TECHNICAL BUDGET ANALYSES

27. CURRENT SERVICES ESTIMATES

Current services, or "baseline," estimates are designed to provide a benchmark against which policy proposals can be measured. A baseline is not a prediction of the final outcome of the annual budget process, nor is it a proposed budget. It can be a useful tool in budgeting, however. It can be used as a benchmark against which to measure the magnitude of the policy changes in the President's Budget or other budget proposals, and it can also be used to warn of future problems, either for Government fiscal policy as a whole or for individual tax and spending programs.

Since the early 1970s, when the first requirements for the calculation of a "current services" baseline were enacted, a variety of concepts and measures have been employed. Shortly after a detailed set of rules for calculating a baseline was enacted through amendments to the Balanced Budget Emergency Deficit Control Act of 1985 (BBEDCA) made by the Budget Enforcement Act of 1990 (BEA), there was a consensus to define the current services estimates according to those rules. The BBEDCA baseline rules were recently reinstated through amendments to BBEDCA enacted in the Budget Control Act of 2011 (BCA). However, the BBEDCA baseline has flaws, which compromise its ability to serve as an appropriate benchmark. This section provides detailed estimates of a baseline that corrects for some of these flaws. It also discusses alternative formulations for the baseline.

Ideally, a current services baseline would provide a projection of estimated receipts, outlays, deficits or surpluses, and budget authority needed to reflect this year's enacted policies and programs for each year in the future. Because such a concept would be nearly impossible to apply across all segments of the government, the baseline has instead become a more mechanical construct whose levels may be considered a representation of current services when viewed in aggregate.

Table 27–1. CATEGORY TOTALS FOR THE ADJUSTED BASELINE

(In billions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Receipts	2,303	2,590	2,882	3,145	3,273	3,444	3,711	3,939	4,164	4,367	4,610	4,855
Outlays:												
Discretionary:												
Defense	699	709	667	626	626	635	651	667	682	698	715	766
Non-defense	600	610	545	515	509	509	517	525	537	549	561	594
Subtotal, discretionary	1,300	1,319	1,212	1,142	1,135	1,144	1,168	1,192	1,219	1,247	1,276	1,360
Mandatory:												
Social Security	725	773	820	867	918	970	1,027	1,086	1,149	1,217	1,287	1,361
Medicare	480	478	528	564	586	640	660	685	751	811	873	967
Medicaid and CHIP	284	265	293	350	383	418	439	463	492	522	559	595
Other mandatory	585	660	554	574	608	646	654	652	690	721	770	840
Subtotal, mandatory	2,073	2,175	2,195	2,355	2,495	2,673	2,779	2,886	3,082	3,271	3,490	3,763
Disaster costs [1]	–	*	2	5	7	8	9	9	10	10	10	10
Net interest	230	223	246	305	384	480	570	645	716	782	846	915
Total, outlays	3,603	3,717	3,655	3,807	4,021	4,306	4,526	4,732	5,026	5,310	5,621	6,048
Unified deficit(+)/surplus(–)	1,300	1,127	772	662	749	862	815	793	862	944	1,011	1,193
On-budget	1,367	1,186	810	689	769	887	839	819	884	954	1,016	1,197
Off-budget	–67	–60	–38	–27	–21	–25	–23	–26	–22	–10	–5	–4
Memorandum:												
BBEDCA baseline deficit	1,300	1,097	598	438	492	556	463	396	411	436	444	483
Adjustments to reflect current tax policies	–	21	245	330	363	402	438	472	507	543	581	621
Adjustments to reflect current spending policies and disaster costs	–	9	27	37	49	57	55	54	61	67	72	81
Set discretionary budget authority at cap levels [2]	–	*	–27	–51	–64	–75	–81	–86	–92	–99	–106	–111
Reflect Joint Committee enforcement	–	–	–71	–96	–105	–109	–109	–109	–109	–109	–109	–38
Related debt service	–	*	1	4	14	31	49	66	85	106	129	157
Adjusted baseline deficit	1,300	1,127	772	662	749	862	815	793	862	944	1,011	1,193

* $500 million or less.

[1] These amounts represent the probability of major disasters requiring Federal assistance for relief and reconstruction. Such assistance might be provided in the form of discretionary or mandatory outlays or tax relief. These amounts are included as outlays for convenience.

[2] Includes effects of program integrity cap adjustments.

The Administration believes adjustments to the BBEDCA baseline are needed to better represent the deficit outlook under current policy. Table 27–1 shows estimates of receipts, outlays, and surpluses under the Administration's adjusted baseline for 2011 through 2022. The estimates are based on the economic assumptions described later in this chapter. They are shown on a unified budget basis; i.e., the off-budget receipts and outlays of the Social Security trust funds and the Postal Service Fund are added to the on-budget receipts and outlays to calculate the unified budget totals. The table also shows the Administration's estimates by major component. Estimates based on the BBEDCA baseline rules are shown as a memorandum in the table.

Conceptual Basis for Estimates

Receipts and outlays are divided into two categories that are important for calculating the baseline: those controlled by authorizing legislation (direct spending and receipts) and those controlled through the annual appropriations process (discretionary spending). Different estimating rules apply to each category. There are numerous alternative rules that could be used to develop current services estimates for both categories. The next section discusses some alternatives that might be considered.

Direct spending and receipts.—Direct spending includes the major entitlement programs, such as Social Security, Medicare, Medicaid, Federal employee retirement, unemployment compensation, and the Supplemental Nutrition Assistance Program (SNAP). It also includes such programs as deposit insurance and farm price and income supports, where the Government is legally obligated to make payments under certain conditions. Receipts and direct spending are alike in that they involve ongoing activities that generally operate under permanent or longstanding authority, and the underlying statutes generally specify the tax rates or benefit levels that must be collected or paid, and who must pay or who is eligible to receive benefits.

The baseline generally—but not always—assumes that receipts and direct spending programs continue in the future as specified by current law. The budgetary effects of anticipated regulatory and administrative actions that are permissible under current law are also reflected in the estimates. Exceptions to this general rule are described below:

- Consistent with the BBEDCA, expiring excise taxes dedicated to a trust fund are assumed to be extended at current rates. During the projection period of 2012 through 2022, the only taxes affected by this exception are taxes deposited in the Airport and Airway Trust Fund, which expire on February 17, 2012; taxes deposited in the Highway Trust Fund, the Leaking Underground Storage Tank Trust Fund, and the Sport Fish Restoration and Boating Safety Trust Fund, which expire on March 31, 2012; tobacco assessments deposited in the Tobacco Trust Fund, which expire on September 30, 2014; taxes deposited in the Oil Spill Liability Trust Fund, which expire on December 31, 2017; and taxes deposited in the Patient-Centered Outcomes Research Trust Fund, which expire on September 30, 2019.
- The BBEDCA requires temporary direct spending programs that were enacted before the Balanced Budget Act of 1997 to be extended if their current year outlays exceed $50 million. For example, the Supplemental Nutrition Assistance Program is scheduled to expire at the end of 2012. The baseline estimates provided here assume continuation of this program through the projection period. For programs enacted since the Balanced Budget Act of 1997, programs that are explicitly temporary in nature expire in the baseline even if their current year outlays exceed the $50 million threshold. For example, the tobacco buyout payments enacted in the Fair and Equitable Tobacco Reform Act of 2004 are scheduled to expire in 2014 even though current year outlays are estimated to be $960 million.
- The tax cuts enacted in 2001 and 2003 and extended for two years by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 are assumed to continue permanently in the Administration's baseline. Estate, gift, and generation-skipping transfer taxes are assumed to be extended at their 2012 parameters (maximum rate of 35 percent and exemption amount of $5 million) once the estate tax provisions enacted in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 expire on December 31, 2012. The baseline estimates also reflect extension and annual indexation of the alternative minimum tax (AMT) exemption amounts in effect for taxable year 2011, the income thresholds for the 28-percent AMT rate, and the income thresholds for the phase-out of the AMT exemption amounts. AMT relief for nonrefundable personal credits is also permanently extended.
- Medicare payments to physicians are determined under a formula, commonly referred to as the "sustainable growth rate" (SGR). This formula has called for reductions in physician payment rates since 2002, which Congress has consistently overridden for nearly 10 years. Under the SGR formula, physician payment rates would be reduced by almost 28 percent later this year. Rather than the large cuts scheduled under current law, the adjusted baseline includes the costs of expected Medicare physician payments, assuming a zero percent update for physician payment rates.

Discretionary spending.—Discretionary programs differ in one important aspect from direct spending programs: the Congress provides spending authority for almost all discretionary programs one year at a time. The spending authority is normally provided in the form of annual appropriations. Absent appropriations of additional funds in the future, discretionary programs would cease to operate after existing balances were spent. If the baseline were intended strictly to reflect current law, then a baseline would reflect only the expenditure of remaining balances from appropriations laws already enacted. Instead, the BBEDCA baseline provides a mechanical definition to reflect the continuing costs of discretionary programs that is admittedly somewhat arbitrary. Under the BBEDCA, the baseline estimates for discretionary programs in the current year are equal to enacted appropriations.[1] For the budget year and beyond, the spending authority enacted in the current year is adjusted for inflation, using specified inflation rates. The definition attempts to keep discretionary spending roughly level in real terms. The Administration's baseline projection is based on the following modifications to the BBEDCA baseline:

- The adjusted baseline reflects the costs of continuing the annually appropriated portion of the Pell grant program for all eligible students at the maximum award amount of $4,860 specified in existing appropriations. While the Pell program has traditionally been funded largely through discretionary appropriations, this baseline treatment reflects the reality that the program has effectively operated as an entitlement, in which funding is provided to meet the specified award level for all eligible students.
- The adjusted baseline reflects the discretionary "caps" enacted in the BBEDCA, as amended by the BCA, which limit the amount of discretionary budget authority that can be provided through the annual appropriations process. (Chapter 12 of this volume, "Budget Concepts," provides more information on the effects of the BBEDCA, as amended by the BCA.)
- The BBEDCA allows for adjustments to the caps for program integrity activities. The adjusted baseline reflects funding for the program integrity cap adjustments specified in the BBEDCA, along with the mandatory benefit savings associated with this funding. The BBEDCA also allows for adjustments to the caps for disaster relief spending and for emergency requirements. The adjusted baseline does not reflect funding under the disaster relief cap adjustment beyond what has already been enacted for 2012. (See discussion of additional disaster funding below.) In 2012, there were no appropriations enacted as emergency requirements, so there is no need for a baseline adjustment.
- The BCA also allows for adjustments to the caps for Overseas Contingency Operations (OCO). The adjusted baseline reflects funding for the OCO cap adjustments inflated at the specified inflation rates in the BBEDCA baseline.
- The Administration's baseline uses the same inflation rates for discretionary spending as required by the BBEDCA, despite the fact that this allows for an overcompensation for Federal pay inherent in the BBEDCA definition. At the time the BEA was enacted, it failed to account for the nearly contemporaneous enactment of the Federal Employees Compensation Act of 1991 that shifted the effective date of Federal employee pay raises from October to January. This oversight was not corrected when the baseline definition was reinstated by the BCA admendments to BBEDCA. Correcting for this error would have only a small effect on the discretionary baseline.

Reclassification of transportation spending. — To provide an appropriate baseline for assessing the budgetary impact of the Administration's proposal for surface transportation reauthorization, the adjusted baseline reclassifies surface transportation spending to be included in the proposed Transportation Trust Fund (TTF) as mandatory. The National Commission on Fiscal Responsibility and Reform noted that the current hybrid treatment of trust fund spending for surface transportation allows for budget gimmicks to circumvent limits on spending, and recommended that TTF spending be treated as mandatory. This reclassification, which is a zero-sum shift of outlays from the discretionary category to the mandatory category, provides a more transparent presentation of the difference between baseline levels and the TTF proposal, and allows accounting for the proposal under the PAYGO system of budget enforcement.

Disaster funding. — An allowance for the possible future costs of major natural or man-made disasters during the remainder of 2012 and in subsequent years is assumed in the Administration's baseline in order to make budget totals more realistic. Baselines would be more meaningful if they did not project forward whatever disaster costs happen to have occurred in the current year. Rather, baselines should replace the projection of actual current-year costs—which might be unusually low or unusually high—with plausible estimates of future costs.

Joint Committee Enforcement. — Because the Joint Select Committee process under Title IV of the BCA did not result in enactment of legislation that reduces the deficit by at least $1.2 trillion, the Act stipulates that, absent intervening legislation, enforcement procedures will be invoked to reduce the levels of discretionary and mandatory spending to accomplish deficit reduction. The adjusted baseline reflects these enforcement procedures in the form of an allowance in the amount of the required reductions in spending.

Economic Assumptions. — As discussed, baselines can be used as a benchmark against which policy proposals are measured. However, this purpose is achieved only if the policies and the baseline are each constructed under the same set of economic and technical assumptions. For this reason, the Administration uses the same assumptions – for example, the same inflation assumptions – in preparing its current service estimates and its Budget.

[1] When current year appropriations have not been enacted, the BBEDCA requires the baseline estimates for discretionary spending and collections for the current year to be based on the levels provided in the full-year continuing resolution or the annualized level of the part-year continuing resolution.

Alternative Formulations of Baseline

Throughout much of U.S. history, congressional budget proposals were often compared with either the President's request or the previous year's budget. In the early 1970s, policymakers developed the concept of a baseline to provide a more neutral benchmark for comparisons. While the Congressional Budget Act of 1974 included a requirement that OMB and the Congressional Budget Office (CBO) provide estimates of a current services baseline, the definition of the baseline was very general and specific guidance was not provided.

Subsequent budget laws have specified in increasing detail the requirements for constructing baselines. Current services estimates for direct spending programs and receipts are generally estimated based on laws currently in place and most major programs are assumed to continue even past sunset dates set in law. In the case of receipts, the BBEDCA requires only the extension of trust fund excise taxes, but otherwise bases the estimates on current law. For discretionary programs, these acts instituted a precise definition of the baseline with numerous rules for its construction.

It is clear, however, that a number of baseline definitions could be developed that differ from those presented in this chapter:

- *Extend provisions affecting mandatory programs.* Currently, mandatory programs that have outlays of over $50 million in current year are generally assumed to continue, unless the programs are explicitly temporary. With the exception of current Medicare physician payment rates, individual provisions of law that affect mandatory programs are assumed to expire as scheduled. If instead, these expiring provisions were extended, baseline outlays would be higher. For example, the cost of extending Qualified Individuals (QI), a component of the Medicaid program that pays Medicare part B premiums for certain low-income seniors and is scheduled to expire at the end of February, 2012, would be $12.2 billion over 2012-2022.
- *Do not extend any authorizing laws that expire.* If all mandatory programs were assumed to expire as scheduled, deficits for 2013 through 2022 would be $1,430 billion lower than in the Administration's baseline. (See the section below on major program assumptions for additional information on mandatory program extensions assumed in the estimates.) If excise taxes dedicated to trust funds were assumed to expire as scheduled under current law, the deficit would be $632 billion higher over the period 2013 through 2022, including debt service. If the tax cuts enacted in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 were assumed to expire, the deficit would be $2,631 billion lower over the 10-year period. If the AMT relief enacted in that bill were assumed to expire as scheduled, the deficit would be $2,266 billion lower over the 10 years. If estate, gift, and generation-skipping transfer taxes were assumed to return to the rates and exemptions prior to the 2001 tax cuts rather than continue at 2012 parameters, the deficit would be $513 billion lower over the next 10 years.
- *Straightline appropriations.* The Administration's baseline assumes that discretionary budgetary resources are constrained by the BBEDCA caps and Joint Committee enforcement. If instead, discretionary budgetary resources were frozen throughout the projection period, total outlays would be $68 billion higher in 2013 and $97 billion higher over the period 2013 through 2022, which includes costs from debt service. This calculation does not include any extension of the Recovery Act and other emergency resources, which are not extended in the baseline.

Table 27–2. ALTERNATIVE BASELINE ASSUMPTIONS

(In billions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Totals 2013–2017	Totals 2013–2022
Adjusted baseline deficit	1,127	772	662	749	862	815	793	862	944	1,011	1,193	3,860	8,663
Alternative assumptions ("+" represents deficit increase): [1]													
Do not extend any authorizing laws:													
Mandatory spending	–21	–106	–109	–117	–129	–141	–147	–156	–165	–175	–185	–602	–1,430
Trust fund excise taxes	27	44	46	50	56	61	66	70	74	79	84	258	632
AMT relief	–19	–121	–117	–138	–166	–197	–229	–264	–302	–343	–389	–738	–2,266
Estate, gift, and generation-skipping transfer tax relief	–2	–5	–32	–37	–43	–50	–56	–62	–69	–76	–83	–167	–513
2001 and 2003 tax cuts	–	–120	–186	–208	–237	–263	–283	–302	–322	–344	–367	–1,014	–2,631
Straightline appropriations	–	68	87	78	66	45	21	–7	–36	–67	–157	343	97
Account for inflation and population growth	–	87	146	187	225	258	290	325	362	402	389	904	2,671
Do not extend any appropriations	–	–619	–968	–1,115	–1,233	–1,344	–1,441	–1,537	–1,636	–1,737	–1,904	–5,279	–13,534

[1] Includes costs or savings from debt service.

This alternative formulation of the baseline appears more costly than the Administration's adjusted baseline, because the adjusted baseline reflects the reductions for Joint Committee enforcement.

- *Account for inflation and population growth*. While the baseline assumes that discretionary budgetary resources are constrained by the BBEDCA caps and Joint Committee enforcement, an alternative would be to assume growth with inflation and population, so that real resources per person (or the real cost per person of funding these programs) remains constant over time. Such an alternative would increase total outlays by $87 billion in 2013 and $2,671 billion over the period 2013-2022 relative to the baseline, including costs from debt service.
- *Do not extend any appropriations.* The current treatment of expiring provisions of mandatory programs is inconsistent with the treatment of discretionary spending. All discretionary spending continues whether there is authorization for the program or not and whether funds have already been provided or not. In nearly all cases, funds for discretionary programs have not been provided in advance for years beyond the current year. If rules consistent with the treatment of other expiring provisions were applied to discretionary spending, no new budgetary resources would be provided. Thus, under a strict "current law" approach, the only discretionary outlays that would be included in the baseline would be the lagged spending from budgetary resources already provided in the current year or past years. If this rule were followed, outlays in 2013 would be reduced by $619 billion relative to the Administration's baseline, which includes savings from debt service. However, clearly this would provide an unrealistic estimate of future spending and the Government's future fiscal position.

Table 27–2 provides estimates, including effects on debt service, for a variety of changes in baseline definitions that could be considered.

Economic Assumptions

The estimates for the baseline are prepared using the same economic assumptions as the President's Budget. These assumptions are based on enactment of the President's Budget proposals. The economy and the budget interact. Changes in economic conditions significantly alter the estimates of tax receipts, unemployment benefits, entitlement payments that are automatically adjusted for changes in cost-of-living (COLAs), income support programs for low-income individuals, and interest on the Federal debt. In turn, Government tax and spending policies influence prices, economic growth, consumption, savings, and investment. Because of these interactions, it would be reasonable, from an economic perspective, to assume different economic paths for the baseline projection and the President's Budget. However, this would diminish the value of the baseline estimates as a benchmark for measuring proposed policy changes, because it would

Table 27–3. SUMMARY OF ECONOMIC ASSUMPTIONS

(Fiscal years; dollar amounts in billions)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Gross Domestic Product (GDP):												
Levels, dollar amounts in billions:												
Current dollars	14,959	15,602	16,335	17,156	18,178	19,261	20,369	21,444	22,421	23,409	24,427	25,488
Real, chained (2005) dollars	13,267	13,587	13,993	14,463	15,055	15,671	16,279	16,836	17,291	17,734	18,178	18,632
Percent change, year over year:												
Current dollars	4.2	4.3	4.7	5.0	6.0	6.0	5.7	5.3	4.6	4.4	4.3	4.3
Real, chained (2005) dollars	2.2	2.4	3.0	3.4	4.1	4.1	3.9	3.4	2.7	2.6	2.5	2.5
Inflation measures (percent change, year over year):												
GDP chained price index	2.0	1.9	1.7	1.6	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Consumer price index (all urban)	2.6	2.6	1.9	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1
Unemployment rate, civilian (percent)	9.2	9.0	8.7	8.3	7.5	6.7	6.0	5.5	5.4	5.4	5.4	5.4
Interest rates (percent):												
91-day Treasury bills	0.1	0.1	0.1	1.0	2.4	3.7	4.0	4.1	4.1	4.1	4.1	4.1
10-year Treasury notes	3.0	2.6	3.3	3.8	4.3	4.6	4.9	5.1	5.1	5.1	5.2	5.3
MEMORANDUM:												
Related program assumptions:												
Automatic benefit increases (percent):												
Social security and veterans pensions	0.0	3.6	1.9	1.9	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1
Federal employee retirement	0.0	3.6	1.9	1.9	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1
Food stamps [1]	0.0	0.0	0.0	–3.3	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1
Insured unemployment rate	3.0	3.0	3.0	2.9	2.7	2.5	2.3	2.1	2.1	2.0	2.0	2.1

[1] Under current law, enhanced Thrifty Food Plan (TFP) benefits provided by the Recovery Act (P.L. 111–5) are set to expire on October 31, 2013. Benefits will return to regular levels and will be updated annually based on the TFP from the proceeding June.

then be difficult to separate the effects of proposed policy changes from the effects of different economic assumptions. By using the same economic assumptions for the baseline and the President's Budget, this potential source of confusion is eliminated. The economic assumptions underlying both the Budget and the Administration's baseline are summarized in Table 27–3. The economic outlook underlying these assumptions is discussed in greater detail in Chapter 2 of this volume.

Major Programmatic Assumptions

A number of programmatic assumptions must be made in order to calculate the baseline estimates. These include assumptions about annual cost-of-living adjustments in the indexed programs and the number of beneficiaries who will receive payments from the major benefit programs. Assumptions about various automatic cost-of-living-adjustments are shown in Table 27–3, and assumptions about baseline caseload projections for the major benefit programs are shown in Table 27–4. These assumptions affect baseline estimates of direct spending for each of these programs, and they also affect estimates of the discretionary baseline for a limited number of programs. For Pell Grants and the administrative expenses for Medicare, Railroad Retirement, and unemployment insurance, the discretionary baseline is increased (or decreased) for changes in the number of beneficiaries in addition to the adjustments for inflation described earlier.

It is also necessary to make assumptions about the continuation of expiring programs and provisions. As explained above, in the baseline estimates provided here, expiring excise taxes dedicated to a trust fund are extended at current rates. Certain tax reductions enacted in 2001 and 2003 are assumed to be permanent for purposes of calculating revenue estimates. Medicare payments to physicians are assumed to be maintained at their current payment rates. In general, mandatory programs with spending of at least $50 million in the current year are also assumed to continue, unless the programs are explicitly temporary in nature. For example, under the Fair and Equitable Tobacco Reform Act of 2004, tobacco buyout payments will expire in 2014, even though current year outlays are $960 million. Table 27–5 provides a listing of mandatory programs and taxes assumed to continue in the baseline after their expiration. All discretionary programs with enacted non-emergency appropriations in the current year and the 2012 costs for overseas contingency operations in Iraq and Afghanistan and other recurring international activities are assumed to continue.

Many other important assumptions must be made in order to calculate the baseline estimates. These include assumptions about the timing and substance of regulations that will be issued over the projection period, the use of administrative discretion provided under current law, and other assumptions about the way programs operate. Table 27–5 lists many of these assumptions and their effects on the baseline estimates. It is not intended to be an exhaustive listing; the variety and complexity of Government programs are too great to provide a complete list. Instead, some of the more important assumptions are shown.

Current Services Receipts, Outlays, and Budget Authority

Receipts.—Table 27–6 shows the Administration's baseline receipts by major source. Total receipts are projected to increase by $292 billion from 2012 to 2013, by $829 billion from 2013 to 2017, and by $1,144 billion from 2017 to 2022. These increases are largely due to assumed increases in incomes resulting from both real economic growth and inflation.

Individual income taxes are estimated to increase by $115 billion from 2012 to 2013, by $472 billion from 2013 to 2017, and by $635 billion from 2017 to 2022 under baseline assumptions. This average annual rate of growth of 7.1 percent between 2013 and 2022 is primarily the effect of increased collections resulting from rising aggregate personal incomes.

Corporation income taxes are estimated to increase by $84 billion from 2012 to 2013, by $79 billion from 2013 to 2017, and by $57 billion from 2017 to 2022 under baseline assumptions. This average annual rate of growth of 3.6 percent between 2013 and 2022 is primarily attributable to growth in corporate profits.

Social insurance and retirement receipts are estimated to increase by $86 billion from 2012 to 2013, by an additional $237 billion between 2013 and 2017, and by an additional $353 billion between 2017 and 2022. These baseline estimates reflect the expiration of the payroll tax holiday for calendar year 2011 and the first two months of calendar year 2012, increases in total wages and salaries paid, and scheduled increases in the Social Security taxable earnings base from $110,100 in 2012 to $131,400 in 2017 and to $165,600 in 2022, as shown in Table 27-7.

Other baseline receipts (excise taxes, estate and gift taxes, customs duties and miscellaneous receipts) are projected to increase by $7 billion between 2012 and 2013, and to rise to $375 billion by 2022.

Outlays.—Outlays in the Administration's baseline are estimated to decrease from $3,717 billion in 2012 to $3,655 billion in 2013, a 1.7 percent decrease. Between 2012 and 2017, the baseline outlays are projected to increase at an average annual rate of 4.0 percent and between 2012 and 2022, the baseline outlays are projected to increase at an average annual rate of 5.0 percent. Table 27–8 shows the growth from 2012 to 2013 and average annual growth over the five-year and ten-year periods for certain discretionary and major mandatory programs.

Discretionary budget authority is assumed to be capped at the levels specified in the BCA, including the limited upward adjustments specified above and reduced for estimated Joint Committee enforcement. Outlays for discretionary programs decrease by 8.1 percent from $1,319 billion in 2012 to $1,212 billion in 2013, mostly due to reductions in discretionary budget authority in the 2011 and 2012 appropriations bills, including for OCO, as well as the effects of Joint Committee enforcement, and the winding down of Recovery Act spending.

Discretionary outlays decrease at an average annual rate of 2.4 percent from 2012 to 2017 and increase at an average annual rate of 0.3 percent from 2012 to 2022.

Entitlement and other mandatory programs are estimated to increase by 0.9 percent from $2,175 billion in 2012 to $2,195 billion in 2013. Several programs show notable outlay growth between 2012 and 2013: outlays for farm programs increase from $12 billion in 2012 to $19 billion in 2013 (60.5 percent) due to a timing shift in crop insurance specified in the 2008 Farm Bill; outlays for veterans programs increase by 12.6 percent; Medicaid and Medicare outlays increase by 10.8 percent and 10.5 percent, respectively; Federal employee retirement and disability outlays increase by 7.9 percent; and Social Security outlays increase by 6.1 percent. These increases are offset by decreased spending on unemployment compensation (34.4 percent) and other mandatory programs (66.4 percent). The outlay reduction from 2012 to 2013 for other mandatory programs is largely due to significant reductions in GSE preferred stock purchases, the revival of FDIC Deposit Insurance Fund assessments following several years of prepaid Fund premiums, net upward reestimates for Federal credit programs to be recorded in 2012 of roughly $14 billion, which include upward reestimates for the Troubled Asset Relief Program and Federal Housing Administration loan guarantees, and assumed reductions in mandatory programs in 2013 due to Joint Committee enforcement.

Mandatory outlays generally increase after 2013, reaching $3,763 billion in 2022, which is due mostly to increased spending on Medicare, Medicaid, and other health care programs, followed by a more modest increase in Social Security. Medicaid outlays grow from $255 billion in 2012 to $589 billion in 2022, an average annual rate of 8.7 percent, driven by increases in health care costs and projected increases in the number of Medicaid beneficiaries of 4.3 percent annually over the same period. Veterans programs grow at an average annual rate of 7.5 percent, which is partly due to a thirteenth monthly benefit payment scheduled in 2022, with a projected average annual growth in beneficiaries of veterans compensation of 3.7 percent. Medicare outlays grow at an average annual rate of 7.3 percent, with projected growth in Medicare beneficiaries of 3.0 percent annually over the same period. Social Security (OASDI) outlays grow at an average annual rate of 5.8 percent, with the same 3.0 percent average annual growth of beneficiaries as for Medicare. Over the same time period, outlays for unemployment compensation decline at an average annual rate of 4.2 percent. Net interest payments are projected to increase by 10.0 percent from $223 billion in 2012 to $246 billion in 2013 due to increased interest rates, and are projected to increase to $915 billion in 2022, an average annual rate of 15.2 percent, due to increases in the amount of debt outstanding and to the average interest rate on the debt.

Tables 27–9 and 27–10 show the Administration's baseline outlays by function and by agency, respectively. A more detailed presentation of outlays (by function, category, subfunction, and program) is available as Table 27–14 online and on the CD-ROM enclosed with the printed version of this *Analytical Perspectives* volume.

Budget authority.—Tables 27–11 and 27–12 show estimates of budget authority in the Administration's baseline by function and by agency, respectively. A more detailed presentation of budget authority with program level estimates is also part of Table 27–14 on the Internet and on the CD-ROM enclosed with the printed version of this *Analytical Perspectives* volume.

Table 27–4. BASELINE BENEFICIARY PROJECTIONS FOR MAJOR BENEFIT PROGRAMS

(Annual average, in thousands)

	Actual 2011	Estimate 2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Farmers receiving Federal payments	1,368	1,361	1,354	1,347	1,340	1,333	1,326	1,319	1,312	1,305	1,298	1,292
Federal direct student loans	11,478	13,380	12,100	12,569	13,002	13,450	13,916	14,400	14,902	15,424	15,966	16,529
Federal Pell Grants	9,703	9,607	9,748	9,919	10,089	10,284	10,463	10,596	10,735	10,874	11,021	11,163
Medicaid/Children's Health Insurance Program	61,159	62,491	62,892	77,851	84,764	87,832	86,293	85,981	86,373	86,899	87,386	87,873
Medicare-eligible military retiree health benefits	2,089	2,144	2,189	2,224	2,251	2,276	2,301	2,321	2,354	2,387	2,421	2,455
Medicare: [1]												
Hospital insurance	48,085	49,844	51,649	53,338	54,969	56,579	58,212	59,888	61,616	63,401	65,214	67,058
Supplementary medical insurance:												
Part B	44,635	46,190	47,809	49,294	50,734	52,155	53,594	55,073	56,603	58,235	59,870	61,523
Part D	35,419	37,060	38,367	39,452	40,523	41,603	42,738	43,884	45,049	46,529	47,901	49,221
Prescription Drug Plans and Medicare Advantage:												
Prescription Drug Plans	29,126	32,142	35,220	37,200	38,895	40,638	41,925	43,047	44,188	45,643	46,991	48,285
Retiree Drug Subsidy	6,293	4,918	3,147	2,251	1,629	965	813	837	861	885	911	936
Managed Care Enrollment [2]	12,133	12,906	13,021	12,353	11,133	9,787	9,009	8,822	9,060	9,447	9,860	10,234
Railroad retirement	544	541	538	535	532	529	525	521	516	509	502	494
Federal civil service retirement	2,530	2,557	2,582	2,606	2,630	2,653	2,675	2,697	2,718	2,739	2,759	2,779
Military retirement	2,228	2,242	2,272	2,280	2,286	2,293	2,299	2,305	2,312	2,320	2,328	2,336
Unemployment insurance	9,913	10,238	10,372	10,385	10,027	9,538	9,061	8,681	8,514	8,463	8,466	8,485
Supplemental Nutrition Assistance Program (formerly Food Stamps)	44,712	47,145	46,908	44,534	42,888	40,907	38,584	36,378	34,432	33,062	32,257	31,665
Child nutrition	35,143	35,555	36,050	36,416	36,759	37,107	37,460	37,819	38,182	38,551	38,926	39,306
Foster care, Adoption Assistance and Guardianship Assistance	616	623	638	655	680	700	725	752	780	808	837	865
Supplemental security income (SSI):												
Aged	1,105	1,107	1,114	1,126	1,142	1,161	1,183	1,208	1,236	1,268	1,301	1,337
Blind/disabled	6,652	6,866	7,075	7,250	7,362	7,414	7,435	7,446	7,465	7,508	7,541	7,584
Total, SSI	7,757	7,973	8,189	8,376	8,504	8,575	8,618	8,654	8,701	8,776	8,842	8,921
Child care and development fund [3]	2,601	2,309	2,302	2,339	2,318	2,248	2,191	2,134	2,080	2,027	1,975	1,892
Social security (OASDI):												
Old age and survivor insurance	44,094	45,304	46,656	48,117	49,636	51,218	52,844	54,498	56,187	57,905	59,577	61,131
Disability insurance	10,298	10,733	11,064	11,285	11,490	11,653	11,770	11,845	11,898	11,952	12,072	12,216
Total, OASDI	54,392	56,037	57,720	59,402	61,126	62,871	64,614	66,343	68,085	69,857	71,649	73,347
Veterans compensation:												
Veterans	3,284	3,452	3,626	3,796	3,960	4,119	4,274	4,424	4,569	4,711	4,848	4,982
Survivors (non-veterans)	342	348	357	366	377	388	401	414	429	444	459	476
Total, Veterans compensation	3,626	3,801	3,983	4,162	4,336	4,507	4,674	4,838	4,998	5,155	5,308	5,457
Veterans pensions:												
Veterans	314	314	314	314	315	315	315	315	316	316	316	316
Survivors (non-veterans)	203	204	206	208	210	212	214	216	218	220	222	224
Total, Veterans pensions	517	518	520	522	524	526	529	531	533	535	538	540

[1] Due to data lags, 2011 figures are estimates.
[2] Enrollment figures include only beneficiaries who receive both Part A and Part B services through managed care.
[3] Assumes CCDF reauthorization proposed in President's Budget and includes children served through the CCDF (including TANF transfers) and through funds spent directly on child care in the Social Services Block Grant and TANF programs.

Table 27–5. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE

(Outlays in millions of dollars)

	Estimate										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
REGULATIONS											
Finalized											
Old Age and Survivors Insurance (OASI), Disability Insurance (DI) and Supplemental Security Income (SSI):											
Revised Medical Criteria for Evaluating Endocrine Disorders (OASDI and SSI):											
OASDI	–2	–2	–3	–4	–5	–5	–6	–7	–7	–7	–7
SSI	3	6	8	10	11	11	10	11	11	11	11
Eliminating the Decision Review Board (OASDI and SSI):											
OASDI	2	3	5	7	6	7	8	8	9	10	10
SSI	....	1	2	1	1	1	1	1	1	1	1
EXPIRING AUTHORIZATIONS											
Programs Extended in the Adjusted Baseline											
Spending:											
Agriculture:											
Forest Service (FS):											
Federal Land and Facility Enhancement Fund	....	....	....	....	....	9	9	9	10	10	10
Administration of Rights-of-Way and Other Land Uses Fund	....	4	4	4	4	5	5	5	5	5	5
Federal Lands Recreation Enhancement Fund	....	....	....	77	79	82	86	88	92	94	97
Sect. 420 Sale of botanical products pilot program	....	....	....	3	3	3	3	3	3	3	3
Natural Resources Conservation Service (NRCS):											
Environmental Quality Incentives Program	....	....	....	621	1,163	1,406	1,546	1,674	1,750	1,750	1,750
Agricultural Water Enhancement Program	....	13	37	48	54	60	60	60	60	60	60
Wildlife Habitat Incentives Program	....	....	....	23	46	58	67	73	77	84	85
Farm and Ranch Land Protection Program	....	....	....	9	72	133	171	198	200	200	200
Conservation Stewardship Program	....	....	....	....	....	....	116	1,012	1,468	1,919	2,370
Chesapeake Bay Watershed Initiative	....	12	34	41	47	50	50	50	50	50	50
Conservation Reserve Program	....	108	108	108	108	108	108	108	108	108	108
Farm Service Agency (FSA) Programs:											
Agricultural Commodity Marketing Loans	....	28	6	4	5	11	....	25	7	–4	11
Conservation Reserve Program	....	10	135	466	669	791	939	1,142	1,274	1,472	1,684
Dairy Product Price Support Program	....	34	30	28	26	24	22	20	18	16	14
Agricultural Commodity Counter-Cyclical Program	....	....	....	20	15	12	9	7	5	4	3
Average Crop Revenue Election (ACRE) Program	....	....	....	1,666	67	13	19	24	13	12	13
Direct Crop Payments	....	....	4,951	4,951	4,950	4,950	4,949	4,991	4,987	4,982	4,976
Market Access Program -- FAS	....	32	178	200	200	200	200	200	200	200	200
Child Nutrition Programs:											
State Administrative Expenses	....	....	....	....	267	271	276	281	289	298	307
Summer Food Service Program	....	....	....	....	507	534	561	590	621	652	686
NSLP Commodity Support (Bonus - Section 6(e)(1)(B) of NSLA)	....	....	....	....	....	....	....	....	....	100	100
Supplemental Nutrition Assistance Program (SNAP) (formerly Food Stamps) [1]	....	82,393	75,485	74,408	73,165	71,298	69,436	67,982	67,340	67,652	66,702
Education:											
Rehabilitation Services and Disability Research	....	2,036	3,081	3,337	3,403	3,471	3,543	3,617	3,693	3,771	3,848
Health and Human Services:											
Centers for Medicare & Medicaid Services:											
Children's Health Insurance Program	....	....	....	....	3,200	6,500	5,900	5,700	5,700	5,700	5,700
Administration for Children and Families:											
Child Care Entitlements to States	2,868	2,877	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917
Promoting safe and stable families	....	....	....	....	....	104	286	321	335	345	345
TANF	16,504	17,017	17,025	16,723	16,722	16,722	16,722	16,722	16,722	16,722	16,722
Contingency Fund	....	612	612	612	612	612	612	612	612	612	612

Table 27–5. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(Outlays in millions of dollars)

	Estimate										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Homeland Security:											
National Flood Insurance Fund [2]	798	–319	–194	–50	–4	–50	–99	–106	–112	–118	–124
Interior:											
Sport Fish Restoration and Boating Trust Fund [3]	480	500	500	500	508	508	508	508	508	508	508
Labor:											
Trade Adjustment Assistance for Workers	....	....	....	62	527	821	905	949	995	1,056	1,120
Veterans Affairs:											
Veterans Compensation Cost of Living Adjustment	....	772	1,827	3,041	4,368	5,861	7,483	9,217	11,079	13,063	15,154
Revenues: [4]											
Airport and Airway Trust Fund Taxes	7,363	11,500	11,923	12,477	13,065	13,640	14,154	14,545	14,921	15,294	15,673
Highway Trust Fund Taxes	19,357	31,759	32,639	33,482	34,319	35,145	35,857	36,437	37,092	37,789	38,658
Leaking Underground Storage Tank (LUST) Trust Fund Taxes	91	182	184	188	190	192	195	197	199	201	205
Oil Spill Liability Trust Fund Taxes	....	....	....	....	....	....	438	585	585	583	581
Sport Fish Restoration and Boating Safety Trust Fund Taxes	283	468	496	523	553	582	610	640	671	702	733
Tobacco Assessment	....	....	....	....	960	960	960	960	960	960	960
Fee on Insured and Self Insured Plans	....	....	....	....	....	....	....	....	....	580	616
Programs and Provisions Not Extended in the Adjusted Baseline											
Spending:											
Agriculture:											
Animal and Plant Health Inspection Service:											
National Clean Plant Network (2008 Farm Bill, Section 10202)	....	2	5	5	5	5	5	5	5	5	5
Departmental Management/Office of Advocacy and Outreach:											
Outreach and Technical Assistance for Socially Disadvantaged Farmers and Ranchers:	....	20	20	20	20	20	20	20	20	20	20
Sec. 9002 Biobased Markets Program	....	2	2	2	2	2	2	2	2	2	2
Sec. 9006 Biodiesel Fuel Education Program	....	1	1	1	1	1	1	1	1	1	1
Farm Service Agency (FSA) Programs:											
Agricultural Disaster Relief Fund [5]	....	....	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Biomass Crop Assistance Program (BCAP)	....	196	196	196	196	196	196	196	196	196	196
Tobacco buyout payments	....	....	....	960	960	960	960	960	960	960	960
Voluntary Public Access	....	12	17	17	17	17	17	17	17	17	17
Milk Income Loss Contract Program	....	....	10	8	8	5	3	3	3	3	3
National Institute of Food and Agriculture (Formerly CSREES, Cooperative State Research, Education, and Extension Service):											
Biomass research and development	....	2	16	30	40	40	40	40	40	40	40
Healthy Urban Food Enterprise Development Center [5]	*	1	1	1	1	1	1	1	1	1	1
Beginning Farmer and Rancher Program	....	2	10	19	19	19	19	19	19	19	19
Organic Research Initiative	....	1	8	15	20	20	20	20	20	20	20
Specialty Crop Research Initiative	....	3	20	38	50	50	50	50	50	50	50
Natural Resources Conservation Service (NRCS):											
Healthy Forests Reserve Program	....	1	5	7	7	8	9	10	10	10	10
Agricultural Marketing Service:											
Farmers Market Promotion Program (2008 Farm Bill, Sec. 10106)	....	10	10	10	10	10	10	10	10	10	10
Specialty Crop Block Grants Program (2008 Farm Bill, Sec. 10109)	....	55	55	55	55	55	55	55	55	55	55
Agricultural Management Assistance Organic Cerification Cost Share Program	....	2	2	2	2	2	2	2	2	2	2
Wool Research, Development, and Promotion Trust Fund Program	....	....	....	....	3	3	3	3	3	3	3
Rural Business-Cooperative Service:											
Rural Energy for America Program	....	2	38	60	65	68	70	70	70	70	70

Table 27–5. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(Outlays in millions of dollars)

	Estimate										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Bioenergy Program for Advanced Biofuels	....	105	105	105	105	105	105	105	105	105	105
Value Added Agricultural Market Development Program	....	2	10	13	14	14	15	15	15	15	15
Repowering Assistance Program	....	26	35	35	35	35	35	35	35	35	35
Biorefinery Assistance Program	....	12	61	123	184	228	245	245	245	245	245
Rural Microentrepreneur Assistance Program	....	....	1	2	2	3	3	3	3	3	3
Trade Assistance Programs:											
Foreign Market Development (Cooperator) Program	....	18	34	35	35	35	35	35	35	35	35
Technical Assistance Specialty Crops	....	....	4	8	9	9	9	9	9	9	9
Emerging Markets	....	1	6	8	10	10	10	10	10	10	10
Trade Adjustment Assistance for Farmers [5]	10	10	10	10	10	10	10	10	10	10	10
Forest Service (FS):											
Forest County Safety Net Payments (Departments of Agriculture and the Interior) [5]	....	278	300	270	243	219	197	177	159	143	129
Risk Management Agency											
Information Management [5]	9	9	9	9	9	9	9	9	9	9	9
Health and Human Services:											
TANF Supplemental Grants [5]	344	319	319	319	319	319	319	319	319	319	319
Medicaid:											
Transitional Medical Assistance [6]	155	640	280	70	80	80	80	90	90	90	100
Medicare Low-Income Premium Assistance (Qualified Individuals) [6]	215	695	785	875	975	1,085	1,210	1,345	1,495	1,660	1,840
Interior:											
Oil and Gas Permit Processing Improvement Fund [7]	....	....	....	....	17	16	15	14	13	12	11
Payments in Lieu of Taxes [8]	....	398	411	419	426	434	442	449	458	466	474
Labor:											
Alternative Trade Adjustment Assistance	....	....	8	26	39	40	37	36	36	37	39
Social Security:											
SSI Extension for Elderly and Disabled Refugees Act (SSI)	....	41	43	....	....	....	....	....	....	....	....
Veterans Affairs:											
Veterans Compensation:											
National Directory for New Hires (NDNH) Data Matches [5]	*	2	1	*	–1	–2	–3	–4	–5	–5	–6
Veterans Pension:											
Income Verification Match	....	....	....	....	....	–35	–35	–36	–37	–37	–38
Veterans Housing:											
Increase in Maximum Loan Guaranty Amount [5]	*	*	*	1	1	5	6	6	7	7	8
Guaranteed Loan Funding Fees Extension	....	....	....	....	....	–389	–401	–412	–418	–424	–436
Environmental Protection Agency:											
Pesticide maintenance fee	....	–22	–22	–22	–22	–22	–22	–22	–22	–22	–22
Pesticide registration service fee	....	–6	–11	–15	–15	–15	–15	–15	–15	–15	–15
OTHER IMPORTANT PROGRAM ASSUMPTIONS											
Health and Human Services:											
Children's Health Insurance Program (Title XXI):											
State allotments	9,300	9,600	10,500	11,300	16,100	9,100	6,400	5,800	5,700	5,700	5,700
Contingency fund	125	200	200	200	....	....	....	....	....	....	....
Performance bonus	369	380	425	....	....	....	....	....	....	....	....
Child health quality activities	110	47	40	....	....	....	....	....	....	....	....
Medicaid:											
Financial management recoveries	–277	–297	–359	–395	–427	–457	–487	–520	–554	–594	–633
Vaccines for Children, Total program costs	4,009	4,271	4,358	4,518	4,701	4,757	4,940	5,099	5,305	5,517	5,740
Institutional long-term care	37,347	38,194	39,599	41,114	42,647	44,795	47,499	50,310	53,420	56,890	60,793
Home and community based institutional alternatives	33,473	36,495	40,075	43,209	47,349	51,758	56,706	61,853	67,527	73,740	80,479

Table 27–5. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued
(Outlays in millions of dollars)

	Estimate										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Pharmaceuticals (FFS, net of rebates)	3,991	5,177	4,831	4,336	4,346	4,407	4,517	4,591	4,612	4,671	4,723
Managed care (Including Medicaid MCOs, PHPs, and PCCM)	68,067	73,252	100,604	119,602	134,522	146,750	159,117	171,504	181,921	194,223	207,337
Medicare: [9]											
Contracting Reform	–620	–660	–730	–780	–840	–910	–990	–1,080	–1,180	–1,290	–1,380
DME Competitive Bidding	–60	–440	–1,100	–1,420	–2,210	–2,780	–3,020	–3,260	–3,530	–3,810	–4,110
LTCH payments policy for referrals from acute hospitals	–40	–300	–340	–340	–360	–370	–390	–410	–430	–440	–460
State Grants and Demonstrations :											
Ticket to Work Health Grant Programs:											
Infrastructure Grant Program	55	4	....	....	....	....	....	....	....	....	....
Demonstration to maintain independence and employment	4	*	*	....	....	....	....	....	....	....	....
High-Risk Pools:											
Initial Seed Grants and Operation of Pools	*	....	....	....	....	....	....	....	....	....	....
Emergency Health Services for Undocumented Aliens	52	18									
Katrina/Rita Support	*	....	....	....	....	....	....	....	....	....	....
Katrina Relief	3	*	....	....	....	....	....	....	....	....	....
Funding for PACE Outliers	*	....	....	....	....	....	....	....	....	....	....
Drug Surveys and Reports	*	....	....	....	....	....	....	....	....	....	....
Partnerships for Long-Term Care	3	3	2	3	3	....	....	....	....	....	....
Alternate Non-Emergency Care	2	....	....	....	....	....	....	....	....	....	....
Psychiatric Residential Treatment Demonstration	48	48	48	2							
Money Follows the Person (MFP) Demonstration	250	250	300	300	340	340	340	340	333	....	....
MFP Evaluation and Support	2	2	2	1	1	1	....	....	....	....	....
Medicaid Transformation Grants	15	....	....	....	....	....	....	....	....	....	....
Medicaid Integrity Program	78	80	82	84	85	87	89	91	93	94	96
Grants to Improve Outreach and Enrollment	31	18	20	26	1	....	....	....	....	....	....
Application of Prospective Payment system	1	3	....	....	....	....	....	....	....	....	....
Medicaid Emergency Psychiatric Demonstration	20	23	22	9	1	....	....	....	....	....	....
Incentives for Prevention of Chronic Diseases in Medicaid	40	24	22	12	2	....	....	....	....	....	....
Approved and Implemented Demonstrations and Pilot Programs: [10]											
Medicare, HI:											
Rural Community Hospital: [11]											
Baseline estimate	158	167	177	188	....	....	....	....	....	....	....
Demonstration estimate	208	221	234	248	....	....	....	....	....	....	....
Medicare, SMI:											
Coordinated Care Disease Management Demonstration:											
Baseline estimate	18	14	....	....	....	....	....	....	....	....	....
Demonstration estimate	18	14	....	....	....	....	....	....	....	....	....
Frontier Extended Stay Clinic Demonstration:											
Baseline estimate	2	1	....	....	....	....	....	....	....	....	....
Demonstration estimate	1	1	....	....	....	....	....	....	....	....	....
Part D Retroactive & Immediate Coverage for New Dual Eligible Individuals:											
Baseline estimate	634	699	770	195	....	....	....	....	....	....	....
Demonstration estimate	366	403	458	128	....	....	....	....	....	....	....
Multi-Payer Advanced Primary Care Demo:											
Baseline estimate	94	116	135	....	....	....	....	....	....	....	....
Demonstration estimate	76	96	108	....	....	....	....	....	....	....	....
Assess Appropriate Use of Imaging Services (MIPPA sec. 135):											
Baseline estimate	4	2	....	....	....	....	....	....	....	....	....
Demonstration estimate	4	2	....	....	....	....	....	....	....	....	....
Power Mobility Device Demonstration:											
Baseline estimate	262	262	262	....	....	....	....	....	....	....	....
Demonstration estimate	242	232	232	....	....	....	....	....	....	....	....

Table 27–5. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(Outlays in millions of dollars)

	Estimate										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Medicare: HI and SMI:											
Acute Care Episode Bundling Demonstration:											
Baseline estimate	99	76	8	....	....	....	....	....	....	....	....
Demonstration estimate	94	73	8	....	....	....	....	....	....	....	....
Physician Hospital Collaboration Demonstration:											
Baseline estimate	1,358	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	1,358	....	....	....	....	....	....	....	....	....	....
Senior Risk Reduction Demonstration:											
Baseline estimate	1	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	1	....	....	....	....	....	....	....	....	....	....
ESRD Disease Management Demonstration:											
Baseline estimate	3	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	3	....	....	....	....	....	....	....	....	....	....
Home Health Third-Party Liability Demonstration:											
Baseline estimate	221	220	....	....	....	....	....	....	....	....	....
Demonstration estimate	221	220	....	....	....	....	....	....	....	....	....
Medicare+Choice Phase II Demonstration:											
Baseline estimate	....	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	5	....	....	....	....	....	....	....	....	....	....
Wisconsin Health Partnership Dual Eligible Demonstration:											
Baseline estimate	32	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	32	....	....	....	....	....	....	....	....	....	....
Massachusetts SCO Dual Eligible Demonstration:											
Baseline estimate	109	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	109	....	....	....	....	....	....	....	....	....	....
Physician Group Practice Demonstration:											
Baseline estimate	2,090	331	....	....	....	....	....	....	....	....	....
Demonstration estimate	2,105	341	....	....	....	....	....	....	....	....	....
PACE for Profit:											
Baseline estimate	31	43	43	....	....	....	....	....	....	....	....
Demonstration estimate	31	43	43	....	....	....	....	....	....	....	....
Care Management for High-Cost Beneficiaries:											
Baseline estimate	201	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	201	....	....	....	....	....	....	....	....	....	....
Medicare Health Care Quality Demonstration Programs:											
Baseline estimate	4,612	4,913	3,917	....	....	....	....	....	....	....	....
Demonstration estimate	4,488	4,753	3,810	153	....	....	....	....	....	....	....
Nursing Home Value Based Purchasing Demonstration:											
Baseline estimate	416	....	....	....	....	....	....	....	....	....	....
Demonstration estimate	100	17	....	....	....	....	....	....	....	....	....
Medicare Advantage Quality Bonus Payment Demonstration:											
Baseline estimate											
Demonstration estimate	TBD	TBD	TBD	TBD	....	....	....	....	....	....	....
A/B Rebilling Demonstration:											
Baseline estimate	3,210	3,464	3,764	....	....	....	....	....	....	....	....
Demonstration estimate	3,210	3,464	3,764	....	....	....	....	....	....	....	....
RAC Prepay Demonstration:											
Baseline estimate	1816	1816	1816	....	....	....	....	....	....	....	....
Demonstration estimate	1586	1496	1476	....	....	....	....	....	....	....	....
Medicare Independence at Home Demonstration:											
Baseline estimate	127	311	323	193	....	....	....	....	....	....	....
Demonstration estimate	122	298	310	185	....	....	....	....	....	....	....
Medicare Coverage for Individuals Exposed to Environmental Health Hazards:											
Baseline estimate											
Demonstration estimate	3	13	17	....	....	....	....	....	....	....	....

Table 27–5. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(Outlays in millions of dollars)

	Estimate										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Center for Medicare and Medicaid Innovation (CMMI) - Medicare:											
Pioneer Accountable Care Organizations:											
Baseline estimate	6,300	6,620	6,950	7,300	7,660	8,100	....	....	....	....	....
Demonstration estimate	6,270	6,535	6,850	7,125	7,453	8,048	....	....	....	....	....
Advance Payment ACOs: [12]											
Baseline estimate	6,667	7,000	7,350	7,718	8,103	....	....	....	....	....	....
Demonstration estimate	6,728	7,062	7,363	7,684	8,070	....	....	....	....	....	....
FQHC Demonstration:											
Baseline estimate	TBD	TBD	TBD	....	....	....	....	....	....	....	....
Demonstration estimate	TBD	TBD	TBD	....	....	....	....	....	....	....	....
Bundled Approaches:											
Baseline estimate	21,304	22,370	24,215	25,426	26,697	....	....	....	....	....	....
Demonstration estimate	21,206	22,063	23,571	24,750	25,987	....	....	....	....	....	....
Center for Medicare and Medicaid Innovation (CMMI) - Medicare and Medicaid:											
State Demonstrations and Financial Models to Integrate Care for Medicare-Medicaid Enrollees:											
Baseline estimate	TBD	TBD	TBD	....	....	....	....	....	....	....	....
Demonstration estimate	TBD	TBD	TBD	....	....	....	....	....	....	....	....
Patient Safety (Partnerships for Patients):											
Baseline estimate	TBD	TBD	TBD	....	....	....	....	....	....	....	....
Demonstration estimate	TBD	TBD	TBD	....	....	....	....	....	....	....	....
Nursing Home Demonstration for Medicare- Medicaid Enrollees:											
Baseline estimate	1,474	1,524	1,575	1,628	....	....	....	....	....	....	....
Demonstration estimate	1,486	1,505	1,556	1,609	....	....	....	....	....	....	....
Health Care Innovation Challenge:											
Baseline estimate	TBD	TBD	TBD	TBD	....	....	....	....	....	....	....
Demonstration estimate	TBD	TBD	TBD	TBD	....	....	....	....	....	....	....
Comprehensive Primary Care Inititative:											
Baseline estimate	614	3,583	3,673	3,388	3,884	....	....	....	....	....	....
Demonstration estimate	628	3,646	3,644	3,313	3,770	....	....	....	....	....	....
Medicaid:											
Alabama Family Planning: [13]											
Baseline estimate	TBD	....	....	....	....	....	....	....	....	....	....
Arizona AHCCCS: [14]											
Baseline estimate	8,490	8,862	10,155	11,216	12,362	....	....	....	....	....	....
Arkansas Family Planning: [15]											
Baseline estimate	96	....	....	....	....	....	....	....	....	....	....
Arkansas TEFRA:											
Baseline estimate	50	55	14	....	....	....	....	....	....	....	....
California Bridge to Reform:											
Baseline estimate	8,649	9,914	9,607	7,868	656	....	....	....	....	....	....
Delaware Diamond State Health Plan:											
Baseline estimate	632	721	186	....	....	....	....	....	....	....	....
District of Columbia Childless Adults II:											
Baseline estimate	29	43	13	....	....	....	....	....	....	....	....
Florida Family Planning:											
Baseline estimate	12	14	4	....	....	....	....	....	....	....	....
Florida MEDS-AD Program: [16]											
Baseline estimate	....	....	....	....	....	....	....	....	....	....	....
Florida Medicaid Reform:											
Baseline estimate	6,811	7,689	6,311	....	....	....	....	....	....	....	....
Georgia Planning for Healthy Babies:											
Baseline estimate	522	526	132	....	....	....	....	....	....	....	....
Hawaii Health QUEST:											
Baseline estimate	961	777	....	....	....	....	....	....	....	....	....

Table 27–5. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued
(Outlays in millions of dollars)

	Estimate										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Healthy Indiana Plan:											
Baseline estimate	1,541	394									
Idaho Adult Access Card:											
Baseline estimate	*	*	*								
Illinois Family Planning: [17]											
Baseline estimate	345										
IowaCare:											
Baseline estimate	99	106	28								
Iowa Family Planning:											
Baseline estimate	10	18	5								
Kentucky Health Care Partnership Program: [18]											
Baseline estimate	TBD										
Louisiana Family Planning: [19]											
Baseline estimate	TBD										
Louisiana GNO Community Health Connection:											
Baseline estimate	20	20	5								
Maine HIV:											
Baseline estimate	10	11	3								
MaineCare Childless Adults:											
Baseline estimate	58	58	15								
Maryland Health Choice:											
Baseline estimate	2,904	3,256	887								
Massachusetts MassHealth:											
Baseline estimate	4,862	5,349	4,309								
Michigan Adult Benefits:											
Baseline estimate	149	157	166								
Michigan Family Planning: [19]											
Baseline estimate	TBD										
Minnesota Prepaid Med. Assist. Project Plus:											
Baseline estimate	390	434	113								
Minnesota Family Planning:											
Baseline estimate	11	15	4								
Mississippi Family Planning: [20]											
Baseline estimate	TBD										
Mississippi - Healthier Mississippi:											
Baseline estimate	83	70	18								
Montana Basic Medicaid for Able-Bodied Adults:											
Baseline estimate	33	48	10								
Missouri Family Planning:											
Baseline estimate	22	25	7								
Missouri Gateway to Better Health:											
Baseline estimate	19	19	5								
New Jersey Childless Adults:											
Baseline estimate	109	122	32								
New Mexico State Coverage Insurance:											
Baseline estimate	193	203	214								
New York Partnership Plan:											
Baseline estimate	11,357	12,830	6,766								
New York Federal-State Health Reform Partnership:											
Baseline estimate	6,229	6,744	3,653								
North Carolina Family Planning: [19]											
Baseline estimate	TBD										
Oregon Family Planning:											
Baseline estimate	206	18									
Pennsylvania Family Planning:											
Baseline estimate	271										

Table 27–5. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(Outlays in millions of dollars)

	Estimate										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Rhode Island Global:											
Baseline estimate	1,224	1,572	625	....	....	....	....	....	....	....	....
TennCare II:											
Baseline estimate	6,818	5,329	....	....	....	....	....	....	....	....	....
Texas Family Planning: [20]											
Baseline estimate	TBD	....	....	....	....	....	....	....	....	....	....
Texas Healthcare Transformation and Quality Improvement Program:											
Baseline estimate	13,850	15,005	16,761	18,010	19,277	....	....	....	....	....	....
Utah Primary Care Network:											
Baseline estimate	145	114	....	....	....	....	....	....	....	....	....
Vermont Long Term Care Plan											
Baseline estimate	195	210	227	245	....	....	....	....	....	....	....
Vermont Global Commitment to Health:											
Baseline estimate	766	837	229	....	....	....	....	....	....	....	....
Washington Take Charge/Family Planning: [20]											
Baseline estimate	TBD	....	....	....	....	....	....	....	....	....	....
Wisconsin Transitional Bridge:											
Baseline estimate	205	225	57	....	....	....	....	....	....	....	....
Wisconsin BadgerCare: [21]											
Baseline estimate	....	....	....	....	....	....	....	....	....	....	....
Wisconsin BadgerCare Plus:											
Baseline estimate	104	108	28	....	....	....	....	....	....	....	....
Wyoming Family Planning:											
Baseline estimate	39	39	....	....	....	....	....	....	....	....	....
Pharmacy Plus:											
Wisconsin Pharmacy Plus: [22]											
Demonstration estimate	46	12	....	....	....	....	....	....	....	....	....
Children's Health Insurance Program (CHIP)/ Medicaid Demonstrations: [23]											
New Jersey FamilyCare: [24]											
Demonstration estimate (CHIP funds)	458	....	....	....	....	....	....	....	....	....	....
Oregon Health Plan 2:											
Demonstration estimate (CHIP funds)	6	5	....	....	....	....	....	....	....	....	....
Baseline estimate (Medicaid funds)	3,174	3,578	301	....	....	....	....	....	....	....	....
Arkansas ARKids B:											
Baseline estimate (CHIP)	82	87	91	....	....	....	....	....	....	....	....
Arkansas Safety Net Benefit Program:											
Demonstration estimate (CHIP funds)	14	....	....	....	....	....	....	....	....	....	....
Baseline estimate (Medicaid funds)	1,629	1,745	467	....	....	....	....	....	....	....	....
Colorado: [25]											
Demonstration estimate (CHIP funds)	TBD	....	....	....	....	....	....	....	....	....	....
Idaho:											
Demonstration estimate (CHIP funds)	*	....	....	....	....	....	....	....	....	....	....
New Mexico:											
Demonstration estimate (CHIP funds)	102	....	....	....	....	....	....	....	....	....	....
Oklahoma Sooner Care Demo:											
Baseline estimate (CHIP funds)	139	....	....	....	....	....	....	....	....	....	....
Baseline estimate (Medicaid funds)	1,481	378	....	....	....	....	....	....	....	....	....
Virginia:											
Demonstration estimate (CHIP funds)	11	9	....	....	....	....	....	....	....	....	....
Old Age and Survivors Insurance (OASI), Disability Insurance (DI) and Supplemental Security Income (SSI):											
Performance of CDRs in 2011 and Subsequent Years:											

Table 27–5. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(Outlays in millions of dollars)

	Estimate										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
OASDI	–40	–162	–221	–222	–223	–218	–210	–199	–188	–177	–168
SSI	–23	–228	–480	–726	1,046	–1,198	–1,290	–1,571	–1,739	–1,889	–2,172
Collection of Overpayments:											
OASI	–1,200	–1,280	–1,363	–1,448	–1,539	–1,539	–1,539	–1,539	–1,539	–1,539	–1,539
DI	–959	–1,032	–1,099	–1,161	–1,219	–1,219	–1,219	–1,219	–1,219	–1,219	–1,219
SSI	–1,124	–1,208	–1,290	–1,371	–1,475	–1,475	–1,475	–1,475	–1,475	–1,475	–1,475
Debts Written of as Uncollectible (no effect on outlays):											
OASI	181	194	206	219	233	233	233	233	233	233	233
DI	527	567	604	638	670	670	670	670	670	670	670
SSI (Federal)	365	392	419	446	479	479	479	479	479	479	479
Payments to States for Vocational Rehabilitation (excludes ticket payments):											
OASDI	72	78	85	92	99	104	108	113	119	125	129
SSI	47	51	55	58	64	67	70	74	76	79	82
Research and Demonstration Projects:											
OASDI	30	18	....	....	....	....	....	....	....	....	....
SSI	34	45	41	42	43	43	44	44	45	46	47
State Supplementation Benefit Payments (SSI):											
Payments from States	–3,497	–3,645	–3,818	–3,977	–4,120	–4,245	–4,360	–4,475	–4,602	–4,742	–4,464
Benefit Payments	3,245	3,630	3,805	3,965	4,400	4,240	4,050	4,465	4,590	4,730	5,215
Fees for Federal Administration of SSI State Supplemental Benefit Payments:											
Treasury Share	–130	–139	–139	–141	–154	–143	–131	–144	–145	–147	–160
SSA Share	–154	–170	–176	–185	–209	–201	–192	–218	–227	–237	–268
Performance of Non-Disability SSI Redeterminations	442	–1,073	–414	–106	–109	–77	–42	–36	–12	6	28

* $500,000 or less.

[1] Includes temporary benefit increase from the American Recovery and Reinvestment Act of 2009 (P.L. 111–5).

[2] Amounts reflect the full baseline level of the program, assuming reauthorization before May 31, 2012. Some payments would continue under current law if the authorization expired.

[3] Reauthorization is pending before Congress.

[4] Trust fund excise tax revenues are shown as governmental receipts; a positive number indicates an increase in receipts.

[5] This program or provision has recently expired.

[6] Current law expires February 29, 2012.

[7] The Budget proposes that the authority for this appropriation be rescinded for 2014 and 2015 and thus not continued beyond the scheduled expiration date.

[8] The Budget includes a proposed one-year extension of PILT payments in 2013 at the current authorized payment formula.

[9] Reflects savings net of premiums.

[10] Baseline estimates reflect costs absent the demonstration; demonstration estimate reflects costs of the demonstration. The differences represent the estimated net impact of the demonstration. Any demonstrations are implicitly assumed in the current services baseline. The demonstrations listed are only those that were approved and announced by release of the FY 2013 President's Budget. The estimates listed do not account for interactions.

[11] Costs of this demonstration are offset annually by a reduction to inpatient hospital prospective payment rates.

[12] OACT estimates that advance payment ACOs are expected to generate $60M in savings for the Medicare Shared Savings Program (MSSP) in the first three performance periods, reflected in the baseline and in the MSSP regulatory impact analysis.

[13] An extension request is under review. Demonstration on temporary extension through February 29, 2012.

[14] A new AHCCCS demonstration was approved on October 22, 2011.

[15] The AR FP demo expires February 29, 2012 and an extension is under review.

[16] Demonstration will expend accumulated budget neutrality savings from prior years.

[17] This demo expires March 31, 2012 and an extension is under review.

[18] In November 2011, this demonstration was approved for a temporary extension through December 31, 2012.

[19] The demonstration is on temporary extension through March 31, 2012.

[20] An extension request is under review. The demonstration is on temporary extension through March 31, 2012.

[21] The demonstration includes only state plan eligible beneficiaries and has been provided no expenditure authority. This demonstration is presumed budget neutral.

[22] Demonstration extended through December 31, 2012.

[23] The Children's Health Insurance Program Reauthorization Act (CHIPRA) (P.L. 111–3) authorized coverage for childless adults through December 31, 2009 and parents through September 31, 2011. States may extend coverage for parents of low-income children through September 31, 2013, subject to terms and conditions outlined in section 2111 (b) of the Social Security Act.

[24] The estimates are based on the Federal share of the State's current approved demonstration budget.

[25] An extension request is under review. The demonstration is on temporary extension through January 31, 2012.

Table 27–6. RECEIPTS BY SOURCE IN THE ADJUSTED BASELINE
(In billions of dollars)

	2011 Actual	Estimate 2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Individual income taxes	1,091.5	1,178.8	1,293.7	1,388.6	1,505.5	1,632.6	1,765.9	1,893.8	2,015.2	2,139.0	2,267.4	2,400.9
Corporation income taxes	181.1	281.2	364.9	458.6	407.4	381.1	443.6	456.9	471.7	469.8	487.7	500.5
Social insurance and retirement receipts	818.8	903.8	989.9	1,038.8	1,093.3	1,165.1	1,226.4	1,296.4	1,358.9	1,421.4	1,500.8	1,578.9
On-budget	(253.0)	(268.5)	(283.1)	(296.7)	(311.3)	(330.7)	(343.8)	(359.6)	(371.6)	(387.0)	(407.3)	(428.5)
Off-budget	(565.8)	(635.3)	(706.8)	(742.1)	(782.1)	(834.4)	(882.6)	(936.8)	(987.3)	(1,034.4)	(1,093.5)	(1,150.5)
Excise taxes	72.4	79.6	87.1	96.9	102.2	104.3	109.7	117.9	133.4	139.8	147.4	156.8
Estate and gift taxes	7.4	11.4	11.8	12.8	13.5	14.4	15.3	16.3	17.3	18.3	19.4	20.4
Customs duties	29.5	30.8	33.7	35.9	37.9	39.5	41.4	43.7	46.0	48.1	50.2	52.4
Miscellaneous receipts	102.8	104.9	101.3	113.1	112.8	107.0	108.9	114.2	121.8	130.4	137.4	145.4
Total, receipts	**2,303.5**	**2,590.5**	**2,882.3**	**3,144.7**	**3,272.5**	**3,444.0**	**3,711.1**	**3,939.1**	**4,164.3**	**4,366.8**	**4,610.3**	**4,855.3**
On-budget	(1,737.7)	(1,955.2)	(2,175.6)	(2,402.6)	(2,490.5)	(2,609.6)	(2,828.6)	(3,002.3)	(3,177.0)	(3,332.4)	(3,516.8)	(3,704.8)
Off-budget	(565.8)	(635.3)	(706.8)	(742.1)	(782.1)	(834.4)	(882.6)	(936.8)	(987.3)	(1,034.4)	(1,093.5)	(1,150.5)

Table 27–7. EFFECT ON RECEIPTS OF CHANGES IN THE SOCIAL SECURITY TAXABLE EARNINGS BASE

(In billions of dollars)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Social security (OASDI) taxable earnings base increases:										
$110,100 to $114,000 on Jan. 1, 2013	1.8	4.7	5.2	5.9	6.6	7.1	6.1	6.6	7.9	9.1
$114,000 to $119,100 on Jan. 1, 2014	....	2.4	6.2	7.0	7.9	8.9	9.0	8.0	9.0	10.5
$119,100 to $121,500 on Jan. 1, 2015	....	....	1.2	3.1	3.5	3.9	4.3	3.9	3.8	4.4
$121,500 to $125,700 on Jan. 1, 2016	....	....	....	2.2	5.7	6.4	7.2	7.9	6.6	6.9
$125,700 to $131,400 on Jan. 1, 2017	....	....	....	....	3.0	8.0	8.9	9.8	10.8	9.1
$131,400 to $137,400 on Jan. 1, 2018	....	....	....	....	....	3.3	8.5	9.4	10.4	11.5
$137,400 to $144,600 on Jan. 1, 2019	....	....	....	....	....	....	3.9	10.2	11.3	12.5
$144,600 to $151,500 on Jan. 1, 2020	....	....	....	....	....	....	....	3.7	9.7	10.8
$151,500 to $158,400 on Jan. 1, 2021	....	....	....	....	....	....	....	....	3.7	9.7
$158,400 to $165,600 on Jan. 1, 2022	....	....	....	....	....	....	....	....	....	3.9

Table 27–8. CHANGE IN OUTLAYS BY CATEGORY IN THE ADJUSTED BASELINE

(Dollar amounts in billions)

	2012	2013	2017	2022	Change 2012 to 2013		Change 2012 to 2017		Change 2012 to 2022	
					Amount	Percent	Amount	Annual average rate	Amount	Annual average rate
Outlays:										
Discretionary:										
Defense	709	667	651	766	–42	–6.0%	–58	–1.7%	57	0.8%
Non-defense	610	545	517	594	–64	–10.6%	–93	–3.3%	–15	–0.3%
Subtotal, discretionary	1,319	1,212	1,168	1,360	–107	–8.1%	–151	–2.4%	41	0.3%
Mandatory:										
Farm programs	12	19	16	17	7	60.5%	4	5.7%	5	3.4%
Medicaid	255	283	430	589	28	10.8%	174	11.0%	334	8.7%
Other health care	42	43	134	185	1	1.5%	92	26.2%	143	16.0%
Medicare	478	528	660	967	50	10.5%	182	6.7%	489	7.3%
Federal employee retirement and disability	122	132	151	184	10	7.9%	30	4.4%	62	4.2%
Unemployment compensation	84	55	48	53	–29	–34.3%	–36	–10.5%	–31	–4.5%
Other income security programs	280	280	276	298	*	0.1%	–4	–0.3%	18	0.6%
Social Security	773	820	1,027	1,361	47	6.1%	254	5.8%	588	5.8%
Veterans programs	71	79	102	146	9	12.6%	32	7.7%	75	7.5%
Other mandatory programs	155	52	38	88	–103	–66.4%	–117	–24.5%	–67	–5.5%
Undistributed offsetting receipts	–96	–95	–102	–125	*	–0.5%	–7	1.3%	–29	2.7%
Subtotal, mandatory	2,175	2,195	2,779	3,763	20	0.9%	604	5.0%	1,588	5.6%
Disaster costs [1]	*	2	9	10	1	1160.0%	9	134.2%	10	55.0%
Net interest	223	246	570	915	22	10.0%	347	20.6%	692	15.2%
Total, outlays	3,717	3,655	4,526	6,048	–63	–1.7%	809	4.0%	2,331	5.0%

* $500 million or less.

[1] These amounts represent the statistical probability of a major disaster requiring federal assistance for relief and reconstruction. Such assistance might be provided in the form of discretionary or mandatory outlays or tax relief. These amounts are included as outlays for convenience.

Table 27–9. OUTLAYS BY FUNCTION IN THE ADJUSTED BASELINE

(In billions of dollars)

Function	2011 Actual	Estimate										
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
National Defense:												
Department of Defense—Military	678.1	688.3	648.9	609.9	609.8	618.8	634.2	649.6	664.5	680.3	696.5	745.6
Other	27.6	28.0	26.6	24.6	24.3	24.3	24.7	25.1	25.6	26.1	26.6	28.8
Total, National Defense	705.6	716.3	675.5	634.6	634.0	643.1	658.9	674.8	690.1	706.4	723.1	774.3
International Affairs	45.7	56.3	59.3	57.3	57.7	58.2	59.0	59.9	61.1	62.6	64.1	65.7
General Science, Space, and Technology	29.5	31.0	31.6	30.4	30.6	31.0	31.5	32.2	33.2	33.9	34.6	35.3
Energy	12.2	22.1	13.6	11.5	8.4	6.1	6.5	4.9	4.9	4.5	4.2	4.3
Natural Resources and Environment	45.5	42.8	42.7	41.8	41.9	43.0	43.3	44.4	45.7	47.0	47.8	48.5
Agriculture	20.7	19.2	25.5	22.4	23.4	22.0	22.2	22.5	23.1	23.4	23.8	24.1
Commerce and Housing Credit	–12.6	76.9	–23.8	–26.9	–28.1	–29.4	–28.1	–32.0	–36.1	–29.5	–7.8	–6.1
On-Budget	(–13.4)	(74.4)	(–24.1)	(–27.2)	(–28.4)	(–29.7)	(–28.3)	(–32.3)	(–36.4)	(–29.8)	(–8.1)	(–6.4)
Off-Budget	(0.8)	(2.5)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Transportation	93.0	96.9	97.7	96.8	98.6	99.4	101.0	100.6	102.8	104.6	106.6	108.6
Community and Regional Development	23.8	31.0	29.8	25.6	21.6	20.7	20.6	20.8	20.9	21.1	21.4	21.7
Education, Training, Employment, and Social Services	101.2	101.8	92.2	89.4	97.0	102.9	108.9	114.4	118.0	120.0	121.5	123.4
Health	372.5	358.8	383.5	479.7	541.9	592.0	625.3	657.6	698.4	740.7	791.0	842.1
Medicare	485.7	484.3	534.9	571.2	593.9	647.6	668.1	693.7	760.4	820.3	883.0	978.0
Income Security	597.4	552.8	534.3	532.9	535.9	548.2	544.3	541.2	560.6	573.1	587.4	610.9
Social Security	730.8	778.6	827.0	874.0	924.3	976.9	1,033.7	1,093.2	1,156.6	1,224.2	1,295.2	1,369.1
On-Budget	(101.9)	(77.3)	(32.7)	(34.9)	(38.6)	(42.7)	(47.2)	(51.4)	(55.7)	(60.2)	(65.0)	(70.1)
Off-Budget	(628.9)	(701.2)	(794.2)	(839.1)	(885.6)	(934.2)	(986.5)	(1,041.7)	(1,100.9)	(1,164.0)	(1,230.2)	(1,299.0)
Veterans Benefits and Services	127.2	129.6	140.0	146.0	153.5	166.5	169.7	170.9	187.2	196.5	205.7	223.9
Administration of Justice	56.1	59.6	67.5	61.4	59.8	62.0	62.1	63.9	65.9	67.7	69.9	73.9
General Government	25.5	31.5	24.8	24.0	23.5	23.9	24.2	25.0	25.9	26.8	27.5	28.3
Net Interest	230.0	223.2	245.6	305.4	384.2	479.7	570.2	645.0	715.6	782.2	845.8	915.4
On-Budget	(345.9)	(335.8)	(354.4)	(412.2)	(490.5)	(585.7)	(678.0)	(755.8)	(829.2)	(899.0)	(964.3)	(1,035.4)
Off-Budget	(–116.0)	(–112.6)	(–108.8)	(–106.8)	(–106.2)	(–106.0)	(–107.8)	(–110.8)	(–113.6)	(–116.8)	(–118.5)	(–120.0)
Allowances	....	0.1	–51.8	–75.0	–84.4	–90.4	–92.8	–94.9	–96.8	–99.7	–103.5	–67.7
Undistributed Offsetting Receipts:												
Employer share, employee retirement (on-budget)	–64.6	–67.7	–65.8	–65.4	–66.5	–68.4	–74.2	–77.1	–80.1	–83.1	–86.3	–89.6
Employer share, employee retirement (off-budget)	–15.1	–15.6	–16.5	–17.2	–18.1	–19.1	–19.9	–20.8	–21.9	–22.9	–24.0	–25.2
Rents and royalties on the Outer Continental Shelf	–6.4	–7.9	–6.9	–7.2	–7.5	–7.9	–8.1	–8.6	–8.9	–9.2	–9.8	–10.3
Sale of major assets	–0.4	–4.0	–4.0	–4.0	–4.0	–2.0	....	....	....	....	....	....
Other undistributed offsetting receipts	....	–0.4	–2.0	–1.6	....	....	....	....	....	....	....	....
Total, Undistributed Offsetting Receipts	–86.5	–95.7	–95.2	–95.5	–96.2	–97.4	–102.3	–106.4	–110.9	–115.3	–120.1	–125.1
On-Budget	(–71.4)	(–80.0)	(–78.7)	(–78.3)	(–78.0)	(–78.3)	(–82.3)	(–85.6)	(–89.0)	(–92.4)	(–96.1)	(–99.9)
Off-Budget	(–15.1)	(–15.6)	(–16.5)	(–17.2)	(–18.1)	(–19.1)	(–19.9)	(–20.8)	(–21.9)	(–22.9)	(–24.0)	(–25.2)
Total	**3,603.1**	**3,717.1**	**3,654.6**	**3,806.8**	**4,021.4**	**4,305.8**	**4,526.3**	**4,731.7**	**5,026.3**	**5,310.4**	**5,621.2**	**6,048.5**
On-Budget	(3,104.5)	(3,141.6)	(2,985.4)	(3,091.5)	(3,259.9)	(3,496.5)	(3,667.3)	(3,821.3)	(4,060.6)	(4,285.9)	(4,533.3)	(4,894.5)
Off-Budget	(498.6)	(575.5)	(669.2)	(715.3)	(761.5)	(809.3)	(859.1)	(910.5)	(965.7)	(1,024.5)	(1,088.0)	(1,154.0)

Table 27–10. OUTLAYS BY AGENCY IN THE ADJUSTED BASELINE
(In billions of dollars)

Agency	2011 Actual	Estimate										
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Legislative Branch	4.6	5.3	4.9	4.9	4.9	5.0	5.2	5.4	5.6	5.7	5.9	6.1
Judicial Branch	7.3	7.6	7.7	7.5	7.8	8.0	8.2	8.5	8.7	9.0	9.3	9.6
Agriculture	139.4	150.6	154.4	144.2	143.9	142.2	141.6	141.5	142.1	143.4	145.3	145.9
Commerce	9.9	11.3	9.8	8.5	8.6	8.9	9.1	9.3	9.6	9.8	10.1	10.4
Defense—Military Programs	678.1	688.3	691.3	671.6	681.2	696.7	714.8	732.6	750.1	768.3	787.1	806.3
Education	65.5	66.1	54.9	60.0	67.4	73.4	79.0	84.1	87.2	88.5	89.5	90.8
Energy	31.4	39.0	32.5	28.8	26.8	25.6	26.1	25.2	25.6	26.0	26.4	26.9
Health and Human Services	891.2	871.5	944.9	1,054.7	1,116.2	1,206.0	1,248.6	1,300.9	1,400.8	1,496.6	1,601.3	1,738.0
Homeland Security	45.7	59.8	56.4	53.2	51.9	52.1	53.5	54.9	56.5	58.2	60.0	63.7
Housing and Urban Development	57.0	56.7	42.0	43.0	42.4	42.7	43.2	43.8	44.4	45.4	46.3	47.2
Interior	13.5	11.2	13.1	13.5	13.0	13.1	13.5	13.7	14.0	14.3	14.7	14.9
Justice	30.5	32.2	40.8	35.7	33.6	35.0	34.3	35.1	36.1	37.2	38.2	39.4
Labor	132.0	99.5	70.0	69.7	67.6	65.9	64.7	64.5	66.2	68.5	71.2	74.0
State	24.4	29.9	31.5	32.7	33.0	33.1	33.7	34.3	34.8	35.5	36.2	36.9
Transportation	77.3	78.4	81.0	80.1	81.3	81.6	82.6	81.7	83.2	84.4	85.7	87.0
Treasury	536.7	578.0	539.9	597.5	695.2	809.0	916.5	1,007.1	1,094.5	1,178.2	1,257.6	1,343.8
Veterans Affairs	126.9	129.2	139.6	145.5	153.1	166.1	169.3	170.5	186.8	196.0	205.3	223.5
Corps of Engineers—Civil Works	10.1	9.2	9.4	8.5	8.1	8.1	7.6	7.8	8.0	8.1	8.3	8.6
Other Defense Civil Programs	54.8	52.0	57.6	60.0	61.8	66.6	63.9	60.7	66.7	68.5	70.4	78.1
Environmental Protection Agency	10.8	9.4	8.9	8.6	8.8	9.2	9.4	9.8	10.1	10.3	10.4	10.5
Executive Office of the President	0.5	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5
General Services Administration	1.9	1.1	0.9	–0.2	–1.0	–1.2	–1.3	–1.3	–1.3	–1.3	–1.4	–1.4
International Assistance Programs	20.6	25.6	27.6	24.3	24.5	24.9	25.0	25.3	25.9	26.7	27.6	28.4
National Aeronautics and Space Administration	17.6	17.6	18.2	18.6	18.8	19.3	19.7	20.1	20.6	21.0	21.5	22.0
National Science Foundation	7.1	8.3	7.5	7.3	7.3	7.2	7.2	7.4	7.9	8.0	8.2	8.3
Office of Personnel Management	74.1	69.1	79.2	83.1	87.0	90.5	102.1	106.3	110.9	115.8	120.8	126.2
Small Business Administration	6.2	3.2	1.3	1.0	1.0	1.0	1.0	1.1	1.1	1.1	1.1	1.2
Social Security Administration	784.2	827.0	881.7	931.2	983.5	1,0423	1,096.3	1,152.8	1,222.7	1,292.3	1,365.4	1,446.8
On-Budget	(155.3)	(125.8)	(87.5)	(92.1)	(97.9)	(108.1)	(109.8)	(111.1)	(121.8)	(128.4)	(135.2)	(147.8)
Off-Budget	(628.9)	(701.2)	(794.2)	(839.1)	(885.6)	(934.2)	(986.5)	(1,041.7)	(1,100.9)	(1,164.0)	(1,230.2)	(1,299.0)
Other Independent Agencies	18.3	55.7	11.7	18.8	20.3	16.3	11.5	5.3	1.9	7.1	29.0	30.3
On-Budget	(17.5)	(53.2)	(11.4)	(18.5)	(20.0)	(16.0)	(11.2)	(5.1)	(1.7)	(6.8)	(28.7)	(30.1)
Off-Budget	(0.8)	(2.5)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Allowances	....	0.1	–96.1	–139.5	–159.0	–171.8	–177.0	–181.6	–186.3	–191.6	–198.1	–131.2
Undistributed Offsetting Receipts	–274.5	–276.1	–268.6	–266.2	–267.9	–271.8	–283.4	–295.5	–308.5	–321.3	–332.5	–344.2
On-Budget	(–143.4)	(–147.8)	(–143.3)	(–142.2)	(–143.6)	(–146.6)	(–155.7)	(–164.0)	(–173.0)	(–181.6)	(–190.0)	(–198.9)
Off-Budget	(–131.1)	(–128.2)	(–125.3)	(–124.1)	(–124.3)	(–125.1)	(–127.7)	(–131.5)	(–135.5)	(–139.8)	(–142.5)	(–145.3)
Total	**3,603.1**	**3,717.1**	**3,654.6**	**3,806.8**	**4,021.4**	**4,305.8**	**4,526.3**	**4,731.7**	**5,026.3**	**5,310.4**	**5,621.2**	**6,048.5**
On-Budget	(3,104.5)	(3,141.6)	(2,985.4)	(3,091.5)	(3,259.9)	(3,496.5)	(3,667.3)	(3,821.3)	(4,060.6)	(4,285.9)	(4,533.3)	(4,894.5)
Off-Budget	(498.6)	(575.5)	(669.2)	(715.3)	(761.5)	(809.3)	(859.1)	(910.5)	(965.7)	(1,024.5)	(1,088.0)	(1,154.0)

Table 27–11. BUDGET AUTHORITY BY FUNCTION IN THE ADJUSTED BASELINE

(In billions of dollars)

Function	2011 Actual	Estimate										
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
National Defense:												
Department of Defense—Military	691.5	650.5	593.9	605.4	617.3	630.3	645.1	660.3	675.5	691.7	708.0	779.0
Other	26.0	26.2	23.5	23.7	24.1	24.4	24.9	25.4	25.8	26.3	26.8	29.9
Total, National Defense	717.4	676.7	617.5	629.1	641.3	654.7	670.0	685.6	701.3	718.1	734.9	808.9
International Affairs	53.6	61.3	70.0	48.3	51.5	54.8	57.8	60.4	62.5	64.5	66.3	68.1
General Science, Space, and Technology	29.7	29.1	29.7	30.3	30.9	31.5	32.2	32.8	33.5	34.2	34.9	35.7
Energy	6.7	8.1	9.0	9.7	8.0	6.4	6.3	6.1	6.0	5.7	5.4	5.5
Natural Resources and Environment	35.4	37.0	38.2	39.2	40.2	41.5	43.0	44.4	45.7	46.8	47.7	48.7
Agriculture	21.5	17.1	23.9	22.2	23.1	21.9	22.2	22.6	23.1	23.5	23.8	24.2
Commerce and Housing Credit	–54.2	1.9	–13.4	–12.7	–9.8	–5.5	2.3	5.4	6.2	6.8	7.6	8.3
On-Budget	(–55.2)	(0.2)	(–13.4)	(–12.7)	(–9.8)	(–5.5)	(2.3)	(5.4)	(6.2)	(6.8)	(7.6)	(8.3)
Off-Budget	(1.0)	(1.7)	....	*	*	*	*	*	*	....	–*	–*
Transportation	86.5	88.6	90.3	92.2	94.2	96.4	98.6	100.8	103.1	105.4	107.9	110.4
Community and Regional Development	14.9	18.8	18.8	19.1	19.5	19.9	20.3	20.8	21.2	21.7	22.1	22.6
Education, Training, Employment, and Social Services	76.5	89.1	89.9	90.9	98.1	104.7	111.0	116.0	119.7	121.1	123.1	125.1
Health	359.7	362.0	372.1	484.5	551.0	578.6	619.3	655.4	696.7	749.9	790.6	841.4
Medicare	502.4	499.2	534.7	571.4	594.0	647.5	668.4	694.0	760.5	820.8	883.4	978.2
Income Security	583.7	539.9	525.2	530.4	537.8	548.2	549.5	551.8	566.1	578.2	592.2	608.9
Social Security	731.7	781.2	831.4	877.3	928.2	981.3	1,038.2	1,098.0	1,161.8	1,229.8	1,301.3	1,375.3
On-Budget	(101.9)	(77.3)	(32.5)	(34.7)	(38.6)	(42.7)	(47.2)	(51.4)	(55.7)	(60.2)	(65.0)	(70.1)
Off-Budget	(629.8)	(703.9)	(798.8)	(842.6)	(889.7)	(938.5)	(991.0)	(1,046.6)	(1,106.2)	(1,169.6)	(1,236.3)	(1,305.1)
Veterans Benefits and Services	123.1	124.6	136.4	146.7	154.2	161.8	170.7	179.3	188.4	197.7	207.0	216.8
Administration of Justice	53.6	55.2	65.5	57.4	58.9	62.4	62.5	64.3	66.2	68.2	70.3	74.4
General Government	23.9	28.5	23.3	23.9	24.4	25.0	25.5	26.2	26.9	27.6	28.4	29.2
Net Interest	230.5	222.7	245.6	305.4	384.2	479.7	570.2	645.0	715.6	782.2	845.8	915.4
On-Budget	(346.5)	(335.3)	(354.4)	(412.2)	(490.5)	(585.7)	(678.0)	(755.8)	(829.2)	(899.0)	(964.3)	(1,035.4)
Off-Budget	(–116.0)	(–112.6)	(–108.8)	(–106.8)	(–106.2)	(–106.0)	(–107.8)	(–110.8)	(–113.6)	(–116.8)	(–118.5)	(–120.0)
Allowances	....	0.5	–74.6	–84.8	–88.7	–92.1	–93.5	–96.1	–98.2	–101.8	–106.1	–52.9
Undistributed Offsetting Receipts:												
Employer share, employee retirement (on-budget)	–64.6	–67.7	–65.8	–65.4	–66.5	–68.4	–74.2	–77.1	–80.1	–83.1	–86.3	–89.6
Employer share, employee retirement (off-budget)	–15.1	–15.6	–16.5	–17.2	–18.1	–19.1	–19.9	–20.8	–21.9	–22.9	–24.0	–25.2
Rents and royalties on the Outer Continental Shelf	–6.4	–7.9	–6.9	–7.2	–7.5	–7.9	–8.1	–8.6	–8.9	–9.2	–9.8	–10.3
Sale of major assets	–0.4	–4.0	–4.0	–4.0	–4.0	–2.0	....	....	....	....	....	....
Other undistributed offsetting receipts	....	–0.4	–2.0	–1.6	....	....	....	....	....	....	....	....
Total, Undistributed Offsetting Receipts	–86.5	–95.7	–95.2	–95.5	–96.2	–97.4	–102.3	–106.4	–110.9	–115.3	–120.1	–125.1
On-Budget	(–71.4)	(–80.0)	(–78.7)	(–78.3)	(–78.0)	(–78.3)	(–82.3)	(–85.6)	(–89.0)	(–92.4)	(–96.1)	(–99.9)
Off-Budget	(–15.1)	(–15.6)	(–16.5)	(–17.2)	(–18.1)	(–19.1)	(–19.9)	(–20.8)	(–21.9)	(–22.9)	(–24.0)	(–25.2)
Total	**3,510.0**	**3,545.7**	**3,538.1**	**3,784.8**	**4,045.1**	**4,321.2**	**4,572.4**	**4,806.6**	**5,095.6**	**5,384.9**	**5,666.5**	**6,119.0**
On-Budget	(3,010.2)	(2,968.3)	(2,864.6)	(3,066.3)	(3,279.8)	(3,507.8)	(3,709.0)	(3,891.5)	(4,124.9)	(4,355.1)	(4,572.8)	(4,959.1)
Off-Budget	(499.7)	(577.4)	(673.5)	(718.5)	(765.3)	(813.4)	(863.4)	(915.1)	(970.7)	(1,029.8)	(1,093.8)	(1,159.9)
MEMORANDUM												
Discretionary budget authority:												
National Defense	710.5	669.8	609.1	621.2	633.5	646.9	662.4	677.8	693.4	710.0	726.6	800.3
International Affairs	50.4	54.9	56.4	57.6	58.9	60.2	61.5	62.8	64.2	65.7	67.1	68.7
Domestic	456.6	470.7	416.5	424.7	433.9	442.9	453.0	463.8	475.7	486.6	497.4	547.5
Total, discretionary	1,217.5	1,195.5	1,082.0	1,103.5	1,126.3	1,150.0	1,176.8	1,204.5	1,233.3	1,262.2	1,291.2	1,416.5

* $50 million or less.

Table 27–12. BUDGET AUTHORITY BY AGENCY IN THE ADJUSTED BASELINE

(In billions of dollars)

Agency	2011 Actual	Estimate										
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Legislative Branch	4.7	4.5	4.7	4.8	5.0	5.1	5.3	5.5	5.6	5.8	6.0	6.2
Judicial Branch	7.2	7.3	7.5	7.6	7.9	8.1	8.4	8.6	8.9	9.2	9.5	9.8
Agriculture	140.7	147.5	155.5	147.6	148.7	147.5	147.1	147.1	147.7	148.6	150.8	151.4
Commerce	5.7	8.0	8.6	8.5	8.7	9.0	9.2	9.5	9.7	10.0	10.3	10.6
Defense—Military Programs	691.5	650.5	664.1	678.4	694.2	710.6	727.4	744.8	762.8	781.3	800.3	819.9
Education	43.6	53.5	53.3	61.6	69.0	75.1	80.9	85.4	88.5	89.3	90.7	92.2
Energy	22.6	22.8	24.9	26.6	26.3	26.1	26.0	26.5	26.9	27.3	27.8	28.2
Health and Human Services	889.3	888.7	933.1	1,059.6	1,125.8	1,193.0	1,243.2	1,299.2	1,400.1	1,506.6	1,601.5	1,738.1
Homeland Security	41.6	46.7	48.0	49.4	50.9	52.4	54.0	55.6	57.3	59.0	60.8	64.6
Housing and Urban Development	48.5	40.9	43.7	44.8	45.7	46.6	47.6	48.7	49.8	50.9	52.0	53.0
Interior	12.3	11.6	11.4	11.7	11.7	12.0	12.7	13.2	13.6	14.2	14.3	14.7
Justice	29.2	31.4	39.5	31.9	32.6	35.3	34.5	35.4	36.4	37.5	38.5	39.7
Labor	130.2	97.9	68.6	69.8	67.6	65.5	63.6	62.6	63.4	65.2	67.4	70.0
State	26.9	30.1	30.8	31.4	32.1	32.8	33.6	34.3	35.1	35.9	36.8	37.6
Transportation	70.5	72.6	74.1	75.4	76.9	78.4	80.0	81.6	83.3	85.0	86.7	88.5
Treasury	492.2	522.0	516.8	586.3	691.1	807.9	916.7	1,008.2	1,095.5	1,179.1	1,258.5	1,344.8
Veterans Affairs	122.8	124.2	136.0	146.3	153.8	161.4	170.3	178.9	188.0	197.3	206.6	216.3
Corps of Engineers—Civil Works	4.9	6.7	6.8	7.0	7.2	7.4	7.6	7.8	8.0	8.2	8.4	8.6
Other Defense Civil Programs	51.1	55.5	57.8	60.0	61.8	62.2	63.8	65.2	66.6	68.4	70.3	72.2
Environmental Protection Agency	8.6	8.3	8.5	8.7	9.0	9.2	9.4	9.7	9.9	10.2	10.5	10.7
Executive Office of the President	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5
General Services Administration	-1.0	-1.0	-1.0	-1.0	-1.1	-1.1	-1.1	-1.1	-1.1	-1.1	-1.2	-1.2
International Assistance Programs	25.6	30.5	38.3	15.9	18.4	21.0	23.2	24.9	26.3	27.4	28.3	29.1
National Aeronautics and Space Administration	18.4	17.8	18.1	18.5	18.9	19.3	19.7	20.2	20.6	21.1	21.6	22.1
National Science Foundation	6.9	7.1	7.3	7.4	7.5	7.7	7.8	7.9	8.1	8.2	8.4	8.6
Office of Personnel Management	79.4	72.3	81.7	85.3	89.1	92.9	104.7	109.0	113.6	118.5	123.5	128.5
Small Business Administration	5.5	2.7	1.0	1.0	1.0	1.0	1.0	1.1	1.1	1.1	1.2	1.2
Social Security Administration	784.5	829.9	886.2	934.4	987.5	1,046.4	1,100.8	1,158.0	1,228.0	1,298.0	1,371.5	1,452.6
On-Budget	(154.7)	(126.0)	(87.3)	(91.9)	(97.9)	(107.9)	(109.8)	(111.4)	(121.8)	(128.4)	(135.2)	(147.4)
Off-Budget	(629.8)	(703.9)	(798.8)	(842.6)	(889.7)	(938.5)	(991.0)	(1,046.6)	(1,106.2)	(1,169.6)	(1,236.3)	(1,305.1)
Other Independent Agencies	20.8	30.8	29.3	32.8	34.2	35.6	37.3	38.2	39.1	38.9	40.0	40.3
On-Budget	(19.8)	(29.1)	(29.3)	(32.8)	(34.2)	(35.6)	(37.3)	(38.2)	(39.1)	(38.9)	(40.0)	(40.3)
Off-Budget	(1.0)	(1.7)	......	*	*	*	*	*	*	......	–*	–*
Allowances	......	0.5	-148.0	-161.0	-169.0	-176.1	-179.4	-184.5	-189.4	-195.4	-202.5	-95.5
Undistributed Offsetting Receipts	-274.5	-276.1	-268.6	-266.2	-267.9	-271.8	-283.4	-295.5	-308.5	-321.3	-332.5	-344.2
On-Budget	(-143.4)	(-147.8)	(-143.3)	(-142.2)	(-143.6)	(-146.6)	(-155.7)	(-164.0)	(-173.0)	(-181.6)	(-190.0)	(-198.9)
Off-Budget	(-131.1)	(-128.2)	(-125.3)	(-124.1)	(-124.3)	(-125.1)	(-127.7)	(-131.5)	(-135.5)	(-139.8)	(-142.5)	(-145.3)
Total	**3,510.0**	**3,545.7**	**3,538.1**	**3,784.8**	**4,045.1**	**4,321.2**	**4,572.4**	**4,806.6**	**5,095.6**	**5,384.9**	**5,666.5**	**6,119.0**
On-Budget	(3,010.2)	(2,968.3)	(2,864.6)	(3,066.3)	(3,279.8)	(3,507.8)	(3,709.0)	(3,891.5)	(4,124.9)	(4,355.1)	(4,572.8)	(4,959.1)
Off-Budget	(499.7)	(577.4)	(673.5)	(718.5)	(765.3)	(813.4)	(863.4)	(915.1)	(970.7)	(1,029.8)	(1,093.8)	(1,159.9)

* $50 million or less.

28. TRUST FUNDS AND FEDERAL FUNDS

As is common for State and local government budgets, the budget for the Federal Government contains information about collections and expenditures for different types of funds. This chapter presents summary information about the transactions of the two major fund groups used by the Federal Government, trust funds and Federal funds. It also presents information 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 includes all financial transactions of the Government that are not required by law to be recorded in trust funds. It accounts for a larger share of the budget than the trust funds group.

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

The Federal funds group also includes special funds and revolving funds, both of which receive collections that are dedicated by law for 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.[1] 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 credited to special funds is derived from certain types of business-like activity, such as the sale of Government land or other assets or the use of Government property. These collections include receipts from timber sales and royalties from oil and gas extraction.

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 fund expenditure accounts. The proceeds are generally available for obligation and expenditure without further legislative action. Outlays for programs with revolving funds are reported both gross and net of these proceeds; gross outlays include the expenditures from the proceeds and net program outlays are derived by subtracting the proceeds from gross outlays. Because the proceeds of these sales are recorded as offsets to outlays within expenditure accounts rather than receipt accounts, the proceeds 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 collections that are dedicated by law for 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 large trust funds are used to budget for military and Federal civilian employees' retirement benefits, highway and transit construction and maintenance, and airport and airway development and maintenance. 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 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.[2]

The Federal Government uses the term "trust fund" differently than the way in which it is commonly used. In

[1] There are two types of budget accounts: expenditure (or appropriation) accounts and receipt accounts. Expenditure accounts are used to record outlays and receipt accounts are used to record governmental receipts and offsetting receipts.

[2] Another example is the Violent Crime Reduction Trust Fund, which expired in 2000. Despite the presence of the words "Trust Fund" in its official name, the Fund was classified as a Federal fund because it was not required by law to be classified as a trust fund. In addition, the Fund was substantively a means of accounting for general fund appropriations and did not contain any dedicated receipts. Programs formerly funded through the Fund are now funded through general appropriations.

common usage, the term is used to refer to a private fund that has a beneficiary who owns the trust's income and may also own the trust's assets. A custodian or trustee manages the assets on behalf of the beneficiary according to the terms of the trust agreement, as established by a trustor. Neither the trustee nor the beneficiary can change the terms of the trust agreement; only the trustor can change the terms of the agreement. In contrast, the Federal Government owns and manages the assets and the earnings of most Federal trust funds and can unilaterally change the law to raise or lower future trust fund collections and payments or change the purpose for which the collections are used. Only a few small Federal trust funds are managed pursuant to a trust agreement whereby the Government acts as the trustee; even then the Government generally owns the funds and has some ability to alter the amount deposited into or paid out of the funds.

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.[3]

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

[3] Deposit funds are discussed briefly in Chapter 13 of this volume, "Coverage of the Budget."

Table 28–1. RECEIPTS, OUTLAYS, AND SURPLUS OR DEFICIT BY FUND GROUP

(In billions of dollars)

	2011 Actual	Estimate					
		2012	2013	2014	2015	2016	2017
Receipts:							
Federal funds cash income:							
From the public	1,634.8	1,745.8	2,031.0	2,258.4	2,421.0	2,571.0	2,742.6
From trust funds	2.7	2.5	2.4	2.3	2.2	2.1	2.1
Total, Federal funds cash income	1,637.6	1,748.3	2,033.4	2,260.7	2,423.1	2,573.1	2,744.7
Trust funds cash income:							
From the public	981.6	1,011.7	1,151.4	1,254.5	1,333.5	1,414.4	1,484.0
From Federal funds:							
Interest	188.0	180.4	173.3	170.5	171.7	174.6	181.8
Other	560.4	596.5	570.0	549.2	573.0	610.6	635.4
Total, Trust funds cash income	1,730.0	1,788.6	1,894.7	1,974.2	2,078.2	2,199.6	2,301.2
Offsetting receipts:							
Federal funds	–208.8	–179.5	–153.4	–149.8	–147.5	–143.4	–139.2
Trust funds	–855.3	–888.7	–872.8	–869.8	–903.7	–949.2	–987.5
Total, offsetting receipts	–1,064.1	–1,068.2	–1,026.1	–1,019.6	–1,051.2	–1,092.6	–1,126.7
Total, unified budget receipts	2,303.5	2,468.6	2,902.0	3,215.3	3,450.2	3,680.1	3,919.3
Federal funds	1,428.8	1,568.8	1,880.0	2,111.0	2,275.6	2,429.7	2,605.5
Trust funds	874.7	899.8	1,021.9	1,104.3	1,174.5	1,250.4	1,313.7
Outlays:							
Federal funds cash outgo	3,034.2	3,174.4	3,043.5	3,037.9	3,168.4	3,357.0	3,507.6
Trust funds cash outgo	1,632.9	1,689.3	1,786.0	1,864.8	1,942.6	2,064.4	2,150.8
Offsetting receipts:							
Federal funds	–208.8	–179.5	–153.4	–149.8	–147.5	–143.4	–139.2
Trust funds	–855.3	–888.7	–872.8	–869.8	–903.7	–949.2	–987.5
Total, offsetting receipts	–1,064.1	–1,068.2	–1,026.1	–1,019.6	–1,051.2	–1,092.6	–1,126.7
Total, unified budget outlays	3,603.1	3,795.5	3,803.4	3,883.1	4,059.9	4,328.8	4,531.7
Federal funds	2,825.4	2,994.9	2,890.1	2,888.1	3,020.9	3,213.6	3,368.5
Trust funds	777.6	800.6	913.2	995.0	1,039.0	1,115.2	1,163.2
Surplus or deficit(–):							
Federal funds	–1,396.6	–1,426.2	–1,010.1	–777.2	–745.3	–783.9	–762.9
Trust funds	97.0	99.2	108.7	109.4	135.6	135.2	150.5
Total, unified surplus/deficit(–)	–1,299.6	–1,326.9	–901.4	–667.8	–609.7	–648.8	–612.4

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).

Benefits fund, is spent almost as quickly as it is collected. In other cases, such as the Social Security and Federal civilian employees' retirement trust funds, the trust fund income is not spent as quickly as it is collected. Currently, these funds do not use all of their annual income (which includes intragovernmental interest income). This surplus of income over outgo adds to the trust fund's balance, which is available for future expenditures. The balances are generally required by law to be invested in Federal securities issued by the Department of the Treasury.[4] The National Railroad Retirement Investment Trust is a rare example of a Government 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 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 28–1 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). Income also consists of offsetting receipts, which include proprietary receipts (derived from business-like transactions with the public), interfund collections (derived from payments from a fund in one fund group to a fund in the other fund group), and gifts. 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 exclude all transactions that occur between funds within the same fund group. [5] These intrafund transactions constitute outgo and income for the individual funds that make and collect the payments, but they are offsetting within 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, outgo is calculated net of the collections that are credited to expenditure accounts (which, as noted above, are referred to as offsetting collections); the collections are added to and subsequently subtracted from outgo.[6] Although it would be conceptually correct to add interfund offsetting collections to income for a particular fund, this cannot be done at the present time because the budget data do not provide this type of detail. As a result, both interfund and intrafund offsetting collections are offset against outgo in Table 28–1 and are not shown separately.

The vast majority of the interfund transactions in the table are payments by the Federal funds to the trust funds. These payments include interest payments from the general fund to the trust funds for interest earned on trust fund balances invested in interest-bearing Treasury securities. The payments also include payments by Federal agencies to Federal employee benefits and Social Security trust funds on behalf of current employees and general fund transfers to employee retirement trust funds to amortize the unfunded liabilities of these funds. In addition, the payments include general fund transfers to the Medicare Supplementary Insurance trust fund for the cost of Parts B (outpatient and physician benefits) and D (prescription drug benefits) that is not covered by premiums (or, for Part D, transfers from States).

In 2011 and 2012, general fund transfers were made to the Social Security trust funds to hold the funds harmless for the one-year (2 percentage point) reduction in the Social Security payroll tax rate enacted in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 and the two-month extension of the payroll tax reduction enacted in the Temporary Tax Cut Continuation Act of 2011. In a letter dated December 16, 2011 (before enactment of the two-month extension), the Chief Actuary of the Social Security Administration addressed the impact on the trust funds of a one-year (2 percentage point) payroll tax holiday extension coupled with general fund transfers (as reflected in H.R. 3630). The Chief Actuary stated, "Enactment of [this provision] would have a negligible effect on the financial status of the [Old Age and Survivors Insurance (OASI) and Disability Insurance (DI)] program in both the near term and long term. We estimate that the projected level of the OASI and DI Trust Funds would be unaffected by enactment of this provision." The Budget proposes further general fund transfers in 2012 and 2013 to hold the funds harmless for continuing the payroll tax reduction through December 31, 2012.

In addition to investing their balances with Treasury, some funds in the Federal funds group and most trust funds[7] are authorized to borrow from the general fund of the Treasury.[8] Similar to the treatment of funds invested

[4] Securities held by trust funds (and by other Government accounts), debt held by the public, and gross Federal debt are discussed in Chapter 6 of this volume, "Federal Borrowing and Debt."

[5] 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 28–1 so that the total trust fund income and outgo shown in the table reflect disbursements to the public and to Federal funds.

[6] 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 28–1 is gross disbursements less collections.

[7] For example, the Unemployment trust fund borrowed $22 billion from the general fund in 2011 for unemployment benefits.

[8] 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.

with Treasury, borrowed funds are not recorded as receipts of the fund or included in the income of the fund. Rather, 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. This treatment is consistent with the broad principle that borrowing and debt redemption are not budgetary transactions but rather a means of financing deficits or disposing of surpluses.[9]

Some income in both Federal funds and trust funds consists of offsetting receipts.[10] Offsetting receipts are not considered governmental receipts (such as taxes), but they are instead recorded on the outlay side of the budget. Expenditures resulting from offsetting receipts are recorded as gross outlays and the collections of offsetting receipts are then subtracted from gross outlays to derive net outlays. There are three types of offsetting receipts: (1) collections from business-like or market oriented activities, (2) regulatory fees that are required by law to be classified as offsetting receipts rather than as governmental receipts, and (3) intragovernmental payments. Net outlays reflect the government's net transactions with the public.

As shown in Table 28-1, 38.0 percent of all governmental receipts were deposited in trust funds in 2011 and the remaining 62.0 percent of receipts were deposited in Federal funds, which, as noted above, include the general fund. Although accounting for well over one-third of all receipts, the trust funds accounted for a much smaller share, only 21.6 percent, of outlays. The significance of this difference between the trust fund share of receipts and the trust fund share of outlays is discussed in the next section.

Because the income for Federal funds and trust funds recorded in Table 28–1 includes offsetting receipts, 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 trust funds in Table 28–1 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 28–2 reconciles, for fiscal year 2011, the gross total of all trust fund and Federal fund receipts with the net total of the cash income of the Federal fund group and the trust fund group (as shown in Table 28–1) and with the receipt total of the unified budget.

Table 28–2. COMPARISON OF TOTAL FEDERAL FUND AND TRUST FUND RECEIPTS TO UNIFIED BUDGET RECEIPTS, 2011

(In billions of dollars)

Gross Trust fund receipts	1,736.3
Gross Federal fund receipts	1,675.3
Total, gross receipts	3,411.6
Deduct intrafund receipts (from funds within same fund group):	
Trust fund intrafund receipts	–6.3
Federal fund intrafund receipts	–37.8
Subtotal, intrafund receipts	–44.1
Total Trust funds and Federal Funds cash income	3,367.5
Deduct other offsetting receipts:	
Trust fund receipts from Federal funds:	
Interest in receipt accounts	–188.0
General fund payments to Medicare Parts B and D	–225.2
Employing agencies' payments for pensions, Social Security, and Medicare	–68.4
General fund payments for unfunded liabilities of Federal employees' retirement funds	–93.1
Transfer of taxation of Social Security and RRB benefits to OASDI, HI, and RRB	–38.7
Other receipts from Federal funds	–135.1
Subtotal, Trust fund receipts from Federal funds	–748.4
Federal fund receipts from Trust funds	–2.7
Proprietary receipts	–305.3
Offsetting governmental receipts	–7.6
Subtotal, offsetting receipts	–1,064.1
Unified budget receipts	2,303.5

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

Income, Outgo, and Balances of Trust Funds

Table 28–3 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 28–1 in one important way. Trust fund collections that are offset against outgo (as offsetting collections) within expenditure accounts instead of being deposited in separate receipt accounts are classified as income in this table, but not in Table 28–1. 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 $67 billion in 2011. Table 28–3, therefore, provides a more complete summary of trust fund income and outgo.

The trust funds group is expected to have large and growing surpluses over the projection period. As a consequence, trust fund balances are estimated to grow substantially, continuing a trend that has persisted over the past several decades.[11] The size of the anticipated balanc-

[9] Borrowing and debt repayment are discussed in Chapter 6 of this volume, "Federal Borrowing and Debt," and Chapter 12 of this volume, "Budget Concepts."

[10] Interest on borrowed funds is an example of an intragovernmental offsetting receipt and Medicare Part B's premiums are an example of offsetting receipts from the public.

[11] Because of the economic downturn, Social Security trust fund collections from the public (payroll taxes) fell well below Social Security benefit payments in 2010 and 2011; however, because of interest earnings on trust fund investments, Social Security trust fund balances continued to grow in both years. Social Security trust fund balances are expected to continue to grow (although at generally diminishing rates) throughout the 5-year budget window.

Table 28–3. INCOME, OUTGO, AND BALANCES OF TRUST FUNDS GROUP
(In billions of dollars)

	2011 Actual	Estimate					
		2012	2013	2014	2015	2016	2017
Balance, start of year	4,238.8	4,297.7	4,400.6	4,505.9	4,615.3	4,750.9	4,886.1
Adjustments	–38.1	*	....	....	....	....	....
Total balance, start of year	4,200.7	4,297.7	4,400.6	4,505.9	4,615.3	4,750.9	4,886.1
Income:							
Governmental receipts	874.7	899.8	1,021.9	1,104.3	1,174.5	1,250.4	1,313.7
Offsetting governmental receipts	*	*	1.2	5.4	8.2	6.1	2.0
Proprietary receipts	124.8	130.3	147.5	165.1	172.3	180.7	192.5
Receipts from Federal funds:							
Interest	189.7	182.1	175.0	172.2	173.6	176.7	184.2
Other	607.3	640.7	616.1	597.3	623.7	664.2	692.2
Subtotal, income	1,796.5	1,853.0	1,961.8	2,044.4	2,152.4	2,278.2	2,384.6
Outgo (–):							
To the public	–1,698.2	–1,752.7	–1,852.1	–1,933.9	–2,015.7	–2,141.9	–2,232.8
To Federal funds	–1.3	–1.1	–1.1	–1.1	–1.1	–1.2	–1.3
Subtotal, outgo	–1,699.5	–1,753.8	–1,853.2	–1,935.0	–2,016.8	–2,143.1	–2,234.1
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–92.7	–82.9	–66.3	–62.9	–38.0	–41.5	–33.7
Interest from Federal funds	189.7	182.1	175.0	172.2	173.6	176.7	184.2
Subtotal, surplus or deficit (–)	97.0	99.2	108.7	109.4	135.6	135.2	150.5
Borrowing/Transfers/lapses (net)	–*	3.3	–3.3	....	....	....	....
Subtotal, change in fund balance	–*	3.3	–3.3	....	....	....	....
Balance, end of year	4,297.7	4,400.6	4,505.9	4,615.3	4,750.9	4,886.1	5,036.6

NOTE: In contrast to table 28–1, income also includes income that is offset within expenditure accounts as offsetting collections, instead of being deposited in receipt accounts.

es is unprecedented and results mainly from changes in the way some trust funds (primarily Social Security and the Federal retirement funds) are financed.

Because of these changes and economic growth (both real and inflationary), trust fund balances increased from $205 billion in 1982 to $4.3 trillion in 2011. The current balances are estimated to increase by approximately 17 percent by the year 2017, rising to $5.0 trillion. Almost all of these balances are invested in Treasury securities and earn interest. The balances represent the value, in current dollars, of (1) taxes and fees received by the Government and dedicated to particular programs that have not yet been spent and (2) intragovernmental payments (from the general fund and from agencies) to the trust funds that have not yet been spent.

Until the 1980s, most trust funds operated on a pay-as-you-go basis as distinct from a pre-funded basis. Taxes and fees were set at levels sufficient to finance current program expenditures and administrative expenses, and to maintain balances generally equal to one year's worth of expenditures (to provide for unexpected events). 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. Similarly, in 1985, a new system took effect that funded 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 programs now require Federal agencies and employees together to pay the trust funds that disburse Federal civilian and military retirement benefits an amount equal to those accruing retirement benefits. Since many years will pass between the time when benefits are earned (or accrued) and when they are paid, the trust funds will accumulate substantial balances over time.

From the perspective of the trust fund, these balances represent the value, in today's dollars, of taxes, fees, and other income that the trust fund has received in the past for the purpose of funding future benefits and services. Trust fund assets held in Treasury bonds are legal claims on the Treasury, similar to bonds issued to the public. Like all other fund assets, these are available to the fund for future benefit payments and other expenditures.

From the perspective of the Government as a whole, the trust fund balances do not represent net additions to the Government's balance sheet. The trust fund balances are assets of the agencies responsible for administering the trust fund programs. The trust fund balances are also liabilities of the Treasury. These assets and liabilities cancel each other out in the government-wide balance sheet. When trust fund holdings are redeemed to fund 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 if the unified budget is in surplus or by borrowing from the public if it is in deficit. Therefore, the existence of large trust fund balances, while representing a legal claim on the Treasury, does not, by itself, determine the Government's ability to pay benefits. From an economic standpoint, the Government is able to pre-fund benefits only by increasing saving and investment in the economy as a whole, which increases future national income and, as a result, strengthens the Nation's ability to support future benefits. This can be accomplished by simultaneously running trust fund surpluses while maintaining an unchanged Federal fund surplus or deficit, so that the trust fund surplus reduces the unified budget deficit or increases the unified budget surplus.

This demonstrates the need to follow a fiscal policy that is consistent with the Government's obligation to repay the bonds when needed to pay benefits in the future. This means saving more now before the obligations become due and pursuing policies that will increase long-run growth and national income. Otherwise, the Nation will have fewer resources available in the future to meet its obligations and will face more difficult choices among cutting spending, raising taxes, or borrowing from private credit markets.

Table 28–4 shows estimates of income, outgo, and balances for 2011 through 2017 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 28–3 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. A brief description of the funding sources for the major trust funds is given below; additional information for these and other trust funds can be found in the Status of Funds tables in the *Budget Appendix*.

- Social Security Trust Funds: The Social Security trust funds are funded by payroll taxes from employers and employees, interest earnings on trust fund balances, Federal agency payments as employers, and a portion of the income taxes paid on Social Security benefits.
- Medicare Trust Funds: Like the Social Security trust funds, the Medicare Hospital Insurance (HI) trust fund is funded by payroll taxes from employers and employees, interest earnings on trust fund balances, Federal agency payments as employers, and a portion of the income taxes paid on Social Security benefits. In addition, the HI trust fund receives transfers from the general fund of the Treasury for certain HI benefits. The other Medicare trust fund finances Part B (outpatient and physician benefits) and Part D (prescription drug benefits). This fund receives premium payments from covered individuals and transfers from the general fund of the Treasury for that portion of Part B and Part D costs not covered by premiums or, for Part D, transfers from States. In addition, like the Social Security and all trust funds, these two trust funds receive interest earnings on any trust fund balances.
- Unemployment Trust Fund: The Unemployment Trust Fund is funded by taxes on employers, payments from Federal agencies, taxes on certain employees, and interest earnings on trust fund balances. In addition, as noted above, some trust funds have the authority to borrow from the general fund of the Treasury and in 2011 the Unemployment Trust Fund borrowed $21.7 billion from the general fund. This borrowed amount is repayable with interest and allowed the trust fund to meet its legal obligations to pay benefits and make repayable advances to States.
- Civilian and military retirement trust funds: The Civil Service Retirement and Disability Fund is funded by employee and agency payments, general fund transfers for the unfunded portion of retirement costs, and interest earnings on trust fund balances. The Military Retirement Fund is funded by payments from the Department of Defense, general fund transfers for unfunded retirement costs, and interest earnings on trust fund balances.

As noted, trust funds are funded by a combination of payments from the public and payments from Federal funds, including payments directly from the general fund and payments from agency appropriations. Just as the funding sources for trust funds are specified in law, the uses for trust fund balances are specified in law.

Table 28–5 shows income, outgo, and balances of five Federal funds–three revolving funds and two special funds. These five 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.

Table 28–4. INCOME, OUTGO, AND BALANCE OF MAJOR TRUST FUNDS
(In billions of dollars)

	2011 Actual	Estimate					
		2012	2013	2014	2015	2016	2017
Airport and Airway Trust Fund							
Balance, start of year	9.4	10.3	10.1	9.5	10.0	11.3	13.3
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	9.4	10.3	10.1	9.5	10.0	11.3	13.3
Income:							
Governmental receipts	11.5	11.6	12.8	13.3	13.9	14.6	15.2
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	....	0.1	0.1	0.1	0.1	0.1	0.1
Receipts from Federal funds:							
Interest	0.2	0.2	0.2	0.2	0.3	0.4	0.5
Other	0.1	*	*	*	*	*	*
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	11.8	11.9	13.1	13.6	14.3	15.1	15.8
Outgo (–):							
To the public	–10.9	–12.2	–13.7	–13.1	–13.1	–13.0	–13.3
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–10.9	–12.2	–13.7	–13.1	–13.1	–13.0	–13.3
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	0.7	–0.5	–0.7	0.3	0.9	1.7	2.0
Interest	0.2	0.2	0.2	0.2	0.3	0.4	0.5
Subtotal, surplus or deficit(–)	0.9	–0.3	–0.5	0.5	1.2	2.0	2.6
Borrowing/Transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	0.9	–0.3	–0.5	0.5	1.2	2.0	2.6
Balance, end of year	10.3	10.1	9.5	10.0	11.3	13.3	15.9
Civil Service Retirement and Disability Fund							
Balance, start of year	780.4	803.8	819.2	830.2	844.7	858.1	870.7
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	780.4	803.8	819.2	830.2	844.7	858.1	870.7
Income:							
Governmental receipts	4.0	4.3	5.0	5.7	6.6	6.7	6.9
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	....	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	35.5	33.9	32.2	31.8	31.8	32.3	33.4
Other	54.5	56.9	57.1	57.9	59.2	60.9	62.6
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	94.0	95.1	94.2	95.4	97.6	100.0	102.8
Outgo (–):							
To the public	–70.5	–79.8	–83.2	–80.9	–84.2	–87.4	–90.7
Payments to other funds	–*	–*	–*	–*	–*	–*	–*
Subtotal, outgo	–70.5	–79.8	–83.2	–80.9	–84.2	–87.4	–90.7
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–12.0	–18.6	–21.1	–17.3	–18.4	–19.8	–21.3
Interest	35.5	33.9	32.2	31.8	31.8	32.3	33.4
Subtotal, surplus or deficit(–)	23.5	15.4	11.0	14.5	13.4	12.5	12.1
Borrowing/Transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	23.5	15.4	11.0	14.5	13.4	12.5	12.1
Balance, end of year	803.8	819.2	830.2	844.7	858.1	870.7	882.8

Table 28–4. INCOME, OUTGO, AND BALANCE OF MAJOR TRUST FUNDS—Continued
(In billions of dollars)

	2011 Actual	Estimate					
		2012	2013	2014	2015	2016	2017
Federal Employees Health Benefits Fund							
Balance, start of year	16.2	19.1	20.3	20.4	20.1	19.8	19.8
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	16.2	19.1	20.3	20.4	20.1	19.8	19.8
Income:							
Governmental receipts	....	....	....	....	....	....	....
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	12.8	13.0	14.0	14.9	16.1	17.3	18.5
Receipts from Federal funds:							
Interest	0.3	0.4	0.3	0.3	0.4	0.5	0.7
Other	30.5	31.3	33.0	34.9	37.1	39.7	42.4
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	43.6	44.7	47.3	50.1	53.5	57.5	61.6
Outgo (–):							
To the public	–40.6	–43.5	–47.3	–50.3	–53.7	–57.5	–61.4
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–40.6	–43.5	–47.3	–50.3	–53.7	–57.5	–61.4
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	2.7	0.9	–0.2	–0.5	–0.6	–0.5	–0.5
Interest	0.3	0.4	0.3	0.3	0.4	0.5	0.7
Subtotal, surplus or deficit(–)	3.0	1.2	*	–0.3	–0.3	–*	0.2
Borrowing/Transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	3.0	1.2	*	–0.3	–0.3	–*	0.2
Balance, end of year	19.1	20.3	20.4	20.1	19.8	19.8	20.0
Foreign Military Sales Trust Fund							
Balance, start of year	17.6	18.5	15.6	12.5	12.7	13.3	13.9
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	17.6	18.5	15.6	12.5	12.7	13.3	13.9
Income:							
Governmental receipts	....	....	....	....	....	....	....
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	23.9	25.5	27.7	29.5	27.6	25.6	24.0
Receipts from Federal funds:							
Interest	....	....	....	....	....	....	....
Other	....	....	....	....	....	....	....
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	23.9	25.5	27.7	29.5	27.6	25.6	24.0
Outgo (–):							
To the public	–23.0	–28.3	–30.9	–29.3	–27.0	–25.0	–23.3
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–23.0	–28.3	–30.9	–29.3	–27.0	–25.0	–23.3
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	0.9	–2.8	–3.1	0.3	0.6	0.6	0.7
Interest	....	....	....	....	....	....	....
Subtotal, surplus or deficit(–)	0.9	–2.8	–3.1	0.3	0.6	0.6	0.7
Borrowing/Transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	0.9	–2.8	–3.1	0.3	0.6	0.6	0.7
Balance, end of year	18.5	15.6	12.5	12.7	13.3	13.9	14.7

Table 28–4. INCOME, OUTGO, AND BALANCE OF MAJOR TRUST FUNDS—Continued
(In billions of dollars)

	2011 Actual	Estimate 2012	2013	2014	2015	2016	2017
Medicare: Hospital Insurance (HI) Trust Fund							
Balance, start of year	280.1	245.7	226.3	202.6	181.1	169.4	159.2
Adjustments	–1.3	....	....	....	....	....	....
Total balance, start of year	278.9	245.7	226.3	202.6	181.1	169.4	159.2
Income:							
Governmental receipts	189.1	203.2	214.6	226.9	240.2	257.8	273.6
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	8.7	9.4	9.6	9.8	9.9	10.0	10.2
Receipts from Federal funds:							
Interest	12.9	11.3	10.1	8.9	7.9	7.4	7.1
Other	22.8	24.5	27.0	29.0	31.9	35.0	38.4
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	233.5	248.3	261.2	274.6	289.9	310.2	329.3
Outgo (–):							
To the public	–266.6	–267.7	–285.0	–296.1	–301.6	–320.4	–330.9
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–266.6	–267.7	–285.0	–296.1	–301.6	–320.4	–330.9
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–46.1	–30.7	–33.8	–30.3	–19.5	–17.6	–8.7
Interest	12.9	11.3	10.1	8.9	7.9	7.4	7.1
Subtotal, surplus or deficit(–)	–33.2	–19.4	–23.7	–21.5	–11.7	–10.2	–1.6
Borrowing/Transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	–33.2	–19.4	–23.7	–21.5	–11.7	–10.2	–1.6
Balance, end of year	245.7	226.3	202.6	181.1	169.4	159.2	157.7
Medicare: Supplementary Medical Insurance (SMI) Trust Fund							
Balance, start of year	72.0	72.8	67.4	68.6	73.4	78.3	77.2
Adjustments	–*	....	....	....	....	....	....
Total balance, start of year	72.0	72.8	67.4	68.6	73.4	78.3	77.2
Income:							
Governmental receipts	1.9	2.9	2.8	3.0	3.0	3.0	3.9
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	71.0	74.0	88.8	102.4	110.5	119.6	131.5
Receipts from Federal funds:							
Interest	3.2	3.0	2.6	2.7	3.1	3.5	3.8
Other	226.8	214.9	250.6	271.1	283.8	308.4	320.4
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	302.9	294.8	344.8	379.2	400.4	434.5	459.6
Outgo (–):							
To the public	–302.1	–300.2	–343.6	–374.4	–395.5	–435.5	–452.1
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–302.1	–300.2	–343.6	–374.4	–395.5	–435.5	–452.1
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–2.4	–8.3	–1.4	2.1	1.7	–4.5	3.6
Interest	3.2	3.0	2.6	2.7	3.1	3.5	3.8
Subtotal, surplus or deficit(–)	0.8	–5.4	1.2	4.8	4.8	–1.1	7.5
Borrowing/Transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	0.8	–5.4	1.2	4.8	4.8	–1.1	7.5
Balance, end of year	72.8	67.4	68.6	73.4	78.3	77.2	84.6

Table 28–4. INCOME, OUTGO, AND BALANCE OF MAJOR TRUST FUNDS—Continued

(In billions of dollars)

	2011 Actual	Estimate					
		2012	2013	2014	2015	2016	2017
Military Retirement Fund							
Balance, start of year	318.6	368.6	429.2	486.8	544.2	604.6	664.1
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	318.6	368.6	429.2	486.8	544.2	604.6	664.1
Income:							
Governmental receipts	....	....	....	....	....	....	....
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	....	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	17.7	17.1	17.2	17.5	19.7	22.0	25.7
Other	87.1	92.1	95.0	96.2	98.6	101.3	104.0
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	104.9	109.2	112.1	113.7	118.3	123.4	129.7
Outgo:							
To the public	–54.9	–48.5	–54.6	–56.3	–57.9	–63.9	–61.4
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–54.9	–48.5	–54.6	–56.3	–57.9	–63.9	–61.4
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	32.3	43.5	40.4	39.9	40.7	37.4	42.6
Interest	17.7	17.1	17.2	17.5	19.7	22.0	25.7
Subtotal, surplus or deficit(–)	50.0	60.7	57.6	57.4	60.4	59.5	68.3
Borrowing/Transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	50.0	60.7	57.6	57.4	60.4	59.5	68.3
Balance, end of year	368.6	429.2	486.8	544.2	604.6	664.1	732.4
Railroad Retirement Trust Funds							
Balance, start of year	21.6	18.6	17.9	16.4	14.9	13.6	11.8
Adjustments	–1.5	....	....	....	....	....	....
Total balance, start of year	20.1	18.6	17.9	16.4	14.9	13.6	11.8
Income:							
Governmental receipts	4.2	4.5	4.8	4.9	5.2	5.4	5.6
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	0.1	1.4	0.6	0.7	0.7	0.7	0.7
Receipts from Federal funds:							
Interest	0.1	*	*	*	0.1	0.1	0.1
Other	0.8	0.8	0.7	0.7	0.7	0.8	0.8
Receipts from Trust funds	4.6	4.4	4.3	4.7	4.9	4.6	5.1
Subtotal, income	9.8	11.1	10.5	11.1	11.6	11.5	12.3
Outgo:							
To the public	–11.2	–11.7	–12.1	–12.4	–12.8	–13.1	–13.4
Payments to other funds	–0.1	–0.1	–0.1	–0.1	–0.2	–0.2	–0.2
Subtotal, outgo	–11.3	–11.8	–12.2	–12.6	–12.9	–13.3	–13.6
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–1.6	–0.7	–1.7	–1.5	–1.4	–1.8	–1.4
Interest	0.1	*	*	*	0.1	0.1	0.1
Subtotal, surplus or deficit(–)	–1.5	–0.7	–1.7	–1.4	–1.4	–1.8	–1.4
Borrowing/Transfers/lapses (net)	0.1	–*	0.2	....	....	....	....
Total, change in fund balance	–1.4	–0.8	–1.5	–1.4	–1.4	–1.8	–1.4
Balance, end of year	18.6	17.9	16.4	14.9	13.6	11.8	10.4

Table 28–4. INCOME, OUTGO, AND BALANCE OF MAJOR TRUST FUNDS—Continued
(In billions of dollars)

	2011 Actual	Estimate 2012	2013	2014	2015	2016	2017
Social Security: Old-Age, Survivors, and Disability Insurance (OASDI) Trust Funds							
Balance, start of year	2,585.5	2,653.5	2,715.7	2,754.4	2,781.9	2,801.6	2,825.9
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	2,585.5	2,653.5	2,715.7	2,754.4	2,781.9	2,801.6	2,825.9
Income:							
Governmental receipts	565.8	572.1	677.4	742.4	780.9	832.8	881.1
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Receipts from Federal funds:							
Interest	116.0	112.6	108.8	106.8	106.2	106.0	107.8
Other	129.0	167.5	89.9	64.1	69.2	74.7	80.3
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	810.9	852.3	876.3	913.4	956.3	1,013.6	1,069.3
Outgo:							
To the public	–737.2	–785.1	–832.3	–880.1	–930.9	–983.7	–1,040.0
Payments to other funds	–5.7	–5.4	–5.3	–5.7	–5.8	–5.6	–6.1
Subtotal, outgo	–742.9	–790.5	–837.6	–885.8	–936.7	–989.3	–1,046.1
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–48.0	–50.7	–70.1	–79.2	–86.6	–81.7	–84.6
Interest	116.0	112.6	108.8	106.8	106.2	106.0	107.8
Subtotal, surplus or deficit(–)	68.0	61.9	38.7	27.6	19.6	24.3	23.2
Borrowing/Transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	68.0	61.9	38.7	27.6	19.6	24.3	23.2
Balance, end of year	2,653.5	2,715.7	2,754.4	2,781.9	2,801.6	2,825.9	2,849.0
Transportation Trust Fund							
Balance, start of year	29.2	21.6	11.5	35.7	55.1	68.9	77.7
Adjustments	*	*	....	....	....	....	....
Total balance, start of year	29.2	21.6	11.5	35.7	55.1	68.9	77.7
Income:							
Governmental receipts	36.9	38.7	39.3	40.2	41.2	42.1	43.0
Offsetting governmental receipts	*	*	*	*	*	*	*
Proprietary receipts	*	0.1	....	....	....	....	....
Receipts from Federal funds:							
Interest	*	....	....	....	....	....	....
Other	0.1	0.3	38.8	38.8	38.8	38.8	38.8
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	37.1	39.1	78.1	79.0	80.0	80.9	81.9
Outgo:							
To the public	–44.7	–49.2	–53.9	–59.6	–66.2	–72.1	–78.0
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–44.7	–49.2	–53.9	–59.6	–66.2	–72.1	–78.0
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–7.6	–10.1	24.2	19.4	13.8	8.8	3.8
Interest	*	....	....	....	....	....	....
Subtotal, surplus or deficit(–)	–7.6	–10.1	24.2	19.4	13.8	8.8	3.8
Borrowing/Transfers/lapses (net)	–*	–*	–*	....	....	....	....
Total, change in fund balance	–7.6	–10.1	24.2	19.4	13.8	8.8	3.8
Balance, end of year	21.6	11.5	35.7	55.1	68.9	77.7	81.6

Table 28–4. INCOME, OUTGO, AND BALANCE OF MAJOR TRUST FUNDS—Continued

(In billions of dollars)

	2011 Actual	Estimate 2012	2013	2014	2015	2016	2017
Unemployment Trust Fund							
Balance, start of year	20.0	–26.7	–27.2	–30.4	–28.7	–8.8	17.9
Adjustments	–35.3	....	....	....	....	....	....
Total balance, start of year	–15.3	–26.7	–27.2	–30.4	–28.7	–8.8	17.9
Income:							
Governmental receipts	56.2	57.1	57.9	59.3	74.9	79.3	75.3
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	1.3	*	*	0.9	0.7	0.5	0.4
Receipts from Federal funds:							
Interest	0.7	0.5	0.4	0.5	0.5	0.6	0.9
Other	51.9	49.1	20.5	1.1	1.0	1.0	0.9
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	110.0	106.7	78.8	61.8	77.1	81.5	77.6
Outgo:							
To the public	–121.4	–110.8	–78.8	–60.1	–57.2	–54.9	–52.8
Payments to Federal funds	....	....	....	....	....	....	....
Subtotal, outgo	–121.4	–110.8	–78.8	–60.1	–57.2	–54.9	–52.8
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–12.1	–4.6	–0.4	1.2	19.5	26.0	23.9
Interest	0.7	0.5	0.4	0.5	0.5	0.6	0.9
Subtotal, surplus or deficit(–)	–11.4	–4.1	....	1.7	19.9	26.6	24.8
Borrowing/Transfers/lapses (net) [1]	–*	3.7	–3.2	....	....	....	....
Total, change in fund balance	–11.4	–0.4	–3.2	1.7	19.9	26.6	24.8
Balance, end of year	–26.7	–27.2	–30.4	–28.7	–8.8	17.9	42.7
Veterans Life Insurance Funds							
Balance, start of year	10.2	9.5	8.8	8.1	7.3	6.5	5.7
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	10.2	9.5	8.8	8.1	7.3	6.5	5.7
Income:							
Governmental receipts	....	....	....	....	....	....	....
Offsetting governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	0.4	0.3	0.3	0.2	0.2	0.2	0.2
Receipts from Federal funds:							
Interest	0.5	0.5	0.4	0.4	0.3	0.3	0.2
Other	....	....	....	....	....	....	....
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	0.9	0.8	0.7	0.6	0.5	0.5	0.4
Outgo:							
To the public	–1.5	–1.5	–1.4	–1.4	–1.3	–1.3	–1.2
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–1.5	–1.5	–1.4	–1.4	–1.3	–1.3	–1.2
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–1.2	–1.2	–1.2	–1.1	–1.1	–1.1	–1.0
Interest	0.5	0.5	0.4	0.4	0.3	0.3	0.2
Subtotal, surplus or deficit(–)	–0.6	–0.7	–0.7	–0.8	–0.8	–0.8	–0.8
Borrowing/Transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	–0.6	–0.7	–0.7	–0.8	–0.8	–0.8	–0.8
Balance, end of year	9.5	8.8	8.1	7.3	6.5	5.7	4.9

Table 28–4. INCOME, OUTGO, AND BALANCE OF MAJOR TRUST FUNDS—Continued
(In billions of dollars)

	2011 Actual	Estimate					
		2012	2013	2014	2015	2016	2017
Other Trust Funds							
Balance, start of year	78.1	82.4	85.7	91.2	98.4	114.2	128.8
Adjustments	–0.1	*	....	....	....	....	....
Total balance, start of year	78.1	82.4	85.7	91.2	98.4	114.2	128.8
Income:							
Governmental receipts	5.0	5.3	7.3	8.5	8.6	8.7	9.1
Offsetting governmental receipts	*	*	1.2	5.4	8.2	6.1	2.0
Proprietary receipts	6.5	6.4	6.3	6.4	6.5	6.6	6.7
Receipts from Federal funds:							
Interest	2.7	2.6	2.8	3.1	3.4	3.6	3.8
Other	3.6	3.5	3.5	3.5	3.5	3.6	3.7
Receipts from Trust funds	*	*	0.1	0.1	0.1	0.1	0.1
Subtotal, income	17.7	17.9	21.2	27.0	30.4	28.8	25.5
Outgo:							
To the public	–13.4	–14.2	–15.4	–19.8	–14.5	–14.0	–14.3
Payments to other funds	–*	–*	–0.1	–0.1	–0.1	–0.1	–0.2
Subtotal, outgo	–13.4	–14.2	–15.5	–19.8	–14.6	–14.1	–14.5
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	1.6	1.1	2.9	4.1	12.4	11.0	7.2
Interest	2.7	2.6	2.8	3.1	3.4	3.6	3.8
Subtotal, surplus or deficit(–)	4.3	3.7	5.8	7.2	15.8	14.7	11.0
Borrowing/Transfers/lapses (net)	*	–0.4	–0.3	....	....	....	....
Total, change in fund balance	4.3	3.3	5.5	7.2	15.8	14.7	11.0
Balance, end of year	82.4	85.7	91.2	98.4	114.2	128.8	139.9

[1] For 2012, the Unemployment Trust Fund is expected to borrow a net amount of $3.7 billion from the general fund of the Treasury. For 2013, the Trust Fund is expected to repay the general fund a net amount of $3.2 billion

Table 28–5. INCOME, OUTGO, AND BALANCE OF MAJOR FEDERAL FUNDS
(In billions of dollars)

	2011 Actual	Estimate					
		2012	2013	2014	2015	2016	2017
Abandoned Mine Reclamation Fund							
Balance, start of year	2.6	2.7	2.8	2.8	2.8	2.8	2.8
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	2.6	2.7	2.8	2.8	2.8	2.8	2.8
Income:							
Governmental receipts	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Proprietary receipts	*	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	0.1	0.1	0.1	*	0.1	0.1	0.1
Other	....	....	....	....	....	....	....
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	0.3	0.3	0.3	0.2	0.3	0.3	0.3
Outgo (–):							
To the public	–0.2	–0.2	–0.3	–0.3	–0.3	–0.3	–0.3
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–0.2	–0.2	–0.3	–0.3	–0.3	–0.3	–0.3
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	*	*	–*	–*	–0.1	–0.1	–0.1
Interest	0.1	0.1	0.1	*	0.1	0.1	0.1
Subtotal, surplus or deficit(–)	0.1	0.1	*	–*	....	–*	–*
Borrowing/Transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	0.1	0.1	*	–*	....	–*	–*
Balance, end of year	2.7	2.8	2.8	2.8	2.8	2.8	2.8
Credit Union Share Insurance Fund							
Balance, start of year	9.3	10.7	10.7	10.9	11.1	11.7	12.5
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	9.3	10.7	10.7	10.9	11.1	11.7	12.5
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	11.6	0.5	0.5	0.5	0.7	0.7	0.7
Receipts from Federal funds:							
Interest	0.2	0.2	0.2	0.3	0.4	0.5	0.6
Other	....	....	....	....	....	....	....
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	11.8	0.7	0.7	0.8	1.1	1.3	1.3
Outgo (–):							
To the public	–10.3	–0.7	–0.6	–0.5	–0.5	–0.5	–0.5
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–10.3	–0.7	–0.6	–0.5	–0.5	–0.5	–0.5
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	1.3	–0.2	–0.1	–0.1	0.2	0.2	0.2
Interest	0.2	0.2	0.2	0.3	0.4	0.5	0.6
Subtotal, surplus or deficit(–)	1.5	–*	0.1	0.3	0.6	0.7	0.8
Borrowing/Transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	1.5	–*	0.1	0.3	0.6	0.7	0.8
Balance, end of year	10.7	10.7	10.9	11.1	11.7	12.5	13.2

Table 28–5. INCOME, OUTGO, AND BALANCE OF MAJOR FEDERAL FUNDS—Continued
(In billions of dollars)

	2011 Actual	Estimate					
		2012	2013	2014	2015	2016	2017
Department of Defense Medicare-Eligible Retiree Health Care Fund							
Balance, start of year	164.6	186.1	201.0	209.5	217.7	226.4	237.0
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	164.6	186.1	201.0	209.5	217.7	226.4	237.0
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	....	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	9.0	7.0	7.4	7.7	8.1	9.9	10.6
Other	....	....	....	....	....	....	....
Receipts from Trust funds	21.1	17.9	10.8	10.9	11.5	12.1	12.7
Subtotal, income	30.1	24.9	18.2	18.6	19.6	22.0	23.3
Outgo (–):							
To the public	–8.6	–10.0	–9.7	–10.5	–10.9	–11.4	–11.9
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–8.6	–10.0	–9.7	–10.5	–10.9	–11.4	–11.9
Change in fund balance:							
Surplus or deficit(–):	....	....	....	....	....	....	....
Excluding interest	12.5	7.9	1.1	0.4	0.6	0.7	0.8
Interest	9.0	7.0	7.4	7.7	8.1	9.9	10.6
Subtotal, surplus or deficit(–)	21.5	14.9	8.5	8.1	8.7	10.6	11.4
Borrowing/Transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	21.5	14.9	8.5	8.1	8.7	10.6	11.4
Balance, end of year	186.1	201.0	209.5	217.7	226.4	237.0	248.4
Overseas Private Investment Corporation Noncredit Account							
Balance, start of year	4.9	5.1	5.2	5.3	5.5	5.7	5.9
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	4.9	5.1	5.2	5.3	5.5	5.7	5.9
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	0.2	0.2	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	–0.1
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–0.1	–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
Borrowing/Transfers/lapses (net)	–*	–0.1	–0.1	....	....	....	....
Total, change in fund balance	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Balance, end of year	5.1	5.2	5.3	5.5	5.7	5.9	6.1

Table 28–5. INCOME, OUTGO, AND BALANCE OF MAJOR FEDERAL FUNDS—Continued
(In billions of dollars)

	2011 Actual	Estimate					
		2012	2013	2014	2015	2016	2017
Pension Benefit Guaranty Corporation Fund							
Balance, start of year	14.4	15.6	15.8	17.4	19.1	21.9	24.0
Adjustments	....	....	....	....	....	....	....
Total balance, start of year	14.4	15.6	15.8	17.4	19.1	21.9	24.0
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	5.8	5.9	7.8	8.8	10.7	10.9	11.1
Receipts from Federal funds:							
Interest	1.3	0.8	0.9	0.9	1.0	1.1	1.2
Other	....	....	....	....	....	....	....
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	7.1	6.8	8.7	9.7	11.7	12.0	12.3
Outgo (–):							
To the public	–5.9	–6.5	–7.1	–8.0	–8.9	–10.0	–10.9
Payments to other funds	....	....	....	....	....	....	....
Subtotal, outgo	–5.9	–6.5	–7.1	–8.0	–8.9	–10.0	–10.9
Change in fund balance:							
Surplus or deficit(–):							
Excluding interest	–0.1	–0.6	0.7	0.8	1.8	0.9	0.1
Interest	1.3	0.8	0.9	0.9	1.0	1.1	1.2
Subtotal, surplus or deficit(–)	1.2	0.2	1.6	1.7	2.8	2.1	1.4
Borrowing/Transfers/lapses (net)	....	....	....	....	....	....	....
Total, change in fund balance	1.2	0.2	1.6	1.7	2.8	2.1	1.4
Balance, end of year	15.6	15.8	17.4	19.1	21.9	24.0	25.3

29. NATIONAL INCOME AND PRODUCT ACCOUNTS

The National Income and Product Accounts (NIPAs) are an integrated set of statistics prepared by the Department of Commerce that measure aggregate U.S. economic activity. Because the NIPAs include Federal transactions and are widely used in economic analysis, it is important to understand the differences between the NIPAs' distinctive presentation of Federal transactions and that of the budget.

The main purpose of the NIPAs is to measure the Nation's total production of goods and services, known as gross domestic product (GDP), and the incomes generated in its production. GDP excludes intermediate production to avoid double counting. Government consumption expenditures along with government gross investment — State and local as well as Federal — are included in GDP as part of final output, together with personal consumption expenditures, gross private domestic investment, and net exports of goods and services (exports minus imports).

Not all government expenditures are counted in GDP. Benefit payments to individuals, grants to State and local governments, subsidies, and interest payments are not purchases of final output and are therefore not included in GDP. However, these transactions are recorded in the NIPA government account that records current receipts and expenditures (including depreciation on government gross investment) because all of these affect the government's claim on economic resources.

Federal transactions are included in the NIPAs as part of the government sector.[1] The Federal subsector is designed to measure certain important economic effects of Federal transactions in a way that is consistent with the conceptual framework of the entire set of integrated accounts. The NIPA Federal subsector is not itself a budget, because it is not a financial plan for proposing, determining, and controlling the fiscal activities of the Government. For example, it omits from its current receipts and current expenditures certain "capital transfers" (such as estate tax receipts and grants to States for capital investment) that are recorded in the budget. These capital transfers are therefore not counted in net Federal Government saving, but are displayed separately to show their effect on net Federal lending or borrowing. NIPA concepts also differ in many other ways from budget concepts, and therefore the NIPA presentation of Federal finances is significantly different from that of the budget.

Differences between the NIPAs and the Budget

Federal transactions in the NIPAs are measured according to NIPA accounting concepts and as a result they differ from the budget in netting and grossing, timing, and coverage. These differences cause current receipts and expenditures in the NIPAs to differ from total receipts and outlays in the budget, albeit by relatively small amounts.[2] Differences in timing and coverage also cause the NIPA measure of net Federal Government saving to differ from the budget surplus or deficit. Unlike timing and coverage differences, netting and grossing differences have equal effects on receipts and expenditures and thus have no effect on net Government saving. The NIPAs also combine transactions into different categories from those used in the budget.

Netting and grossing differences arise because the budget records certain transactions as offsets to outlays that are recorded as current receipts in the NIPAs (or vice versa). The budget treats all income that comes to the Government due to its sovereign powers—mainly, but not exclusively, taxes—as governmental receipts. The budget offsets against outlays any income that arises from voluntary business-type transactions with the public. The NIPAs generally follow this concept as well, and income to Government revolving accounts (such as the Government Printing Office) is offset against their expenditures. However, the NIPAs have a narrower definition of "business-type transactions" than does the budget. Rents and royalties, and some regulatory or inspection fees, which are classified as offsets to outlays in the budget, are recorded in the NIPAs as Government receipts (income receipts on assets and current transfer receipts, respectively). The NIPAs include Medicare premiums as Government receipts, while the budget classifies them as business-type transactions (offsetting receipts). In addition, the NIPAs treat the net surplus of Government enterprises, such as the Postal Service, as a component of current receipts.

In the budget, any intragovernmental income paid from one account to another is offset against outlays rather than being recorded as a receipt so that total outlays and receipts measure only transactions with the public. For example, Government contributions for Federal employee social insurance (such as Social Security) are offset against outlays. In contrast, the NIPAs treat the Federal Government like any other employer and show contributions for Federal employee social insurance as expenditures by the employing agencies and as current receipts, rather than offsets against outlays. The NIPAs also display certain transactions that are not recorded explicitly in the budget. For example, unemployment benefits for Federal employees are financed by direct appropriations rather than social insurance contributions. The NIPAs

[1] The NIPA government sector consists of the Federal subsector and a State and local subsector that is a single set of transactions for all U.S. State and local units of government, treated as a consolidated entity.

[2] Over the period 1994–2010, NIPA current expenditures averaged 3.7 percent higher than budget outlays, while NIPA current receipts averaged 3.4 percent higher than budget receipts. Including capital transfers and net investment, NIPA total expenditures averaged 6.4 percent higher than budget outlays, while NIPA total receipts averaged 4.6 percent higher than budget receipts.

impute the social insurance contributions to the expenditures of employing agencies—again, treating the Federal Government like any other employer.

Timing differences for receipts occur because the NIPAs generally record business taxes when they accrue, while the budget generally records receipts when they are received. Thus the NIPAs attribute corporations' final settlement payments back to the quarter(s) in which the profits that gave rise to the tax liability occurred. The delay between accrual of liability and Treasury receipt of payment can result in significant timing differences between NIPA and budget measures of receipts for any given accounting period.

Timing differences also occur for expenditures. When the first day of a month falls on a weekend or holiday, monthly benefit checks normally deposited on the first day of the month may be deposited a day or two earlier; the budget then reflects two payments in one month and none the next. As a result, the budget totals occasionally reflect 13 monthly payments in one year and only 11 the next. NIPA expenditure figures always reflect 12 benefit payments per year, giving rise to a timing difference compared to the budget.

Coverage differences arise on the expenditure side because of the NIPA treatment of Government investment. The budget includes outlays for Federal investments as they are paid, while the NIPA Federal current account excludes current investments but includes a depreciation charge on past investments ("consumption of general government fixed capital") as part of "current expenditures." The inclusion of depreciation on fixed capital (structures, equipment and software) in current expenditures can be thought of as a proxy for the services that capital renders; i.e., for its contribution to Government output of public services. The depreciation charge is not a full reflection of capital services, however, since it does not include the net return to capital that in a private corporation would appear as interest income or profit. The NIPAs would need to include an imputed interest charge for government capital to assure a fully parallel treatment.

Certain items in the budget are excluded from the NIPA Federal current account because they are related to the acquisition or sale of assets, and not linked to current consumption or income. Examples include Federal grants to State and local governments for capital investment, investment subsidies to business, lump sum payments to amortize the unfunded liability of the Uniformed Services Retiree Health Care Fund and the Postal Service Retiree Health Benefits Fund, and forgiveness of debt owed by foreign governments. Likewise, estate and gift taxes, included in budget receipts, are excluded from NIPA current receipts as being capital transfers. The NIPAs also exclude the proceeds from the sales of non-produced assets such as land. Bonuses paid on Outer Continental Shelf oil leases and proceeds from broadcast spectrum auctions are shown as offsetting receipts in the budget and are deducted from budget outlays. In the NIPAs these transactions are excluded from the Federal current account as an exchange of assets with no current production involved. The NIPAs are not strictly consistent in this interpretation, however, since they do include in total revenues the taxation of capital gains. The treatment of Government pension plan income and outgo creates a coverage difference. Whereas the budget treats employee payments to these pension plans as governmental receipts, and employer contributions by agencies as offsets to outlays because they are intragovernmental, the NIPAs treat employer contributions as personal income and employee payments as a transfer of income within the household sector, in the same way as it treats contributions to pension plans in the private (household) sector. Likewise, the budget records a Government pension payment to a retired Government employee as an outlay, but under NIPA concepts, no Government expenditure occurs at that time; the payment is treated (like private pension payments) as a transfer of income within the household sector.

Financial transactions such as loan disbursements, loan repayments, loan asset sales, and loan guarantees are excluded from the NIPA current accounts on the grounds that such transactions simply involve an exchange of assets rather than current production, income, or consumption. In contrast, under the Federal Credit Reform Act of 1990, the budget records the estimated subsidy cost of the direct loan or loan guarantee as an outlay at the time when the loan is disbursed. The cash flows with the public are recorded in non-budgetary accounts as a means of financing the budget rather than as budgetary transactions. This treatment recognizes that a Federal direct loan is an exchange of assets with equal value after allowing for the subsidy to the borrower implied by the terms of the loan. It also recognizes the subsidy element in loan guarantees. In the NIPAs current accounts, these subsidies are not recognized. Exclusion from the NIPA current accounts of asset purchases, direct loans, and loan guarantees under the Troubled Asset Relief Program (TARP) and other financial stabilization measures gave rise to the largest differences between budget and NIPA expenditures totals in 2009 through 2011.[3]

The NIPAs, like the budget, include all interest transactions with the public, including interest received by and paid to the loan financing accounts; and both the NIPAs and the budget include administrative costs of credit program operations.

[3] The budgetary treatment of financial stabilization efforts is discussed further in Chapter 4 of this volume, "Financial Stabilization Efforts and their Budgetary Effects." Deposit insurance transactions of the FDIC and NCUA are recorded on a cash basis in the budget but only premiums are included in the NIPAs. Likewise, purchase of GSE preferred stock is recorded in the budget on a cash basis, but is excluded from the NIPA current accounts; GSE preferred stock purchases, however, are shown as capital transfers. Many of the Treasury's financial stabilization programs, including TARP equity purchases, are recorded in the budget on a credit basis, in which the budget recognizes the estimated subsidy value of direct loans, loan guarantees, and equity purchases at the time the loan or purchase is made. This credit treatment extends to equity purchases under the Troubled Asset Relief Program, as well as loans. The NIPAs normally exclude the principal disbursements and repayments of credit transactions as exchanges of assets with no current production involved; the interest and dividend receipts, however, are included in NIPA current receipts as receipts on assets. For certain transactions, the NIPAs recognize the subsidy conveyed by these transactions by recording capital transfers, calculated as the difference between the actual price paid for the financial asset and an estimate of its market value. This capital transfer treatment applies to preferred stock purchases and purchases of warrants for common stock.

Similarly to loan transactions, deposit insurance outlays for resolving failed banks and thrift institutions are excluded from the NIPAs on the grounds that there are no offsetting current income flows from these transactions. This exclusion created a particularly large difference in 2009, because of large outlays to liquidate failed bank deposits. In a similar episode in 1991, this exclusion was the largest difference between the NIPAs and the budget and made NIPA net Government saving a significantly smaller negative number than the budget deficit that year. In subsequent years, as assets acquired from failed financial institutions were sold, these collections tended to make the budget deficit a smaller negative figure than NIPA net Federal Government saving.

Federal Sector Current Receipts

Table 29–1 shows the NIPA classification of Federal current receipts in five major categories and four of the subcategories used to measure taxes, which are similar to the budget categories but with some significant differences.

Current tax receipts is the largest category of current receipts, and its personal current taxes subcategory —

Table 29–1. FEDERAL TRANSACTIONS IN THE NATIONAL INCOME AND PRODUCT ACCOUNTS, 2002–2013

(In billions of dollars)

											Estimate	
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
CURRENT RECEIPTS												
Current tax receipts	1,095.5	1,056.5	1,115.7	1,346.2	1,538.5	1,632.0	1,511.7	1,188.6	1,282.7	1,473.8	1,630.1	1,932.5
Personal current taxes	849.4	781.5	782.3	913.2	1,033.7	1,140.6	1,122.9	904.8	860.8	1,032.2	1,162.7	1,348.3
Taxes on production and imports	85.9	88.7	93.4	98.0	99.1	94.4	95.2	96.4	100.2	106.6	113.9	126.9
Taxes on corporate income	152.4	177.8	230.8	323.0	393.8	380.8	277.1	169.8	308.3	319.8	337.0	440.9
Taxes from the rest of the world	7.7	8.4	9.3	12.0	11.8	16.1	16.4	17.6	13.4	15.1	16.5	16.5
Contributions for government social insurance	734.4	753.4	795.4	847.9	892.7	936.6	969.4	947.3	965.7	927.0	930.9	1,058.4
Income receipts on assets	21.6	21.6	23.1	24.1	25.2	28.4	32.2	41.8	52.3	56.0	54.5	60.9
Current transfer receipts	27.5	24.9	27.8	32.4	38.1	42.2	49.1	69.6	70.0	67.6	68.2	87.3
Current surplus of government enterprises	–0.9	4.0	1.7	–3.7	–3.3	–2.3	–3.5	–4.0	–4.9	–10.1	–21.5	–14.8
Total current receipts	**1,878.1**	**1,860.3**	**1,963.7**	**2,246.9**	**2,491.2**	**2,636.9**	**2,558.9**	**2,243.4**	**2,365.9**	**2,514.2**	**2,662.2**	**3,124.3**
CURRENT EXPENDITURES												
Consumption expenditures	574.1	646.3	704.7	756.5	797.6	831.2	906.7	969.8	1,040.1	1,069.2	1,121.2	1,112.7
Defense	367.6	422.9	469.7	507.3	531.3	562.8	616.3	653.5	693.6	710.3	733.8	732.1
Nondefense	206.6	223.4	235.0	249.3	266.3	268.4	290.4	316.3	346.5	358.9	387.5	380.6
Current transfer payments	1,226.0	1,317.0	1,392.2	1,473.4	1,566.0	1,661.2	1,808.0	2,072.7	2,288.8	2,348.8	2,346.4	2,446.2
Government social benefits	905.8	960.5	1,014.9	1,076.9	1,166.6	1,249.5	1,372.3	1,560.3	1,714.1	1,779.6	1,776.7	1,864.8
Grants-in-aid to State and local governments	296.7	328.4	347.8	359.6	360.9	373.9	389.8	458.6	520.2	517.5	512.5	523.8
Other transfers to the rest of the world	23.5	28.1	29.5	37.0	38.5	37.8	45.9	53.7	54.5	51.8	57.3	57.6
Interest payments	234.5	215.7	215.8	242.8	284.4	302.9	314.2	238.6	274.7	323.9	329.8	356.8
Subsidies	41.0	48.1	44.6	57.6	54.6	47.6	48.9	56.8	55.2	62.2	70.6	70.7
Wage disbursements less accruals	....	....	....	....	....	....	....	....	....	....	....	....
Total current expenditures	**2,075.6**	**2,227.0**	**2,357.4**	**2,530.2**	**2,702.7**	**2,842.8**	**3,077.8**	**3,337.9**	**3,658.8**	**3,804.1**	**3,868.1**	**3,986.4**
Net Federal Government saving	**–197.5**	**–366.7**	**–393.8**	**–283.4**	**–211.5**	**–205.9**	**–518.9**	**–1,094.5**	**–1,292.9**	**–1,289.9**	**–1,205.8**	**–862.1**
ADDENDUM: TOTAL RECEIPTS AND EXPENDITURES												
Current receipts	1,878.1	1,860.3	1,963.7	2,246.9	2,491.2	2,636.9	2,558.9	2,243.4	2,365.9	2,514.2	2,662.2	3,124.3
Capital transfer receipts	26.4	21.7	24.7	24.6	27.7	25.8	28.6	23.3	18.2	6.8	10.7	12.1
Total receipts	**1,904.5**	**1,882.1**	**1,988.3**	**2,271.4**	**2,518.9**	**2,662.7**	**2,587.5**	**2,266.7**	**2,384.1**	**2,520.9**	**2,673.0**	**3,136.4**
Current expenditures	2,075.6	2,227.0	2,357.4	2,530.2	2,702.7	2,842.8	3,077.8	3,337.9	3,658.8	3,804.1	3,868.1	3,986.4
Net investment:												
Gross government investment:												
Defense	55.7	61.4	67.1	73.8	78.6	86.1	98.7	111.0	114.1	111.8	107.5	103.1
Nondefense	32.9	33.7	33.5	34.8	40.0	40.1	41.9	45.5	50.1	49.2	51.1	53.2
Less: Consumption of fixed capital:												
Defense	60.3	61.4	63.7	67.8	72.0	76.3	81.6	85.8	89.6	95.2	100.5	104.6
Nondefense	28.6	29.0	29.7	31.3	33.0	34.8	36.4	38.0	39.0	40.6	42.0	43.3
Capital transfer payments	45.2	51.3	62.2	83.7	69.5	69.4	90.7	268.3	177.5	134.9	164.1	139.9
Net purchases of nonproduced assets	0.3	0.1	0.1	–0.7	–0.3	–13.9	–10.0	–16.6	0.1	–0.2	–1.2	–1.4
Total expenditures	**2,120.8**	**2,283.0**	**2,427.0**	**2,622.7**	**2,785.5**	**2,913.5**	**3,181.1**	**3,622.3**	**3,872.0**	**3,964.1**	**4,047.2**	**4,133.2**
Net lending or net borrowing (–)	**–216.3**	**–400.9**	**–438.7**	**–351.3**	**–266.6**	**–250.8**	**–593.6**	**–1,355.6**	**–1,487.9**	**–1,443.1**	**–1,374.2**	**–996.8**

composed primarily of the individual income tax — is the largest single subcategory. The NIPAs' taxes on corporate income subcategory differs in classification from the corresponding budget category primarily because the NIPAs include the deposit of earnings of the Federal Reserve System as corporate income taxes, while the budget treats these collections as miscellaneous receipts. (The timing difference between the NIPAs and the budget is especially large for corporate receipts.) The taxes on production and imports subcategory is composed of excise taxes and customs duties.

Contributions for Government social insurance is the second largest category of current receipts. It differs from the corresponding budget category primarily because: (1) the NIPAs include Federal employer contributions for social insurance as a government receipt, while the budget offsets these contributions against outlays as undistributed offsetting receipts; (2) the NIPAs include premiums for Parts B and D of Medicare as government receipts, while the budget nets them against outlays; (3) the NIPAs treat Government employee contributions to their pension plans as a transfer of personal income within the household sector (as if the pension system were private), while the budget includes them in governmental receipts; and (4) the NIPAs impute employer contributions for Federal employees' unemployment insurance and workers' compensation.

The income receipts on assets category consists mainly of interest payments received on Government direct loans (such as student loans), rents and royalties on Outer Continental Shelf oil leases, and, beginning in 2009, dividends received on preferred stock purchased from the Government-sponsored enterprises Fannie Mae and Freddie Mac. The current transfer receipts category consists primarily of deposit insurance premiums, fees, fines and other receipts from both individuals and businesses, less insurance settlements from the National Flood Insurance Program—virtually all of which are netted against outlays in the budget. The current surplus (or deficit) of Government enterprises category is the profit or loss of "Government enterprises," such as the Postal Service, which are business-type operations of Government that usually appear in the budget as public enterprise revolving funds. Depreciation (consumption of enterprise fixed capital) is netted in calculating the current surplus of Government enterprises.

Federal Sector Current Expenditures

Table 29–1 shows the five major NIPA categories for current expenditures and five subcategories, which differ greatly from the corresponding budget categories.

Government consumption expenditures consist of goods and services purchased by the Federal Government, including compensation of employees and depreciation on fixed capital. Gross investment (shown among the addendum items in Table 29–1) is thus excluded from current expenditures and does not figure in computing net Government saving on a NIPA basis, whereas depreciation—charges on federally-owned fixed capital ("consump-

Table 29–2. RELATIONSHIP OF THE BUDGET TO THE FEDERAL SECTOR, NIPAS

(In billions of dollars)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
RECEIPTS												
Budget receipts	1,853.1	1,782.3	1,880.1	2,153.6	2,406.9	2,568.0	2,524.0	2,105.0	2,162.7	2,303.5	2,468.6	2,902.0
Contributions to government employee retirement plans	–4.6	–4.6	–4.6	–4.5	–4.4	–4.3	–4.2	–4.1	–4.1	–4.0	–4.3	–5.0
Capital transfers received	–26.4	–21.7	–24.7	–24.6	–27.7	–25.8	–28.6	–23.3	–18.3	–6.8	–10.7	–12.1
Other coverage differences	–5.4	–5.4	–6.4	–6.9	–7.0	–7.5	–7.7	–7.8	–8.3	–8.3	–8.9	–9.8
Netting and grossing	79.2	87.2	91.5	97.6	110.9	121.8	137.1	168.2	220.6	170.6	157.8	219.3
Timing differences	–17.9	22.6	27.7	31.6	12.6	–15.4	–61.7	5.5	13.2	59.3	59.8	30.0
NIPA current receipts	**1,878.1**	**1,860.3**	**1,963.7**	**2,246.9**	**2,491.2**	**2,636.9**	**2,558.9**	**2,243.4**	**2,365.9**	**2,514.2**	**2,662.2**	**3,124.3**
EXPENDITURES												
Budget outlays	2,010.9	2,159.9	2,292.8	2,472.0	2,655.1	2,728.7	2,982.5	3,517.7	3,456.2	3,603.1	3,795.5	3,803.4
Government employee retirement plan transactions	33.6	33.0	33.2	38.9	41.6	39.9	52.0	30.7	51.2	58.3	62.3	49.8
Deposit insurance and other financial transactions	–9.2	–1.8	–0.9	–0.5	–9.8	–12.7	–57.9	–514.6	–34.7	26.4	–94.1	–96.2
Capital transfer payments	–45.1	–45.7	–46.8	–65.1	–51.8	–53.1	–59.2	–236.3	–142.2	–103.5	–140.1	–114.8
Net purchases of nonproduced assets	–0.3	–0.1	–0.1	0.7	0.3	13.9	10.0	16.6	–0.1	0.2	1.2	1.4
Net investment	0.3	–4.7	–7.3	–9.5	–13.6	–15.1	–22.7	–33.0	–35.6	–25.3	–16.2	–8.4
Other coverage differences	10.9	–1.9	–8.2	–12.4	–23.3	9.7	20.9	396.8	149.4	52.6	112.3	143.1
Netting and grossing differences	79.2	87.2	91.5	97.6	110.9	121.8	137.1	168.2	220.6	170.6	157.8	219.3
Timing differences	–4.7	1.1	3.1	8.6	–6.5	9.6	15.0	–8.1	–6.1	21.8	–10.6	–11.3
NIPA current expenditures	**2,075.6**	**2,227.0**	**2,357.4**	**2,530.2**	**2,702.7**	**2,842.8**	**3,077.8**	**3,337.9**	**3,658.8**	**3,804.1**	**3,868.1**	**3,986.4**
ADDENDUM												
Budget surplus or deficit (–)	–157.8	–377.6	–412.7	–318.3	–248.2	–160.7	–458.6	–1,412.7	–1,293.5	–1,299.6	–1,326.9	–901.4
NIPA net Federal Government saving	–197.5	–366.7	–393.8	–283.4	–211.5	–205.9	–518.9	–1,094.5	–1,292.9	–1,289.9	–1,205.8	–862.1

tion of general government fixed capital")—is included. The NIPAs treat State and local investment and capital consumption in the same way—regardless of the extent to which it is financed with Federal aid (capital transfer payments) or from State and local own-source receipts.

Although gross investment is not included in Government current expenditures, Government gross investment is included in total GDP along with current consumption expenditures (including depreciation), which makes the treatment of the government sector in the NIPAs similar to that of the private sector. Investment includes structures, equipment, and computer software.

The largest expenditure category consists mainly of current transfer payments for Government income security and health benefits, such as Social Security and Medicare. Payment of pension benefits to former Government employees is not included, as explained previously. Grants-in-aid to State and local governments help finance a range of programs, including income security, Medicaid, and education (but capital transfer payments for construction of highways, airports, waste-water treatment plants, and mass transit are excluded). "Current transfer payments to the rest of the world (net)" consists mainly of grants to foreign governments and U.S. territories.

Interest payments consist of the interest paid by the Government on its debt (excluding debt held by trust funds, other than Federal employee pension plans; and other Government accounts). Where the budget nets interest received on loans against outlays, the NIPAs treat it as current receipts.

Subsidies consist of subsidy payments for resident businesses (excluding subsidies for investment). NIPA subsidies do not include the imputed credit subsidies estimated as budget outlays under credit reform. Rather, as explained previously loans and guarantees are excluded from the NIPAs except for associated interest and fees.

Wage disbursements less accruals is an adjustment that is necessary to the extent that the wages paid in a period differ from the amount earned in the period.

The addendum to Table 29–1 shows the capital transfers and net investment adjustments necessary to bridge between NIPA current receipts and expenditures and total receipts and expenditures.

Differences in the Estimates

Since the introduction of the unified budget in January 1968, NIPA current receipts have been greater than budget receipts in most years. This is due principally to grossing differences and the fact that estate and gift taxes, which the NIPAs exclude as capital transfers, have been roughly matched by Medicare premiums, which the NIPAs include as a government receipt, but the budget treats as an offsetting receipt that is netted against the outlay total. Since 1986, NIPA current expenditures have usually been higher than budget outlays (from which the Medicare premiums and employer retirement contributions are netted out as offsetting receipts), despite the omission from NIPA expenditures of capital transfer grants and pension benefit payments to former Government employees.

Two components of budget outlays, however, are sometimes sufficiently large in combination to exceed the usual netting and grossing adjustments. These are financial transactions and net investment (the difference between gross investment and depreciation). Large outlays associated with resolving the failed savings and loan associations and banks in 1990 and 1991 caused those year's budget outlays to exceed NIPA current expenditures. With the change in budgetary treatment of direct loans in 1992 under credit reform, the cost of direct loans to the public recorded in the budget has been reduced, bringing it closer to the NIPA treatment. Disbursement and repayment of loans made since that time are recorded outside the budget; only credit subsidies are recorded as budget outlays, unlike the NIPAs which do not include this element of government expenditure.

Every year during the period 1975–1991, the budget deficit showed a larger fiscal imbalance than the amount of (negative) net Federal Government saving as measured in the NIPAs. The largest difference, $74.1 billion, occurred in 1991 as a result of resolving failed financial institutions as discussed above; the budget deficit was then $269.2 billion, while the NIPA net Government saving was $195.1 billion. Beginning in 1992, deposit insurance and other financial transactions caused the relationship to reverse, and in 1992–2002, the budget deficit or surplus showed a more positive fiscal picture than the NIPA measure, with NIPA (negative) net Federal Government saving exceeding in magnitude the budget deficit when the budget was in deficit and (positive) net Federal Government saving falling short of the budget surplus during the years the budget was in surplus. For 2003–2006, the budget deficit was once again a larger negative than NIPA net Federal Government saving, largely due to timing and coverage differences. The budget measure was less negative again in 2007 and 2008 due to sales of nonproduced assets and unusual swings in timing differences and financial transactions in those years. For 2009, the difference was historically high, $318.2 billion, due primarily to differing treatment of TARP and other financial stabilization measures. In 2010 and 2011, the Budget deficit remained a larger negative than the NIPA net saving measure, but of a much smaller magnitude than the outlying year of 2009. It is projected to continue to be a larger negative in 2012 and 2013.

Table 29–1 displays Federal transactions using NIPA concepts with actual data for 2002–2011 and estimates for 2012 and 2013 consistent with the Administration's Budget proposals. Table 29–2 summarizes the reasons for differences between the NIPA and budget measures. Annual NIPA data for 1948–2013 are published in Section 14 of a separate budget volume, *Historical Tables, Budget of the U.S. Government, Fiscal Year 2013*.

Detailed estimates of NIPA current receipts and expenditures consistent with the Budget and including quarterly estimates will be published in a forthcoming issue of the Department of Commerce publication, *Survey of Current Business* and on the Bureau of Economic Analysis website at *www.bea.gov*.

30. COMPARISON OF ACTUAL TO ESTIMATED TOTALS

In successive budgets, the Administration publishes 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 results for 2011 with the current services estimates shown in the 2011 Budget, published in February 2010.

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 three 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 2011

This part of the chapter compares the actual receipts, outlays, and deficit for 2011 with the current services estimates shown in the 2011 Budget, published in February 2010.[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 2011 previously published by the Department of the Treasury.

[1] The current services concept is discussed in Chapter 27, "Current Services Estimates." For mandatory programs and receipts, the February 2010 current services estimate was based on laws then in place, adjusted to reflect extension of certain expiring tax provisions and relief from scheduled reductions in Medicare physician payments. For discretionary programs the current services estimate was based on the current year enacted appropriations, adjusted to reflect full-year funding of Overseas Contingency Operations and increased for inflation. The current services estimates published in the 2011 Budget re-classified Pell Grant costs as mandatory. This proposal was not subsequently enacted, so all Pell Grant costs are shown as discretionary in this chapter for comparability. For a detailed explanation of the 2011 estimate, see "Current Services Estimates," Chapter 26 in *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2011*.

Receipts

Actual receipts for 2011 were $2,303 billion, $280 billion less than the $2,583 billion current services estimate in the 2011 Budget. As shown in Table 30–1, this decrease was the net effect of legislative and administrative changes that differed from what was assumed in the current services estimate, economic conditions that differed from what had been expected, and technical factors that resulted in different tax liabilities and collection patterns than had been assumed.

Policy differences. The February 2010 current services estimate of 2011 receipts reflected permanent extension of estate and gift taxes at parameters in effect for calendar year 2009 (a top rate of 45 percent and an exemption amount of $3.5 million), annual indexation of the 2009 parameters of the AMT as enacted in the American Recovery and Reinvestment Act, and permanent extension of most of the income tax reductions enacted in 2001 and 2003 (as amended by subsequent legislation) that were scheduled to expire on December 31, 2010. Those extensions

Table 30–1. COMPARISON OF ACTUAL 2011 RECEIPTS WITH THE INITIAL CURRENT SERVICES ESTIMATES

(In billions of dollars)

	Estimate (February 2010)	Changes: Enacted legislation/ administrative actions	Different economic conditions	Technical factors	Net change	Actual
Individual income taxes	1,126	–76	–21	62	–35	1,091
Corporation income taxes	293	–78	2	–35	–111	181
Social insurance and retirement receipts	935	–81	–24	–12	–116	819
Excise taxes	80	–3	–1	–3	–8	72
Estate and gift taxes	24	–12	....	–4	–17	7
Customs duties	29	–*	*	1	1	30
Miscellaneous receipts	97	–*	3	3	6	103
Total receipts	2,583	–250	–41	12	–280	2,303

* $500 million or less.

were estimated to reduce 2011 receipts by a net $199 billion relative to then-current law. Several laws were enacted after February 2010 that reduced 2011 receipts by a net $250 billion more than the $199 billion in net tax reductions reflected in the current services estimate. The largest net reductions in 2011 receipts relative to what was assumed in the current services estimate were provided by the Small Business Jobs Act of 2010 and the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act, which was enacted in December 2010. The major provisions of these Acts that contributed to this net reduction included: the extension and increase in temporary bonus depreciation for certain property to 100 percent of the adjusted basis of the property; the temporary two-percentage point reduction in the Social Security payroll tax rate for employees and self-employed individuals; and the temporary modification of estate, gift, and generation-skipping transfer taxes (a top rate of 35 percent and an exemption amount of $5 million).

Economic differences. Differences between the economic assumptions upon which the current services estimates were based and actual economic performance reduced 2011 receipts by a net $41 billion below the February 2010 estimate. These differences had the greatest effect on individual income taxes and social insurance and retirement receipts, reducing those sources of receipts by $21 billion and $24 billion, respectively. The reduction in individual income tax receipts was primarily attributable to lower wages and salaries and other sources of taxable personal income than were assumed in February 2010. Lower wages and salaries and proprietors' income – the tax base for Social Security and Medicare payroll taxes – were in large part responsible for the reduction in social insurance and retirement receipts. These reductions in individual income taxes and social insurance and retirement receipts were partially offset by net increases in other sources of receipts of $4 billion. Corporations were more profitable, which increased collections of corporation income taxes $2 billion above the February 2010 estimate. Lower gross domestic product (GDP) contributed to the decline in the demand for taxed goods, which reduced collections of excise taxes $1 billion below the February 2010 estimate. Increases in deposits of earnings by the Federal Reserve System, attributable to different interest rates and other economic factors than assumed, increased collections of miscellaneous receipts by $3 billion.

Technical factors. Technical factors, which had the greatest effect on collections of individual and corporation income taxes and social insurance and retirement receipts, increased receipts by a net $12 billion relative to the February 2010 current services estimate. The models used to prepare the February 2010 estimates of individual and corporation income taxes were based on historical economic data and then-current tax and collections data that were all subsequently revised. These revisions indicated that: (1) sources of income that are not part of the economic forecast, but subject to tax, such as capital gains and pensions, differed from what was expected at the time the February 2010 estimates were prepared; (2) for most sources of income subject to individual and corporation income taxes, both the percentage that was subject to tax and the effective tax rate on the portion subject to tax differed from what was anticipated; and (3) the timing of the payment of tax liability was different from what had been assumed. These revisions in economic, tax, and collections data and their effect on income tax liability and the timing of collections, relative to what was assumed when the February 2010 estimates were prepared, increased individual income taxes $62 billion relative to the February 2010 estimate but had the opposite effect on corporation income taxes, reducing that source of receipts $35 billion relative to the February 2010 estimate. The $12 billion reduction in social insurance and retirement receipts relative to the February 2010 estimate was also attributable, in large part, to models based on historical economic data that overstated the percentage of wages and salaries and self-employment earnings subject to Social Security payroll taxes. Technical factors had a much smaller effect on other sources of receipts, reducing collections by a net $3 billion.

Outlays

Outlays for 2011 were $3,603 billion, $125 billion less than the $3,728 billion current services estimate in the 2011 Budget.

Table 30–2 distributes the $125 billion net decrease in outlays among discretionary and mandatory programs and net interest.[2] The table also shows 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 2011, policy changes increased outlays by an estimated $165 billion relative to the initial current services estimates.

Policy changes increased mandatory outlays by a net $147 billion above current law. The largest increase was the result of changes in unemployment compensation. Extensions and expansions of unemployment insurance enacted in 2010 and 2011 increased 2011 outlays by $70 billion. There was a $30 billion increase in other advancement of commerce as a result of the creation of the Small Business Lending Fund and a $17 billion increase in Medicaid primarily as a result of the extension, through June 2011, of the increased Federal Government share of State Medicaid costs. Debt service costs associated with the policy changes increased outlays by $3 billion.

There was a net decrease in outlays of $42 billion as a result of differences between actual economic conditions

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

Table 30–2. COMPARISON OF ACTUAL 2011 OUTLAYS WITH THE INITIAL CURRENT SERVICES ESTIMATES
(In billions of dollars)

	Current services (February 2010)	Changes				Actual
		Policy	Economic	Technical	Total changes	
Discretionary:						
Defense	704	31	....	–36	–5	699
Nondefense [1, 2]	687	–16	....	–24	–40	648
Subtotal, discretionary	1,391	15	....	–60	–44	1,347
Mandatory:						
Social Security	730	–*	*	–5	–5	725
Medicare and Medicaid	763	27	5	–40	–8	755
Other programs [1]	591	120	–11	–154	–45	546
Subtotal, mandatory	2,084	147	–6	–199	–58	2,026
Disaster costs [3]	3	....	....	–3	–3	....
Net interest	250	3	–36	13	–20	230
Total outlays	3,728	165	–42	–249	–125	3,603

* $500 million or less.
[1] The current services estimates published in the 2011 Budget re-classified Pell Grant costs as mandatory. The estimate for nondefense discretionary spending was $672 billion and $2,103 billion for mandatory outlays in the published Budget. This proposal was not subsequently enacted, so all Pell Grant costs are shown as discretionary in this table for comparability.
[2] The 2013 Budget includes a proposal to change the financing of certain surface transportation programs, which would result in the reclassification of certain activities as to Budget Enforcement Act (BEA) categories. The proposed reclassification is not effective until 2013, but, for purposes of comparability, the Budget estimates show the category reclassifications starting in 2011. These amounts are restored to their original classifications for the purposes of this table.
[3] These amounts were included in the 2011 Budget to represent the statistical probability of a major disaster requiring federal assistance for relief and reconstruction. Such assistance might be provided in the form of discretionary or mandatory outlays or tax relief. These amounts are included as outlays for convenience.

and those forecast in February 2010. The greatest change was in net interest, where lower-than-anticipated interest rates decreased outlays by $36 billion. Unemployment compensation spending was $6 billion lower than the current services estimate due to economic factors.

Technical estimating factors resulted in a net decrease in outlays of $249 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 by $60 billion, as agencies spent resources more slowly under multiple continuing resolutions due to uncertainty regarding final appropriations levels. Outlays for mandatory programs decreased a net $199 billion; the largest factor was a $59 billion downward reestimate of the cost of the Troubled Asset Relief Program driven by better-than-anticipated performance of loans and equity pur-

Table 30–3. COMPARISON OF THE ACTUAL 2011 DEFICIT WITH THE INITIAL CURRENT SERVICES ESTIMATE
(In billions of dollars)

	Current services (February 2010)	Changes				Actual
		Policy	Economic	Technical	Total changes	
Receipts	2,583	–250	–41	12	–280	2,303
Outlays	3,728	165	–42	–249	–125	3,603
Deficit	1,145	415	–*	–261	155	1,300

Note: Deficit changes are outlays minus receipts. For these changes, a positive number indicates an increase in the deficit.
* $500 million or less.

Table 30–4. COMPARISON OF ACTUAL AND ESTIMATED OUTLAYS FOR MANDATORY AND RELATED PROGRAMS UNDER CURRENT LAW

(In billions of dollars)

	2011		
	Estimate	Actual	Change
Mandatory outlays: [1, 2]			
Human resources programs:			
Education, training, employment, and social services:			
Higher education	16	–26	–42
Other	6	11	5
Total, education, training, employment, and social services	22	–15	–37
Health:			
Medicaid	271	275	4
Other	33	35	2
Total, health	304	310	6
Medicare	492	480	–12
Income security:			
Retirement and disability	130	131	1
Unemployment compensation	85	117	32
Food and nutrition assistance	95	96	1
Other	186	183	–3
Total, income security	495	526	31
Social security	730	725	–5
Veterans benefits and services:			
Income security for veterans	58	59	*
Other	10	12	2
Total, veterans benefits and services	69	70	2
Total, mandatory human resources programs	2,112	2,096	–15
Other functions:			
Agriculture	18	14	–4
International	–2	–3	–1
Mortgage credit	5	22	16
Deposit insurance	4	–9	–13
Other advancement of commerce (includes the Troubled Asset Relief Program)	12	–24	–36
Other functions	24	16	–8
Total, other functions	62	16	–46
Undistributed offsetting receipts:			
Employer share, employee retirement	–79	–80	–1
Rents and royalties on the outer continental shelf	–7	–6	1
Other undistributed offsetting receipts	–4	–*	3
Total, undistributed offsetting receipts	–90	–86	3
Total, mandatory	2,084	2,026	–58
Net interest:			
Interest on Treasury debt securities (gross)	496	454	–42
Interest received by trust funds	–193	–188	5
Other interest	–53	–36	17
Total, net interest	250	230	–20
Total, outlays for mandatory and net interest	2,334	2,256	–78

* $500 million or less.

[1] The current services estimates published in the 2011 Budget re-classified Pell Grant costs as mandatory. The estimate for nondefense discretionary spending was $672 billion and $2,103 billion for mandatory outlays in the published Budget. This proposal was not subsequently enacted, so all Pell Grant costs are shown as discretionary in this table for comparability.

[2] The 2013 Budget includes a proposal to change the financing of certain surface transportation programs, which would result in the reclassification of certain activities as to Budget Enforcement Act (BEA) categories. The proposed reclassification is not effective until 2013, but, for purposes of comparability, the Budget estimates show the category reclassifications starting in 2011. These amounts are restored to their original classifications for the purposes of this table.

chases, due in part to improved market conditions. There was also a $30 billion downward reestimate of the cost of student loan programs. Unemployment compensation outlays were $31 billion lower than current services estimates as a result of technical factors. Net interest outlays increased by $13 billion due to technical factors.

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 2011. This section combines these effects to show the net deficit impact of these differences.

As shown in Table 30–3, the 2011 current services deficit was initially estimated to be $1,145 billion. The actual deficit was $1,300 billion, which was a $155 billion increase from the initial estimates. Receipts and outlays were $280 billion and $125 billion less than the initial estimate, respectively. 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 $415 billion. Economic conditions that differed from the initial assumptions in February 2010 had a negligible impact on the deficit. Technical factors decreased the deficit by an estimated $261 billion.

Comparison of the Actual and Estimated Outlays for Mandatory and Related Programs for 2011

This section compares the original 2011 outlay estimates for mandatory and related programs in the adjusted baseline of the Budget with the actual outlays. Major examples of these programs include Social Security and Medicare benefits, Medicaid and unemployment compensation payments, 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 30–4 shows the differences between the actual outlays for these programs in 2011 and the current services estimates included in the 2011 Budget.[3] Actual outlays for mandatory spending and net interest in 2011 were $2,256 billion, which was $78 billion less than the current services estimate of $2,334 billion in February 2010.

As Table 30–4 shows, actual outlays for mandatory human resources programs were $2,096 billion, $15 billion less than originally estimated. This decrease was the net effect of legislative action, differences between actual and assumed economic conditions, differences between the anticipated and actual number of beneficiaries, and other technical differences. Most significantly, outlays for

[3] See footnote 1 about the current services concept.

Table 30–5. RECONCILIATION OF FINAL AMOUNTS FOR 2011
(In millions of dollars)

	Receipts	Outlays	Deficit
Totals published by Treasury (September 30 MTS)	2,302,495	3,601,109	1,298,614
Miscellaneous Treasury adjustments	1	–3,023	–3,024
Totals published by Treasury in Combined Statement	2,302,496	3,598,086	1,295,590
National Railroad Retirement Investment Trust	....	3,048	3,048
Federal Student Loan Reserve Fund	....	1,215	1,215
Standard Setting Body	30	30	....
Public Company Accounting Oversight Board	202	192	–10
Affordable Housing Program	198	198	....
Securities Investor Protection Corporation	400	162	–238
Electric Reliability Organization	100	100	....
United Mine Workers of America benefit funds	38	38	....
Other	2	–8	–10
Total adjustments, net	970	4,975	4,005
Totals in the budget	2,303,466	3,603,061	1,299,595
MEMORANDUM:			
Total change since year-end statement	971	1,952	981

unemployment compensation increased by $32 billion for the reasons outlined above, and higher education costs including student loan programs were $42 billion lower than estimated. Outlays for programs in other functions were $46 billion less than originally estimated, largely due to lower-than-expected costs for the Troubled Asset Relief Program.

Outlays for net interest were $230 billion, or $20 billion less than the original estimate. As shown on Table 30–4, interest payments on Treasury debt securities decreased by $42 billion due to lower-than-expected interest rates, offset by reduced interest earnings.

Reconciliation of Differences with Amounts Published by the Treasury for 2011

Table 30–5 provides a reconciliation of the receipts, outlays, and deficit totals for 2011 published by the Department of the Treasury in the September 2011 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 increased receipts by $1 million and decreased outlays by $3,023 million. The primary source of the reduction in outlays was a correction in reporting of general fund payments to the Unemployment Trust Fund. Additional adjustments for the 2013 Budget increased receipts by $970 million and increased outlays by $4,975

Table 30–6. COMPARISON OF ESTIMATED AND ACTUAL SURPLUSES OR DEFICITS SINCE 1982

(In billions of dollars)

Budget	Suplus (–) or deficit (+) estimated for budget year [1]	Change				Actual surplus (–) or deficit (+)	Total change as a percent of GDP
		Policy	Economic	Technical	Total change		
1982	62	–15	70	11	66	128	2.1
1983	107	12	67	22	101	208	2.9
1984	203	21	–38	*	–17	185	–0.5
1985	195	12	17	–12	17	212	0.4
1986	180	8	27	7	41	221	0.9
1987	144	–2	16	–8	6	150	0.1
1988	111	9	19	16	44	155	0.9
1989	130	22	–10	11	23	153	0.4
1990	91	21	31	79	131	221	2.3
1991	63	–21	85	143	206	269	3.5
1992	281	36	21	–48	9	290	0.2
1993	350	8	13	–115	–95	255	–1.4
1994	264	8	–16	–52	–61	203	–0.9
1995	165	18	–1	–18	–1	164	–0.0
1996	197	–6	–53	–30	–89	107	–1.2
1997	140	–1	4	–121	–118	22	–1.4
1998	121	9	–48	–151	–190	–69	–2.2
1999	–10	22	–56	–82	–116	–126	–1.3
2000	–117	42	–88	–73	–119	–236	–1.2
2001	–184	129	–32	–41	56	–128	0.5
2002	–231	104	201	84	389	158	3.7
2003	80	86	34	177	297	378	2.7
2004	307	122	22	–39	105	413	0.9
2005	364	67	11	–123	–45	318	–0.4
2006	390	141	–6	–277	–142	248	–1.1
2007	354	85	–7	–270	–192	162	–1.4
2008	239	165	98	–44	219	459	1.5
2009	407	595	234	176	1,005	1,413	7.2
2010	1,258	75	121	–160	36	1,294	0.3
2011	1,267	295	–*	–261	33	1,300	0.2
Average		69	24	–40	53		0.6
Absolute average [2]		72	48	88	132		1.5
Standard deviation		118	69	113	221		2.0
Root mean squared error		137	73	120	227		2.1

* $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.

million. The largest adjustment relates to a conceptual difference in reporting for the National Railroad Retirement Investment Trust (NRRIT). NRRIT reports to the Department of the Treasury with a one-month lag so that the fiscal year total provided in the Treasury Combined Statement covers September 2010 through August 2011. The Budget has been adjusted to reflect transactions that occurred during the actual fiscal year, which begins October 1. Because the returns on NRRIT's investments in private securities are highly volatile, this adjustment can lead to large changes in the reported fiscal year outlay totals, in this case $3,048 million for 2011. A similar adjustment for the reporting period for Student Loan Reserve Fund funds held outside of Treasury led to a $1,215 million adjustment in the outlay totals. Aside from these timing differences, the Budget includes a number of financial transactions that are not reported to the Department of the Treasury, including those for the Public Company Accounting Oversight Board, the Affordable Housing Program, the Securities Investor Protection Corporation, the Electric Reliability Organization, the Standard Setting Body, and the United Mine Workers of America benefit funds. The Budget also reflects agency adjustments to 2011 outlays reported to Treasury after preparation of the Treasury Combined Statement.

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 three 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 30–6 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 2011 differs from that shown in Table 30–3, 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 30–6 are on this basis.

On average, the estimates for the budget year underestimated actual deficits (or overestimated actual surpluses) by $53 billion over the 30-year period. Policy outcomes that differed from the original proposals increased the deficit by an average of $69 billion. Differences between economic assumptions and actual economic performance increased the deficit an average of $24 billion. Differences due to these two factors were partly offset by technical revisions, which reduced the deficit an average of $40 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 $1,005 billion underestimate of the deficit to a $192 billion overestimate. The $1,005 billion underestimate in the 2009 Budget was due largely to enactment of housing, economic stabilization, emergency unemployment assistance, and economic recovery legislation in response to a weak economy, lower 2009 receipts due to weak economic performance, and

Table 30–7. DIFFERENCES BETWEEN ESTIMATED AND ACTUAL SURPLUSES OR DEFICITS FOR FIVE-YEAR BUDGET ESTIMATES SINCE 1982

(Dollar amounts in billions)

	Current year estimate	Budget year estimate	Estimate for budget year plus: One year	Two years	Three years	Four years
In dollars:						
Average difference [1]	55	–53	–150	–213	–243	–264
Average absolute difference [2]	85	132	230	306	339	367
Standard deviation	113	221	342	410	410	402
Root mean squared error	126	227	373	462	476	480
As a percent of GDP:						
Average difference	0.5	–0.6	–1.5	–2.0	–2.3	–2.5
Average absolute difference	0.8	1.5	2.4	3.0	3.4	3.6
Standard deviation	1.0	2.0	2.8	3.3	3.3	3.3
Root mean squared error	1.1	2.0	3.2	3.8	4.1	4.2

[1] A positive figure represents an overestimate of the deficit or an underestimate of the surplus.
[2] Average absolute difference is the difference without regard to sign.

emergency supplemental appropriations for combat operations in Iraq and Afghanistan in 2008 and 2009. 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 over-estimation 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 $132 billion.

Other measures of variability include the standard deviation and the root mean squared error. These measures calculate the dispersion of the data around the average value. As shown in Table 30–6, the standard deviation of the deficit differences since 1982 is $221 billion and the root mean squared error is $227 billion. Similar to the average absolute difference, these measures illustrate the high degree of variation in the difference between estimates and actual deficits.

One challenge in looking at historical values is adjusting for the relative size of the economy and the Federal Government. When total change in the deficit is expressed as a percent of GDP in the Budget year, the average underestimation of the deficit is 0.6 percent of GDP over the thirty-year period. The change from the 2009 Budget to the actual is still the greatest deficit increase over the 30-year period on this basis. The 1998 Budget had the largest downward revision to the deficit as a percent of GDP, going from deficit to surplus.

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 very large, such as additional spending in 2002 for disaster recovery, homeland security, and military operations in Afghanistan in response to the terrorist attacks of September 11, 2001, which could not have been anticipated in the Budget submitted in February 2001. 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 3 of this volume, "Interactions Between the Economy and the Budget."

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 variability for estimates of years beyond the budget year. Table 30–7 shows the summary statistics for the differences for the current year, budget year, and the four succeeding years. These are the years that are required to be estimated in the budget by the Balanced Budget and Emergency Deficit Control Act, as amended.

On average, the budget estimates since 1982 overstated the deficit in the current year by $55 billion, but underestimated the deficit in the budget year by $53 billion. The budget estimates on average understated the deficit in the years following, by amounts growing from $150 billion one year beyond the budget year to $264 billion four years beyond the budget year. 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. Chapter 3 of this volume, "Interactions Between the Economy and the Budget," further discusses the variability in the difference between estimated and actual deficits over the budget horizon and includes Chart 3–2, which is based on the variability measures shown in Table 30–7.

31. BUDGET AND FINANCIAL REPORTING

The budget is a plan for allocating financial resources of the Federal Government and a means to control the allocation of resources. It is also the primary mechanism for reporting fiscal results. Each year, the President's Budget proposes a fiscal plan for the current year and the coming budget year, includes projections for subsequent years, and reports budget results for prior fiscal years. Budget reporting occurs throughout the year with the *Monthly Treasury Statement*, which culminates in the first report of fiscal-year-end results in the September *Monthly Treasury Statement*.

In addition to the budget, another source of financial information for the Government is the annual *Financial Report of the U.S. Government*. The *Financial Report* provides information on the cost of the Government's operations, the relationship between the Government's operating cost and the Government's budget deficit, the Government's financial position at the beginning and end of the fiscal year, and forward-looking information on the Government's financial condition. Financial reporting and budget reporting use much of the same underlying data pertaining to agency financial transactions, but financial reports[1] compile the data using different methods and present the data using different formats,[2] as explained in this chapter.

Although discussed only briefly in this chapter, a third source of Government financial information is the integrated macroeconomic accounts, which are a series of accounts that relate flows of production, income, saving, and investment to financial holdings and physical capital stocks for the major sectors of the U.S. economy.[3] Federal Government financial transactions are included as a separate sector of the integrated accounts. The integrated accounts combine the national income and product accounts with the flow of funds accounts,[4] and the treatment of Federal transactions under national income and product accounting and under budgetary accounting is compared in Chapter 29 of this volume, "National Income and Product Accounts."

The Purpose of Budget and Financial Reporting

In a democracy, the Government's sovereign authority to tax and to allocate the proceeds of those taxes to public purposes requires that the Government be accountable to the public for its use of tax dollars and that it be transparent in its activities. Accountability requires reporting the amount of money raised by taxation and other means, the programs on which the money was spent, and whether the money was spent in accordance with the requirements of appropriations, authorizing, and other applicable laws. In addition, accountability requires the Government to report balances for, among other things, cash on hand, other financial assets, and dedicated funds,[5] and to report on Government borrowing needs.

In addition to providing information about how financial resources are obtained and used, accountability requires that the Government provide information about its operating performance. This includes information about the costs and results of Government programs and activities, and the degree to which their performance was efficient or effective. Chapters 7, 8, 9, and 10 of this volume, "Delivering a High-Performance Government," "Program Evaluation," "Benefit-Cost Analysis," and "Social Indicators" provide more information about the Government's operating performance and performance measurement.[6] Unlike a private entity, Government performance cannot be summed up in a single measure such as net income or net loss found on an income statement or net position found on a balance sheet.

The budget and financial reports provide information that the citizenry can use to hold the Government accountable, reporting on how and how well the Government has obtained, used, and managed its financial and other resources. The budget and financial reports seek to provide information in a transparent manner. Transparency is an important element of accountability for past actions, allowing the public to see the assets and liabilities remaining after those actions occurred. Transparency is equally important when looking to the future. Future

[1] As used in this chapter, "*Financial Report*" refers to the *Financial Report of the United States Government*, which is the consolidated financial report for the Executive Branch and some Legislative and Judicial Branch entities, and "financial reports" refer to both the *Financial Report* and the Agency Financial Reports or the Performance and Accountability Reports issued by Executive Branch agencies. The *Financial Report* is issued by the Department of the Treasury in coordination with the Office of Management and Budget.

[2] Federal financial reporting is conducted in accordance with generally accepted accounting principles (GAAP).

[3] The integrated accounts follow the guidelines of the System of National Accounts 1993 and are prepared jointly by the Bureau of Economic Analysis and the staff of the Board of Governors of the Federal Reserve.

[4] The national income and product accounts show production, income, and expenditures for each sector of the economy and how these measures relate to wealth. Flow of funds accounts show financial flows (in the form of borrowing, lending, and investment) through the various sectors of the economy.

[5] In this chapter, "dedicated" funds or collections refer to those Government collections that are designated for a particular purpose; the collections may be voluntary or compulsory and include collections in trust, special, and revolving funds.

[6] The measures shown in Chapter 10 reflect both Federal Government performance and performance of the private sector, the non-profit sector, State and local governments, and international entities, and cannot, therefore, be viewed as solely the result of Federal Government performance.

plans can only be evaluated based on how clearly and how completely they are explained.

As a financial plan, the President's Budget contains detailed information about the Government's fiscal policies for the coming fiscal year and the ten-year budget window. In addition, the Budget provides long-term (75-year) information about projected spending and projected receipts in Chapter 5 of this volume, "Long Term Budget Outlook." The *Financial Report* also contains information about the Government's long-run fiscal condition, showing projections of long-run sustainability and detailed information about social insurance[7] programs. The detailed historical and projected information contained in the Budget and the financial reports provide the public with transparent information about the Government's financial activities.

The Budget

As noted above, the budget serves as both a forward-looking planning tool and a backward-looking accountability report. To serve these dual purposes, the President's Budget contains both budget projections and historical budget data. The budget projections and historical data contain measures that represent flows or amounts over a period of time (usually a year) and measures that represent balances or amounts at a point in time (such as at the end of a fiscal year). These budget measures generally reflect either a cash basis or an accrual basis of accounting. Cash-based measures record transactions when cash is either paid or received, regardless of when the expense is incurred or when the revenue is earned or due, and accrual-based measures record transactions when the underlying transaction occurs regardless of when the cash is exchanged.

Measures

Budget measures that represent flows include budget authority, obligations, outlays, receipts,[8] and the deficit or surplus. Budget measures that represent balances at a point in time are referred to as "stocks" in budgetary accounting and economics literature, and include debt held by the public, debt net of financial assets, and gross Federal debt.

Budget authority is the amount of resources made available by the Congress and the President for use during a given period, usually a year. Obligations are legal financial commitments incurred during a year and cannot exceed the available budget authority. Both budget authority and obligations are generally recorded when a transaction occurs, rather than when cash is actually received or paid out by the Government.[9] Budget authority and obligations are used to control the amount of resources the Government uses. Government agencies record their use of budget authority, or obligations, on an ongoing basis as they conduct business so that they do not exceed the resources provided.

Outlays are the liquidation or payment of obligations during a year, and are measured primarily on a cash basis.[10] Whereas budget authority and obligations are used to control the amount of resources used, outlays reflect the actual use of Government resources and can have an impact on the economy. If outlays exceed Government receipts, the Government generally must borrow money from the public to cover the difference. Receipts are inflows of financial resources to the Government during a year resulting from the Government's sovereign authority to impose taxes or otherwise compel payment and are measured on a cash basis. Because the deficit or surplus is the difference between outlays and receipts for a given year, it represents an annual flow and (like outlays and receipts) is measured primarily on a cash basis.

In contrast to all of these measures that generally represent flows, the debt held by the public is a stock measure and it can be viewed as the accumulation of past deficits less past surpluses. Debt held by the public is measured as the principal amount due at maturity (also called par value or face value) less any unamortized discount or plus any unamortized premium.[11] Chapter 12 of this volume, "Budget Concepts," and Chapter 6 of this volume, "Federal Borrowing and Debt," contain more complete definitions of these concepts.

The President's Budget presents budget authority, obligations, outlays, and receipts at a summary level, for example, for the Government as a whole and by agency.

[7] As used in this chapter, "social insurance" refers to Social Security, Medicare, Unemployment Insurance, Railroad Retirement, and the Black Lung Programs.

[8] The term "receipts" is used in this chapter to refer to governmental receipts. It does not refer to other collections such as offsetting receipts or offsetting collections, nor does it refer to the repayment of loans. See Chapter 12 of this volume, "Budget Concepts," for an explanation of the difference between governmental receipts and offsetting receipts and the difference between offsetting receipts and collections.

[9] Budget authority and obligations for loans and loan guarantees, or credit programs, are measured on a net present value basis. The present value of the cash outflows and inflows associated with the loan or loan guarantee is recorded as budget authority and obligations when the loan or guarantee is made. A present value represents the value today of some future amount and, thus, reflects the time value of money. A present value can be used as an accrual measure. In addition to being used for Federal credit programs, present values are used in budgetary accounting for Federal employee defined-benefit pension plans.

[10] In contrast to most Government outlays, which are measured on a cash basis, outlays for interest on debt held by the public are measured on an accrual basis. Budget authority and obligations for interest on debt held by the public are measured on an accrual basis, which is generally consistent with budget authority and obligations measures for most other programs. Outlays for credit programs are measured on a net present value basis with the present value of the cash outflows and inflows recorded as an outlay when the loan or guarantee is made. From an agency perspective, budget authority, obligations, and outlays for Federal employee defined-benefit pension plans are recorded on an accrual basis (with the actuarially accruing defined-benefit costs estimated by using present values). From a government-wide perspective, however, budget authority, obligations, and outlays for Federal employee defined benefit pensions are recorded on a cash basis. This is because agency payments to a Government defined-benefit pension plan–such as Military Retirement or Civil Service Retirement–are recorded as collections by the plan trust funds and net to zero within the unified budget. As a consequence of this netting, only the defined-benefit payments to current retirees constitute budget authority, obligations, and outlays in the budget, and only these payments are reflected in the deficit.

[11] For inflation-indexed securities, debt is measured as the par value plus a periodic adjustment for inflation.

In addition, the Budget presents all four of these measures at a very detailed level, by program, activity, and account. In addition to summary and detailed budget data, the Budget presents total obligations by object class and total budget authority and outlays by function and subfunction. The Budget presents the deficit (or surplus) and debt held by the public (and other measures) in nominal and inflation-adjusted dollar amounts, and as a percent of gross domestic product (GDP).[12]

Summary and detailed data for budget authority, obligations, outlays, and receipts; object class data; and functional classification data are reported for the prior fiscal year, the current fiscal year, and the budget year. In addition, many of these measures are presented for the entire ten-year budget horizon, and the summary measures are presented historically, in the *Historical Tables* volume, and projected for 75 years in Chapter 5 of this volume, "Long Term Budget Outlook."

Structure

The President's Budget is a multi-volume document, consisting of the main *Budget* volume, the *Budget Appendix*, the *Analytical Perspectives* volume, the *Historical Tables*, the *Federal Credit Supplement*, and other supplemental materials. In addition, the *Mid-Session Review*, with revised budget estimates, is issued later in the calendar year, in the middle of the Congressional session. The main *Budget* volume is primarily a textual summary of the budget, discussing the Administration's fiscal plan, including its policy and program priorities, and significant proposed changes to current law.[13] The *Budget Appendix* contains the proposed appropriations language for each program, activity, or account that receives an appropriation, whether the appropriation is annual, biennial, or permanent. The *Analytical Perspectives* volume provides historical and cross-cutting analyses of the budget, and the *Historical Tables* volume reports historical data for summary budget measures; many are expressed in nominal and inflation-adjusted dollars and as a percent of GDP. The *Federal Credit Supplement* provides detailed information about the Government's loan and loan guarantee programs that are governed by the Federal Credit Reform Act (FCRA). In addition to the documents that comprise the President's Budget, the budget transmittal to the Congress involves the transmittal of Congressional Budget Justifications for each agency subject to the appropriations process and the transmittal of authorizing legislation in support of the President's Budget.

The Financial Reports

As noted above, financial reports are primarily an accountability tool. The Government's financial reports are not plans, although they provide information that can be used in developing a fiscal plan. The *Financial Report* provides information about the Government's financial position at the end of the prior fiscal year, and how the financial position changed during the course of the fiscal year. In addition, like the budget, the financial reports contain measures[14] that represent flows and measures that represent balances at a point in time or stocks. The financial reports contain measures that are reported on modified-cash and accrual bases of accounting and the *Financial Report* is intended for five groups of users: citizens, citizen intermediaries (such as the media or nonprofit groups that monitor Government activities), the Congress, Federal executives, and program managers.

Measures

The financial reporting measures that represent flows include revenues, expenses, and net operating cost, which is the difference between revenues and expenses. The measures that represent stocks include assets, liabilities, and net position, which is the difference between assets and liabilities. The most widely cited of these measures are the net operating cost and net position.

Generally, roughly 10 percent of the Government's revenues are recognized on an accrual basis in the financial reports and the remainder, approximately 90 percent of revenues, is recognized on a cash basis; overall, revenues are said to be recognized on a "modified-cash" basis of accounting. Assets (e.g., property, plant, and equipment) are generally measured at historical or acquisition cost, but some assets (e.g., debt and equity securities) are measured at fair market value. Expenses are measured on an accrual basis.

Net operating cost and net position are derived from revenues and expenses, and from assets and liabilities, respectively. Even though they are derived from measures (including revenues) that are not pure accrual measures, both net operating cost and net position are generally considered to be accounted for on an accrual basis.

Structure

The *Financial Report* consists of seven basic financial statements organized as follows: the Statement of Net Cost, the Statement of Operations and Changes in Net Position, the Reconciliation of Net Operating Cost and Unified Budget Deficit, the Statement of Changes in Cash Balance from Unified Budget and Other Activities, the Balance Sheet, the Statement of Social Insurance,[15] and the Statement of Changes in Social Insurance.[16] Reported with the basic statements are required note disclosures. In addition, the *Financial Report* contains a Management's Discussion and Analysis section that summarizes the highlights of the statements, required

[12] The deficit and debt, as well as other measures, are presented as a percent of gross domestic product because comparisons of these measures over time are best done by looking at these measures in relation to the size of the economy as a whole, as measured by GDP.

[13] Budget data reflect all three Branches of Government, but the Budget documents reflect proposals for the Executive Branch only.

[14] The term "measures" is used in this chapter to refer to both budget and financial measures; however, the Statements of Federal Financial Accounting Concepts and Standards refer to the financial measures as "elements."

[15] See footnote 6 for a definition of social insurance.

[16] The Statement of Changes in Social Insurance is a new statement for 2011.

supplementary disclosures (which include a Statement of Long-Term Fiscal Projections), supplementary stewardship information, and the auditor's report. The *Financial Report* is the government-wide report for the Executive Branch, and contains some financial data from the Legislative and Judicial Branches.

Individual agencies produce Agency Financial Reports or Performance and Accountability Reports, which include financial information that is used to develop the *Financial Report* and program performance information that is unique to each agency. The financial statements for agencies consist of four to seven basic statements. Five of the statements are similar to statements in the *Financial Report*: the Statement of Net Cost, the Statement of Operations and Changes in Net Position, the Balance Sheet, and, if applicable, the Statements of Social Insurance and Changes in Social Insurance.[17] Two statements required by agencies are not included in the *Financial Report*: the Statement of Budgetary Resources and, if applicable, the Statement of Custodial Activity.[18]

Table 31–1. 2010 BUDGET AND FINANCIAL MEASURES AND CY 2010 INTEGRATED ACCOUNTS MEASURES
(In Billions of Dollars)

2010 BUDGET MEASURES	
Receipts.	2,162.7
Less: Outlays	3,456.2
Surplus/(Deficit)	(1,293.5)
New Borrowing from the Public	1,474.2
Debt Held by the Public	9,018.9
2010 FINANCIAL MEASURES	
Revenues	2,216.5
Less: Expenses	4,296.0
Less: Unmatched Transactions	0.8
Net Operating Cost	(2,080.3)
Assets	2,883.8
Less: Liabilities	16,356.6
Net Position	(13,472.8)
CY 2010 INTEGRATED MACROECONOMIC ACCOUNTS MEASURES	
Current Receipts	2,429.6
Less: Current Expenditures	3,703.3
Net Saving	(1,273.7)
Net Borrowing, Capital	1,462.3
Net Borrowing, Financial	1,384.7
Assets	3,662.20
Less: Liabilities	11,100.70
Net Worth	(7,438.5)

Comparison of the Budget and Financial Reports

Revenues in the *Financial Report* and budgetary receipts are quite similar, with revenues recognized on a modified cash basis and receipts recognized on a pure cash basis. The revenues recognized on an accrual basis are those resulting from Government business-like transactions with the public, for example the sale of stamps by the Postal Service, the recreation fees paid at National Parks, and premiums for Supplementary Medicare Insurance; these revenues are referred to as "earned revenues."[19] As noted above, earned revenues are generally 10 percent of total earned and unearned revenues. Because the cash and accrual bases of earned revenues are themselves quite similar and because most revenues are recognized on a cash basis, the difference between total revenues and total receipts tends to be relatively small.

Expenses in the financial reports are recognized on an accrual basis, and in this regard are similar[20] to budgetary obligations. However, because expenses are subtracted from revenues to derive net operating cost, they are more frequently compared with budgetary outlays. In contrast to expenses, outlays are generally recognized on a cash basis.[21] As a result of the difference between cash and accrual accounting, the difference between total expenses (referred to as net cost in the *Financial Report*) and total budgetary outlays can sometimes be significant.

Net operating cost and the budget deficit are the most widely compared measures. They are similar in that both represent the annual increase or decrease in Government resources resulting from financial transactions. The primary difference between net operating cost and the deficit results from the accrual of certain expenses that affect net operating cost, but not the budget deficit. For example, the net operating cost includes certain accrued expenses such as expenses for civilian and military employee retirement and veterans programs, expenses for environmental cleanup and disposal, and depreciation expense. In addition, the full cost of asset acquisitions (or usable segments thereof) are included in the deficit up front, when the asset is acquired, but these costs are included in net operating cost only over time, once the asset begins to be used up or depreciated. Because net operating cost is derived from revenues and expenses and the deficit is derived from receipts and outlays, the difference between net operating cost and the deficit results from the differences, discussed above, between revenues and receipts and between expens-

[17] Only agencies with social insurance programs are required to prepare the two social insurance statements.

[18] Only agencies with custodial accounts are required to prepare the Statement of Custodial Activity.

[19] Earned revenue may be received before goods or services are provided, in which case it is referred to as "deferred" revenue. Examples include Department of Energy collections from utility companies for the future cost of disposing of nuclear waste, Federal Communications Commission collections from its competitive bidding system for the recovered analog spectrum for licenses that have not been granted, and Postal Service collections for prepaid postage, outstanding money orders, and prepaid P.O. box rentals. The budget recognizes these amounts when they are received.

[20] Undelivered orders are treated as obligations, but are not recognized as expenses. Once an undelivered order is delivered, it is recognized as an expense.

[21] Some items that are reflected in the budget on an accrual basis were noted in footnote 8 above.

es and outlays. Both the deficit and the net operating cost are measures of "cost," reflecting generally the difference between resources used and collected in a given year.

Liabilities recorded in the financial statements satisfy an accounting definition of that term, which includes, but is not limited to, legal liabilities. This is in contrast to budgetary accounting, where budget authority reflects the legal authority to incur budgetary obligations, obligations are legal commitments, and outlays are the liquidation of those budgetary obligations. Debt held by the public is the primary budgetary stock measure that is cited and it is a legal liability, and it is shown as a liability on the Government's balance sheet along with other accounting liabilities. Total liabilities (as defined by generally accepted accounting principles), as of 2010, were almost twice the size of debt held by the public.

Assets are generally recorded in the financial statements at either historical cost or at fair market value. The full cost of an asset is recorded as a budget outlay when the asset is purchased, but the asset is generally not reflected in any budget measures after it is acquired. Net position, which is the difference between assets and liabilities, reported in the financial reports does not have a budgetary analog.

The prior fiscal-year data included in the budget and the fiscal-year results reported in the financial reports are generally all taken from the same source, the Federal Agencies' Centralized Trial-Balance System, known as FACTS I and II. These data are required to be audited for certain Federal agencies[22] and for the government-wide financial statements; the related audit reports, which include audits of prior fiscal year data, are included in the financial reports.

The Federal Sector of the Integrated Macroeconomic Accounts

The integrated macroeconomic accounts are a series of tables that show production, income, saving, capital formation, financial transactions, and asset valuations for each of six major sectors of the economy. The integrated accounts also show how each sector relates to the other sectors and the economy as a whole. The six sectors include as a separate sector the Federal Government.[23] As noted earlier in this chapter, budget reporting is done primarily for planning and control purposes and financial reporting is done primarily for accountability purposes. The reporting of the integrated macroeconomic accounts data is done primarily for analytic purposes.

The integrated accounts present seven accounts for each of the six sectors of the economy, including the Federal Government sector.[24] These seven accounts reflect seven different types of economic activity and include, among others, a balance sheet account, a current account, a capital account, and a financial account.[25] The information presented in the Federal Government sector of the integrated accounts is similar to information presented in the Budget and the financial reports; however, the data in the integrated accounts follow the conventions of national income accounting. As noted above, budget and financial measures are based primarily on transaction data from FACTS I and FACTS II. The integrated accounts use data from the Bureau of Economic Analysis' national income and product accounts (NIPAs), the Federal Reserve Board's flow of funds accounts, and other sources.[26]

The data in the integrated accounts are different from those presented in the Budget and financial reports, but the measures presented in the Federal Government sector of the integrated accounts represent the same underlying Government activity as the Budget and financial reports. All three seek to measure the cost or the value of Government activity over a period of time and have measures that reflect the Government's financial position at a point in time. The measures in the integrated accounts that represent flows include net saving, and net lending/net borrowing and the measures that represent stocks or balances at a point in time include assets, liabilities, and net worth.

The "current" account for the Government sector shows how much the Government contributed to current production and current consumption over a period of time, a quarter or a year. "Current" is used in the integrated accounts to distinguish production and consumption in the current period from production and consumption in other periods. Net saving shown in the current account for the Federal Government sector measures the difference between current receipts and current expenditures. Current receipts include most taxes[27] and fees; some taxes such as the estate and gift taxes are not included in current receipts.[28] Current expenditures include goods and services purchased by the Government (including retirement costs for Federal employees and depreciation expenses for Government fixed assets); social insurance payments; most grants to State, local, and foreign governments; and most subsidies to businesses. Both the Budget and the financial reports show the subsidy cost or the present value cost of Government loans and loan guarantees in the pe-

[22] Audits are conducted for more than 100 Executive Branch agencies, including the 24 agencies covered by the Chief Financial Officers Act of 1990 and an additional 11 significant Executive Branch entities. Audits are not conducted for some of the smaller entities that are included in the *Financial Report*.

[23] The other five sectors are households and nonprofit institutions serving households, nonfinancial noncorporate business, nonfinancial corporate business, financial business, and State and local governments.

[24] Current data can be found at *http://www.bea.gov/national/nipaweb/Ni_FedBeaSna/Index.asp*.

[25] The other three accounts are the other changes in volume account, the revaluation account, and the changes in balance sheet account.

[26] The NIPA data can be found at *http://www.bea.gov/iTable/iTable.cfm?ReqID=9&step=1* and the flow of funds data can be found at http://www.federalreserve.gov/apps/fof/FOFTables.aspx.

[27] Individual income taxes are reported in the integrated accounts when they are received by the Government, which is the same as in the budget and financial reports. By contrast, corporate income taxes are reported in the integrated accounts when they are accrued, whereas the budget and financial reports show these taxes when they are received by the Government.

[28] Estate and gift taxes are excluded from the current account because they are not taxes on current production or current income, but are instead taxes on the transfer of wealth. As capital transfers from the household sector to the government, these taxes are reflected in the capital account.

riod in which the loan or loan guarantee is made. In contrast, the integrated accounts do not show these subsidy costs as expenditures in any period, but they do show in the current account all interest and fees the Government receives from the public for loans and loan guarantees.[29]

If net saving in the current account were positive, the balance would represent an amount that could be used to invest in capital assets or financial assets or to reduce debt. (Investment in capital is necessary to increase future production and future consumption.) Negative net saving reflects the amount that must be financed. Net saving is similar in some ways to both the deficit and the net operating cost because it reflects the difference between inflows and outflows of financial resources over a period of time.

The capital account for the Government sector shows how much the Government contributed to capital formation in the economy as a whole over a period of time, again, a quarter or a year. Net lending/net borrowing in the Government capital account reflects net saving plus net capital formation and capital transfers. Net capital formation is investment in fixed assets less depreciation, so the full cost of asset acquisitions is reflected in the capital account when assets are purchased. Capital transfers are transfers from the Government to another sector of the economy that are linked to the acquisition or disposal of capital assets. For example, capital transfers include capital grants to State and local governments (e.g., grants for highway construction) and capital subsidies to homeowners and businesses (e.g., subsidies for home acquisition or financial stabilization payments to Government sponsored enterprises). In addition, estate and gift taxes (which as noted above are not reflected in the current account) are reflected in the capital account. Because of the inclusion in the capital account of these additional items, net lending/net borrowing in the capital account is more similar to the deficit than to the net operating cost. A positive net lending/net borrowing balance represents an amount that is available for purchasing assets or retiring debt held by the public, and a negative amount represents an amount that must be borrowed.

The financial account for the Government sector shows the Government's financial activity for the year. Net lending/net borrowing in the Government financial account reflects the Government's borrowing needs for the year. It is the change in financial assets held by the Government less the change in debt held by the public, which is reported in the Budget. Theoretically, net lending/net borrowing in the financial account should be the same as net lending/net borrowing in the capital account because saving that is not spent on fixed assets should increase the amount of financial assets held by the Government. Similarly, borrowing that is used to purchase fixed assets leads to financial liabilities. However, because of the differences in when flows are recorded and other statistical differences, the net lending/net borrowing in the capital account is almost never equal to that of the financial account.

The assets, liabilities, and net worth shown in the balance sheet account for the Federal Government measure the value of the Government's financial and nonfinancial assets, liabilities, and net worth at the end of the calendar year. These measures are similar conceptually to the assets, liabilities, and net position reported on the balance sheet in the financial reports. One difference between the balance sheet account and the balance sheet in the financial reports is that reproducible fixed assets in the balance sheet account are measured at replacement cost whereas the analogous property, plant, and equipment on the balance sheet of the financial reports are measured at acquisition or historical cost. Other differences are the way in which employee retirement liabilities are measured and the exclusion from the balance sheet account of veteran benefits and environmental liabilities.

Alternative Estimates of Government Assets and Liabilities

The traditional measures of financial position in budget and financial reporting are debt held by the public and net position respectively;[30] they reflect the Government's financial position at a point in time, but not the Government's future financial position. This is because measures of assets and liabilities at any particular point in time do not reflect the full scope of resources available to or responsibilities of the Government into the future. The alternative measures used by OMB to produce a Government balance sheet (shown below) use somewhat different methods from those used in the *Financial Report*, but they do not capture the Government's total future resources or responsibilities. Balance sheet measures reflect only past transactions or events, but the Government's responsibilities will continue into the indefinite future and its primary resource for fulfilling these responsibilities is future tax revenue, which is not reflected on a balance sheet. The best way to assess the Government's long-term financial condition is to compare future spending to future receipts, as is done in Chapter 5, "Long Term Budget Outlook," of this volume.

The Government has many financial assets, including cash, mortgages, other loans, and assets acquired as a result of the crisis in the financial markets. The Government also owns plant and equipment, including military hardware. In addition, the Government owns a substantial amount of land, timber, and mineral resources. Finally, the Government possesses heritage assets (works of art, historical artifacts, and monuments) that, although disclosed in the financial reports, are not reported as assets. The Government's most valuable and unique asset is one that cannot reasonably be reported on any balance sheet—its sovereign power to tax. The Government's authority to levy taxes allows it to participate in the credit

[29] Differences between the NIPAs and the budget are shown in Table 29-2 of this volume and shown in more detail at the NIPA website cited in footnote 25.

[30] As discussed above, net position is derived by subtracting liabilities from assets, and liabilities include debt held by the public.

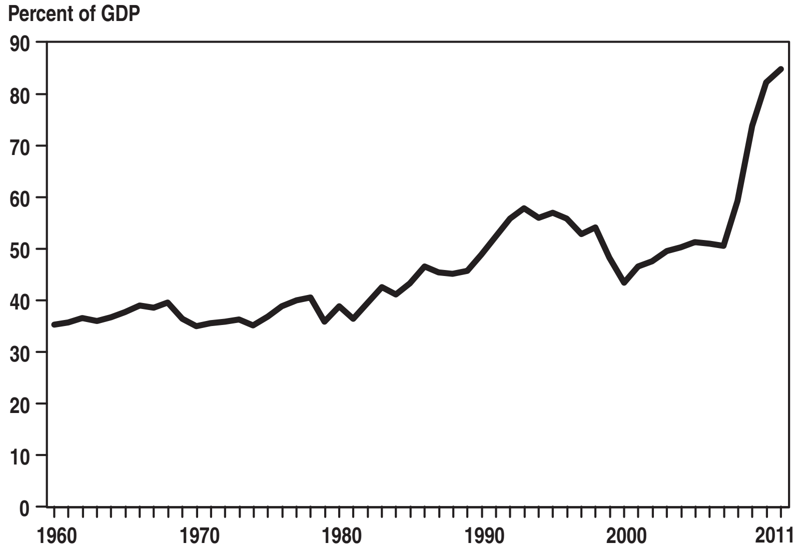
Table 31–2. GOVERNMENT ASSETS AND LIABILITIES*

(As of the end of the fiscal year, in billions of 2011 dollars)

	1960	1965	1970	1975	1980	1985	1990	1995	2000	2005	2006	2007	2008	2009	2010	2011
ASSETS																
Financial Assets:																
Foreign Exchange, SDRs, and Gold	12	10	20	16	23	41	54	76	51	46	39	39	39	101	99	95
Cash, Checking Deposits, Other Monetary Assets	55	78	49	40	62	41	55	55	79	42	61	84	391	288	320	345
Mortgages	34	33	49	51	95	97	124	85	96	86	87	88	93	114	109	107
Other Loans	126	174	218	217	282	366	259	209	240	226	220	220	223	345	473	498
Less Expected Loan Losses	–1	–3	–6	–11	–22	–21	–24	–31	–47	–46	–52	–47	–51	–85	–66	–52
Other Treasury Financial Assets	65	86	64	62	84	116	196	224	299	333	331	328	313	450	379	376
Subtotal	291	377	394	376	524	640	663	619	718	686	687	711	1,008	1,212	1,315	1,369
Nonfinancial Assets:																
Fixed Reproducible Capital	1,271	1,261	1,312	1,273	1,205	1,363	1,413	1,419	1,248	1,251	1,267	1,257	1,293	1,321	1,314	1,383
Defense	1,095	1,029	1,041	950	853	992	1,017	993	813	788	801	799	830	843	845	891
Nondefense	176	232	272	323	353	372	396	426	435	463	466	458	463	478	470	492
Inventories	333	288	268	240	297	339	300	231	237	308	309	296	302	295	293	296
Nonreproducible Capital	166	218	260	442	717	634	606	486	799	1,450	1,479	1,474	1,074	830	900	942
Land	117	162	204	323	413	429	441	324	560	1,012	1,041	977	698	454	431	463
Mineral Rights	50	56	56	119	305	205	165	162	239	437	438	497	376	376	469	479
Subtotal	1,770	1,767	1,841	1,955	2,219	2,336	2,319	2,137	2,284	3,009	3,055	3,027	2,669	2,447	2,507	2,621
Total Assets	2,060	2,144	2,235	2,331	2,743	2,976	2,982	2,756	3,002	3,694	3,741	3,738	3,677	3,659	3,822	3,989
LIABILITIES																
Debt held by the Public	1,451	1,492	1,329	1,350	1,678	2,775	3,777	5,017	4,361	5,202	5,298	5,383	6,053	7,830	9,234	10,128
Insurance and Guarantee Liabilities:																
Deposit Insurance	0	0	0	0	2	12	91	25	1	1	1	3	36	75	111	32
Pension Benefit Guarantee	0	0	0	55	40	55	55	26	52	93	81	88	77	96	105	107
Loan Guarantees	0	1	3	8	16	13	20	38	47	54	53	74	77	73	69	64
Other Insurance	40	36	28	25	34	21	25	22	21	46	22	18	22	16	16	25
Subtotal	40	36	31	88	92	101	191	111	121	194	157	182	212	259	300	228
Pension and Post-Employment Health Liabilities:																
Civilian and Military Pensions	1,096	1,377	1,648	1,867	2,295	2,277	2,223	2,155	2,254	2,457	2,541	2,582	2,721	2,809	2,965	2,981
Retiree Health Insurance Benefits	224	282	337	382	470	466	455	450	499	1,274	1,242	1,227	1,213	1,223	1,290	1,185
Veterans Disability Compensation	241	303	362	401	412	340	306	371	707	1,272	1,266	1,206	1,530	1,367	1,510	1,534
Subtotal	1,561	1,962	2,347	2,651	3,177	3,083	2,984	2,977	3,460	5,003	5,049	5,014	5,464	5,399	5,765	5,700
Environmental and Disposal Liabilities	84	106	127	144	172	205	240	316	385	294	335	366	358	355	329	324
Other Liabilities:																
Currency and SDRs	16	17	31	38	46	42	49	50	42	42	41	40	38	91	88	86
Trade Payables	18	26	27	37	71	103	148	115	104	227	235	256	297	229	232	227
Benefits Due and Payable	26	31	42	44	56	63	75	87	100	133	142	143	151	167	168	171
Subtotal	61	73	100	119	173	208	272	252	245	401	418	439	486	486	489	484
Total Liabilities	3,197	3,670	3,933	4,352	5,293	6,372	7,464	8,673	8,573	11,095	11,257	11,384	12,572	14,329	16,116	16,863
Net Liabilities (Liabilities Minus Assets)	1,137	1,526	1,698	2,021	2,549	3,396	4,482	5,917	5,571	7,400	7,515	7,646	8,896	10,670	12,294	12,873
Addenda:																
Ratio to GDP (in percent)	35.3	37.7	35.0	36.8	38.8	43.3	48.9	57.0	43.5	51.3	51.0	50.6	59.2	73.9	82.2	84.8

* This table shows assets and liabilities for the Government as a whole excluding the Federal Reserve System. Data for 2011 are extrapolated in some cases.

Chart 31-1. Net Federal Liabilities



markets even though its liabilities exceed its measurable assets.

The Government's liabilities include debt held by the public, Federal employee and veterans health and pension benefits, insurance obligations, loan guarantees, environmental liabilities, and certain entitlement benefits that are due and payable. These liabilities, however, are only a subset of the Government's long-run budget responsibilities. Just as the power to tax or future tax revenue is not shown as an asset on the balance sheet, the majority of the Government's long-term commitments are not reported on the balance sheet.

For many years, the *Analytical Perspectives* volume has included a table of assets and liabilities, shown here as Table 31-2, and a chart showing the net liabilities as a ratio to GDP. This table is similar in concept to the balance sheet in the *Financial Report*, but it was designed to show a consistent historical series of assets and liabilities and it uses economic valuation methods rather than accounting methods for certain entries.[31] The table shows Government assets and liabilities from 1960 through 2011 measured in constant 2011 dollars; the balance of net liabilities is also shown as a ratio to GDP and that ratio can be seen in the chart. As shown in the table and also in the chart, Government liabilities exceeded its assets over the entire period. There was a substantial increase in net liabilities in the 1980s and early 1990s, which was the result of the large budget deficits in those years. In the late 1990s, there was a marked decline in the ratio of net liabilities to GDP as the budget temporarily went into surplus and debt held by the public fell. Beginning in 2001, the ratio began increasing again, and in 2011 it reached a new high because of a sharp increase in debt held by the public as the Government sought to address the financial crisis and the resulting economic downturn.

[31] Land and mineral rights, shown in Table 31-2, are assets that are not reported on the balance sheets in the financial reports. Fixed reproducible capital is reported at acquisition or historical cost on the balance sheets in the financial reports, but is estimated using a model that approximates current replacement value in Table 31-2.

Relative to GDP, the net liability position was 35 percent in 1960 and, although fluctuating over the next two decades, in 1980, it was still less than 40 percent. From 1980 to 1993, the ratio of net liabilities rose to 58 percent of GDP primarily because of the increase in the budget deficits, but by 2000, the ratio had fallen to 44 percent mainly because of a decline in the budget deficit and a temporary shift to budget surpluses. As the deficit reappeared and began to increase again, the net liability position also deteriorated, reaching a plateau of approximately 51 percent in 2004. The ratio has increased since 2007 because of the worldwide financial crisis and the recession. For 2011, the Government's net liabilities were 85 percent of GDP.

Financial Assets: The Government's financial assets amounted to about $1.4 trillion at the end of 2011. Government holdings of mortgages have been relatively stable since the mid-1990s, but holdings of other loans and monetary assets have risen as a result of the Government's actions to resolve the financial crisis. OMB estimates the discounted present value of future losses and interest subsidies on loans to be $65 billion as of the end of 2011, and this amount was subtracted from the face value of outstanding loans to estimate their net value.

Non-Financial Assets: Government-owned stocks of reproducible defense and nondefense capital are similar in concept to property, plant, and equipment. The estimated replacement value of these assets is shown in Table 31-2. It has been relatively stable, between $1.2 and $1.4 trillion, for most of the last 50 years. In 1960, 86 percent of the capital was defense; in 2011 it was 64 percent. During the 1970s and again during the 1990s (after the end of the Cold War), there were substantial declines in defense capital.

Although there are no official estimates of the market value of the Government's vast land and mineral holdings, it is assumed here that Federal land values rise and fall along with private land values. Since the mid-1990s, oil prices have been volatile, which has caused the estimated market value of federally-owned proved reserves of oil and natural gas to fluctuate as well. In 2011, as estimated here, the combined real value of Federal land and mineral rights was $0.9 trillion compared with $1.5 trillion in 2006.

Total Assets: The total value of Government assets was about $4.0 trillion, equal to 26 percent of GDP, at the end of 2011.

Debt Held by the Public: The Government's largest liability is the debt owed to the public, which amounted to $10.1 trillion at the end of 2011. Publicly held debt declined for several years in the late 1990s because of the shift from unified budget deficits to unified budget surpluses, but began to increase again as deficits returned, and it has increased very substantially since 2007.

Insurance and Guarantee Liabilities: The estimates in Table 31-2 reflect the current discounted value of prospective future losses on outstanding guarantees and insurance contracts, not accounting for market risk. Other insurance includes veterans' life insurance, flood, crop, and terrorism insurance. Relative to total liabilities, insurance and guarantee liabilities are small, comprising less than 2 percent of total liabilities in 2011.

Pension and Post-Employment Health Liabilities: While the Government's employee pension obligations have risen slowly, there has been a sharp increase in the liability for future health benefits and veterans compensation. The discounted present value of these benefits is estimated to have been around $5.7 trillion at the end of 2011, which is 65 percent higher than a decade earlier in 2000.

Environmental and Disposal Liabilities: During World War II and the Cold War, the Government constructed a vast industrial complex to produce and test nuclear weapons, which resulted in environmental contamination. Ongoing defense and other activities can result in contamination if waste disposal is not carried out properly. Cleanup and disposal liabilities are estimated to be around $324 billion in present value terms.

The Government need not maintain a positive balance of net assets to assure its fiscal solvency. Indeed, the increase in the Government's net liability position since 1960 has not significantly affected the Government's creditworthiness, and interest rates on Federal debt have been very low recently, despite the surge in Government borrowing. Nevertheless, there are limits to how much debt any Government can assume without putting its finances in jeopardy.

Conclusion

Budget and financial reporting each provide the public with detailed information on how the Government raised and spent financial resources. The budget uses a conceptual framework based primarily on cash transactions, as laid out in the 1967 *Report of the President's Commission on Budget Concepts*. The *Budget of the United States Government* is recognized and used widely both within and outside of the Government, and the budget process is the primary way that the Government reaches agreement on public policy goals and allocates resources among competing uses.

Financial reporting uses much the same underlying data as the budget to develop reports prepared in accordance with generally accepted accounting principles promulgated by the Federal Accounting Standards Advisory Board and adopted for Executive Branch agencies by the Office of Management and Budget. Financial reporting focuses on the results of financial operations, including the cost of operations, financial position, and financial condition of the Government. Together, budget and financial reporting provide complementary information and a comprehensive view of the Government's financial resources and responsibilities.

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