection have seen significant growth in their workforces as a part of the Administration's efforts to increase border security and to improve interior enforcement of our Nation's immigration laws. Citizenship and Immigration Services grew significantly due to new positions added as a part of the 2008 fee rule that established new application fees. There have also been increases for aviation and transportation security.

The *Department of Housing and Urban Development* (HUD) is preparing to confront the challenges caused by the collapse of the housing market. In 2010, the Department will add FTE to combat abusive and fraudulent mortgage activities and conduct core research and evaluation activities, particularly Transformation initiatives. HUD will also restore most of the FTE cuts in the 2009 Budget that were required to fully fund the 2009 pay raise.

The *Department of Justice (DOJ)* requests an FTE increase to address the national security and crime fighting programs in the FBI and other DOJ components, to enhance resources for combating financial fraud and civil rights enforcement, for prosecutorial resources along the U.S. Southwest border, and to accommodate the growing Federal prisoner population.

Within the *Department of Labor*, the Employment and Training Administration is responsible for the oversight of integral portions of the Nation's training and income maintenance programs. As these safety net programs are expanding during challenging economic times, the Employment and Training Administration is expanding FTE to maintain oversight of these programs.

In the *Department of Labor* worker protection agencies—the Employment Standards Administration, the Occupational Safety and Health Administration, the Mine Safety and Health Administration, and the Office of the Solicitor—the Department requests additional FTE for vigorous enforcement of current laws protecting the rights

and safety of American workers. The Employee Benefits Security Administration requests additional FTE for its enforcement work in the area of pension and health benefits for workers. The Bureau of Labor Statistics requests additional FTE for updates to the Current Population Survey.

To achieve both new and ongoing foreign policy priorities, the *Department of State* seeks to significantly increase Foreign Service positions between 2009 and 2013, accompanied by a smaller increase in civil service positions. The increase in 2010 will allow the Department to pursue proactive diplomatic solutions worldwide, provide more in-depth Foreign Service training, expand inter-agency collaboration, and enhance security for diplomatic personnel.

Within *International Assistance Programs*, the U.S. Agency for International Development (USAID) and Peace Corps account for the substantial bulk of the overall FTE increase in the 2010 Budget. USAID requests additional FTE to support the National Security Strategy by improving the management and stewardship of foreign assistance programs and establishing the capacity to respond to emerging and critical priorities overseas. Peace Corps needs additional FTE to adjust for lapsed positions left vacant in 2008, a decision to in-source some contracted-for information technology staffing, and to position the Peace Corps for future growth.

The *Department of the Treasury's* budget supports significant staffing increases in 2009 and 2010, primarily for expanded compliance work at the Internal Revenue Service (IRS) that will help reduce the tax gap. In particular, additional staffing will allow the IRS to address underreporting of tax associated with international activities and reduce noncompliance among businesses and high-income taxpayers. Treasury is also increasing staffing to implement recently enacted legislation, including the Troubled Asset Relief Program (TARP) and the ARRA.

The *Department of Veterans Affairs* plans to increase its FTE to 279 thousand in 2010. This increase in the Department's staff will support increased medical care services to veterans, and continue improvements in the administration and processing of veterans' disability benefits.

The *General Services Administration* requests additional FTE to meet increased demand for GSA products and services. Over 92 percent of GSA FTE are financed from cost-reimbursable agreements to provide other Federal agencies with real and personal property, related services, and office space. GSA received increased volumes of reimbursable work in 2008 and anticipates continued growth in both 2009 and 2010. GSA requests increased staffing in order to meet increased demand and to continue to deliver best value solutions to the Government.

The *National Science Foundation* (NSF) requests additional FTE to meet the increased workload demands resulting from the increased number of research awards the agency expects to support in the next few years. The Recovery Act will increase the projected number of NSF research awards by an estimated 33 percent, to about 13 thousand in 2009 compared to approximately 10 thou-

sand funded in 2008. The increased workload will continue in 2010 and beyond because the agency's budget is on a doubling path through 2016 under the President's Plan for Science and Innovation.

The projected variance in the *Office of Personnel Management's* (OPM) FTE levels is primarily related to growth within two OPM programs. First, OPM's Office of Inspector General's appropriations significantly increased in 2009 from 2008 levels to enable them to increase oversight of the Government-wide earned benefit programs administered by OPM. This increase in appropriations carries forward into 2010. Second, OPM's revolving fund programs, primarily the Investigative Services Division, anticipate an increase in staffing to meet customer demands.

Decreases in the *Small Business Administration's* FTE levels stem from temporary Disaster Loan Program employees brought on for disaster response related to the Midwest Floods and Hurricane Ike.

The *Social Security Administration* is preparing for an expected increase in retirement and disability claims associated with the aging "baby boomer" generation and the recent economic downturn. In 2010, the agency will hire staff to work in field offices, teleservice centers, processing centers, hearings offices, and State Disability Determination Services. These additional employees will improve service to the public and allow the agency to process the growing workloads at all stages of the disability claims process.

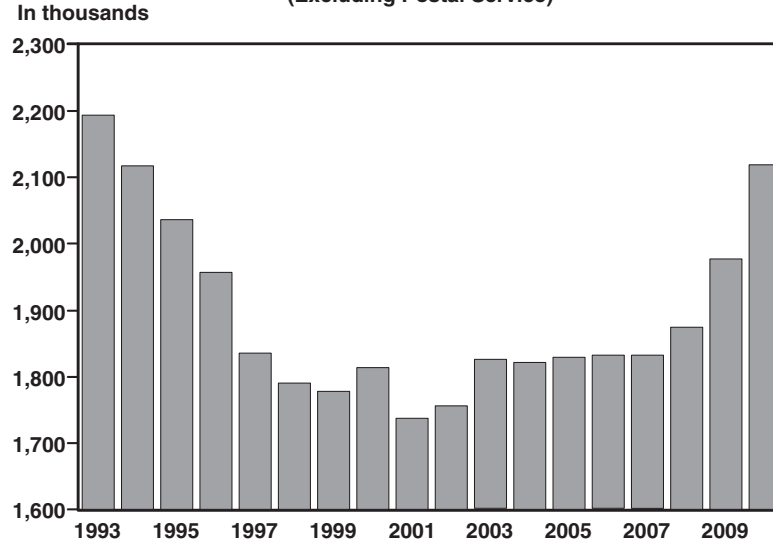
The *Consumer Product Safety Commission* (CPSC) is expanding its staff in order to implement and enforce its recent reauthorization, the Consumer Product Safety Improvement Act of 2008. The majority of the increase will be for developing and implementing safety standards, and enforcing compliance with regulations.

The *Court Services and Offender Supervision Agency* requests additional staff to support increased supervision of high-risk offenders and defendants within the District of Columbia and support full operation of the Agency's Re-entry and Sanctions Center.

In recent years, the *Equal Employment Opportunity Commission* (EEOC) has experienced significant staff reductions coupled with an increase in charge filings which have contributed to the current backlog of unresolved charge activity. In addition, it anticipates additional growth in the number of charges filed during 2009 and beyond due to the recent passage of the American with Disabilities Act (ADA) Amendments Act of 2008, the Genetic Information Non-Discrimination Act (GINA) of 2008, and the Lilly Ledbetter Fair Pay Act of 2009. The EEOC is requesting additional FTE to help decrease the processing time for investigating charges, thereby reducing the pending charge inventory.

Responding to the financial crisis, the *Federal Deposit Insurance Corporation* (FDIC) has substantially increased its resolution and receivership activity as a result of the increase in bank failures. The FDIC has also increased available liquidity and strengthened confidence in the banking industry by creating a new Temporary Liquidity Guarantee Program (TLGP). To accomplish the FDIC's

Chart 23-1. 2010 Budget Executive Branch Civilian FTE
(Excluding Postal Service)



broader responsibilities, the FDIC has increased its staffing by 550 full-time positions.

Increases in the *National Archives and Records Administration's* (NARA) FTE are dedicated to the establishment of the George W. Bush Library, the operations of the Richard Nixon Library, and the processing of Presidential records. The increases will also support responsibilities given to NARA under the Controlled Unclassified Information initiative, the creation of an Office of Government Information Services to improve government Freedom of Information Act processes, and development of the Electronic Records Archives to store electronic records and automate record management processes and oversight by the Office of the Inspector General. Finally, NARA is also increasing archival staff to account for temporary decreases in 2006 and 2007 due to a hiring freeze.

The *National Credit Union Administration's* budget requests additional FTE to support increased activity associated with the financial crisis, including increased monitoring and examination of credit unions and work associated with additional borrowing activity.

The *Pension Benefit Guaranty Corporation* is requesting additional FTE for increased activities in at-risk defined benefit plans and portfolio management as a result of the financial situation.

The *Securities and Exchange Commission* will use additional staff primarily to respond to the current financial crisis. In the coming years, additional staff will be utilized to pursue potential violations of the Federal securities laws and enhance fraud detection as well as risk-based oversight of investment advisers, broker-dealers, and other market participants.

The *Smithsonian Institution and National Gallery of Art* are also requesting FTE increases. In 2009, the Smithsonian Institution will hire additional security guards for the National Museum of the American

Indian and the National Portrait Gallery. The Smithsonian American Art Museum adds maintenance staff to address facilities maintenance issues across the Institution. The Institution will also hire additional staff in the Office of the Inspector General and the Office of the Chief Financial Officer to address issues identified by its Independent Review Committee regarding the governance of the Institution. The National Gallery of Art also plans to increase their security guard force and maintenance staff.

Personnel Compensation and Benefits

Table 23-3 displays personnel compensation and benefits (in millions of dollars) for Federal civilian and military personnel of all branches of Government. At the time of this publication, the Department of Defense was not able to provide detailed totals for 2010 compensation and benefits.

Direct compensation of the Federal civilian work force includes base pay and premium pay, such as overtime. In addition, it includes other cash components, such as geographic and other pay differentials (e.g., 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. Military personnel compensation also includes special and incentive pays (e.g., enlistment and reenlistment bonuses), and allowances for clothing, housing, and subsistence.

Personnel benefits for current employees consists of the cost to Government agencies for health insurance, life insurance, Social Security (old age, survivors, disability, and health insurance) contributions to the retirement funds to finance future retirement benefits, and other items. Compensation for former personnel includes obli-

gations for retirement pay benefits and the Government’s share of the cost of health and life insurance.

The U.S. Overseas Staffing Presence

There are approximately 68,300 permanent American and locally hired staff overseas under the authority of Chiefs of Mission (COM) (e.g., Ambassadors or Charge d’ Affairs at U.S. embassies worldwide). The average estimated cost to support an American position overseas in 2010 is projected to be \$589,000, as reported by agencies with personnel overseas. This total includes direct costs,

such as salary, benefits, and overseas allowances, and also support costs, such as housing, travel, administrative support, Capital Security Cost Sharing charges, and other benefits.

The Administration continues to work to improve the safety, efficiency, and accountability in U.S. Government staffing overseas. To this end, the Administration is committed to developing transparent data on overseas staffing, including the cost of maintaining positions overseas, and incorporating this data in the budget process to better inform decision makers on overseas staffing levels.

OVERSEAS STAFFING UNDER CHIEF OF MISSION AUTHORITY*

Total Personnel Under COM Authority (including American and locally engaged staff) projected for 2010	Total American Personnel Under COM Authority projected for 2010	Average Cost of an American Position Overseas Estimated for 2010
68,300	16,050	\$589,000

* As reported by agencies in their 2010 Overseas Staffing and Cost submissions

Table 23–1. FEDERAL CIVILIAN EMPLOYMENT IN THE EXECUTIVE BRANCH
(Civilian employment as measured by Full-Time Equivalents in thousands, excluding the Postal Service)

Agency	Actual			Estimate		Change: 2006 to 2010	
	2006	2007	2008	2009	2010	FTE's	Percent
Cabinet agencies:							
Agriculture	97.0	94.8	93.9	96.1	95.3	-1.7	-1.8%
Commerce	36.0	36.3	37.5	52.5	141.4	105.4	292.8%
Defense	661.8	658.8	671.2	689.0	708.0	46.2	7.0%
Education	4.2	4.1	4.1	4.1	4.3	0.1	2.4%
Energy	14.7	14.6	14.7	16.1	16.9	2.2	15.0%
Health and Human Services	59.1	58.8	59.8	62.6	65.0	5.9	10.0%
Homeland Security	144.4	148.1	158.2	169.1	176.1	31.7	22.0%
Housing and Urban Development	9.6	9.5	9.4	9.5	9.7	0.1	1.0%
Interior	68.7	67.4	67.4	68.0	70.1	1.4	2.0%
Justice	104.2	105.0	106.0	116.4	119.4	15.2	14.6%
Labor	15.8	15.9	16.0	16.6	18.0	2.2	13.9%
State	30.0	30.1	30.4	32.2	33.6	3.6	12.0%
Transportation	53.3	53.4	54.7	56.4	57.0	3.7	6.9%
Treasury	107.7	107.7	106.7	111.8	113.0	5.3	4.9%
Veterans Affairs	222.6	230.4	249.5	269.4	279.2	56.6	25.4%
Other agencies—excluding Postal Service:							
Agency for International Development	2.4	2.4	2.4	2.7	3.1	0.7	29.2%
Broadcasting Board of Governors	2.1	2.0	2.0	2.0	2.1	0.0	0.0%
Corps of Engineers—Civil Works	22.1	21.2	21.1	21.6	21.7	-0.4	-1.8%
Environmental Protection Agency	17.3	17.0	16.8	17.4	17.5	0.2	1.2%
Equal Employment Opportunity Comm	2.2	2.2	2.2	2.6	2.6	0.4	18.2%
Federal Deposit Insurance Corporation	4.5	4.5	4.6	5.9	6.0	1.5	33.3%
General Services Administration	12.3	11.9	11.8	12.4	12.6	0.3	2.4%
National Aeronautics and Space Admin	18.3	18.2	18.4	18.7	18.7	0.4	2.2%
National Archives and Records Administration	2.8	2.8	2.8	3.0	3.0	0.2	7.1%
National Labor Relations Board	1.8	1.7	1.6	1.6	1.7	-0.1	-5.6%
National Science Foundation	1.3	1.3	1.3	1.4	1.4	0.1	7.7%
Nuclear Regulatory Commission	3.2	3.5	3.7	3.9	4.0	0.8	25.0%
Office of Personnel Management	4.3	4.6	4.7	5.0	5.0	0.7	16.3%
Peace Corps	1.1	1.1	1.0	1.1	1.2	0.1	9.1%
Railroad Retirement Board	1.0	1.0	1.0	1.0	1.0	0.0	0.0%
Securities and Exchange Commission	3.7	3.5	3.5	3.7	3.7	0.0	0.0%
Small Business Administration	5.9	4.4	3.6	4.0	3.2	-2.7	-45.8%
Smithsonian Institution	5.0	5.0	5.1	5.3	5.4	0.4	8.0%
Social Security Administration	63.7	61.7	61.3	65.1	68.3	4.6	7.2%
Tennessee Valley Authority	13.1	11.3	11.6	12.3	12.4	-0.7	-5.3%
All other small agencies	15.4	15.6	15.2	16.8	17.1	1.7	11.0%
Total, Executive Branch civilian employment *	1,832.8	1,831.6	1,875.3	1,977.3	2,118.6	285.8	15.6%
Subtotal, Defense	661.8	658.8	671.2	689.0	708.0	46.2	7.0%
Subtotal, Non-Defense	1,171.0	1,172.8	1,204.1	1,288.3	1,410.6	239.6	20.5%

* Totals may not add due to rounding.

Table 23–2. TOTAL FEDERAL EMPLOYMENT

(As measured by Full-Time Equivalents)					
Description	2008 Actual	Estimate		Change: 2008 to 2010	
		2009	2010	FTE's	Percent
Executive branch civilian personnel:					
All agencies except Postal Service and Defense	1,204,089	1,288,364	1,410,531	206,442	17.1%
Defense-Military functions (civilians)	671,217	688,952	708,046	36,829	5.5%
Subtotal, excluding Postal Service	1,875,306	1,977,316	2,118,577	243,271	13.0%
Postal Service ¹	774,802	710,314	656,788	-118,014	-15.2%
Subtotal, Executive Branch civilian personnel	2,650,108	2,687,630	2,775,365	125,257	4.7%
Executive branch uniformed personnel:					
Department of Defense ²	1,495,034	1,521,089	1,517,591	22,557	1.5%
Department of Homeland Security (USCG)	41,825	43,015	43,241	1,416	3.4%
Commissioned Corps (Commerce, HHS, EPA)	6,388	6,529	6,609	221	3.5%
Subtotal, uniformed military personnel	1,543,247	1,570,633	1,567,441	24,194	1.6%
Subtotal, Executive Branch	4,193,355	4,258,263	4,342,806	149,451	3.6%
Legislative Branch: Total FTE ³	31,265	33,121	33,601	2,336	7.5%
Judicial branch: Total FTE	33,714	34,431	35,029	1,315	3.9%
Grand total	4,258,334	4,325,815	4,411,436	153,102	3.6%

¹ Includes Postal Rate Commission.

² Does not include Full-Time Support (Active Guard and Reserve (AGRs)) paid from Reserve Component Appropriations.

³ FTE data not available for the Senate (positions filled were used).

Table 23–3. PERSONNEL COMPENSATION AND BENEFITS ¹
(In millions of dollars)

Description	2008 Actual	2009 Estimate	2010 Request	Change: 2008 to 2010	
				Dollars	Percent
Civilian personnel costs:					
Executive Branch (excluding Postal Service):					
Direct compensation:					
DOD—military functions	45,241	49,348	N/A	N/A	N/A
All other executive branch	96,900	106,303	115,622	18,722	19.3%
Subtotal, direct compensation	142,141	155,651	N/A	N/A	N/A
Personnel benefits:					
DOD—military functions	12,831	14,250	N/A	N/A	N/A
All other executive branch	39,665	42,136	44,162	4,497	11.3%
Subtotal, personnel benefits	52,496	56,386	N/A	N/A	N/A
Subtotal, Executive Branch	194,637	212,037	N/A	N/A	N/A
Postal Service:					
Direct compensation	42,548	40,432	42,405	-143	-0.3%
Personnel benefits	18,424	18,494	18,847	423	2.3%
Subtotal	60,972	58,926	61,252	280	0.5%
Legislative Branch: ²					
Direct compensation	1,978	2,116	2,269	291	14.7%
Personnel benefits	560	608	683	123	22.0%
Subtotal	2,538	2,724	2,952	414	16.3%
Judicial Branch:					
Direct compensation	2,866	3,000	3,240	374	13.0%
Personnel benefits	877	930	1,011	134	15.3%
Subtotal	3,743	3,930	4,251	508	13.6%
Total, civilian personnel costs	261,890	277,617	N/A	N/A	N/A
Military personnel costs:					
DOD—Military Functions:					
Direct compensation	89,226	94,730	N/A	N/A	N/A
Personnel benefits	45,075	45,828	N/A	N/A	N/A
Subtotal	134,301	140,558	N/A	N/A	N/A
All other executive branch, uniformed personnel:					
Direct compensation	2,676	2,894	2,883	207	7.7%
Personnel benefits	1,021	1,045	1,077	56	5.5%
Subtotal	3,697	3,939	3,960	263	7.1%
Total, military personnel costs ³	137,998	144,497	N/A	N/A	N/A
Grand total, personnel costs	399,888	422,114	N/A	N/A	N/A
ADDENDUM					
Former Civilian Personnel:					
Retired pay for former personnel	65,066	68,925	71,473	6,407	9.8%
Government payment for annuitants:					
Employee health benefits	8,734	9,262	10,084	1,350	15.5%
Employee life insurance	44	46	48	4	9.1%
Former Military personnel:					
Retired pay for former personnel	45,649	48,875	49,835	4,186	9.2%
Military annuitants health benefits	7,786	8,706	9,104	1,318	16.9%

¹ DOD compensation and benefits not available at time of printing.

² Excludes members and officers of the Senate.

³ Amounts in this table for military compensation reflect direct pay and benefits for all service members, including active duty, guard, and reserve members.