

Introduction

Historical Tables, Budget of the United States Government, 1990 is designed to provide budget users with a wide range of data on Federal Government finances. Most of the data series in this document are also shown in the Budget of the United States Government, 1990, but for a much shorter time span. In many cases, data in this book cover all years from 1940 to the estimates for 1994. Additionally, Section 1 provides data on receipts, outlays, and surpluses and deficits for 1934-1939.

Structure

This document is composed of 16 sections, each of which has one or more sets of tables. Each section covers a common theme. Section 1, for example, provides an overview on the budget and off-budget totals, Section 2 provides tables on receipts by source, and Section 3 shows outlays by function. The basic purpose of the volume is to present a broad range of historical budgetary data in one convenient reference source and to provide relevant comparisons that are most likely to be of assistance. The most common comparisons are in terms of proportions (e.g., each major receipt category as percentages of total receipts and of the gross national product).

Notes at the beginning of each section explain the nature of the activities covered by the tables in that section. The first time that any new budget concept is introduced the covering notes provide a nontechnical definition of the concept. Whenever it appears that some additional descriptive information would be useful, this information is also included. Explanations are generally not repeated, but there are occasional cross-references to related materials. When a section contains several tables, the general rule is to start with tables showing the broadest overview data and then work down to more detailed tables.

Because of the numerous changes in the way budget data have been presented over time, there are inevitable difficulties in trying to produce comparable data to cover so many years. The general rule underlying all of these tables is to provide data in as meaningful and comparable a fashion as is possible. To the extent feasible, the data are presented on a basis consistent with current budget concepts. When a structural change is made, insofar as possible the data are adjusted for all years. No major structural changes were made in the 1990 Budget. However, an example of the application of this rule comes from the 1989 Budget. Prior to the 1989 Budget one major function was entitled "general purpose fiscal assistance." The principal component of that function -- indeed, the reason that function was of sufficient importance to be a separate major function -- was the general revenue sharing program. General revenue sharing started in 1963 and its last significant outlays were in 1986. With the abolition of general revenue sharing, in the 1989 Budget the general purpose fiscal assistance function was converted from being a separate major function to being a subfunction in the general government function. The data base incorporates the general purpose fiscal activities as a subfunction of the general government function for all years -- not just since the abolition of general revenue sharing.

Coverage

The Federal Government has used the unified budget concept as the foundation for its budgetary analysis and presentation since the 1969 Budget. The basic guidelines for the unified budget were presented in the Report of the President's Commission on Budget Concepts (issued in October 1967). The Commission recommended that the budget include all Federal fiscal activities unless there are exceptionally persuasive reasons for exclusion. Nevertheless, from the very beginning some programs were perceived as warranting special treatment. Indeed, the Commission itself recommended a bifurcated presentation: a "unified budget" composed of an "expenditure account" and a "loan account." The distinction between the expenditure account and the loan account proved to be confusing and caused considerable complication in the budget for little benefit. As a result, this distinction was eliminated starting with the 1974 Budget. However, even prior to the 1974 Budget the Export-Import Bank had been excluded by law from the budget totals, and other exclusions followed. The structure of the budget was gradually revised so that the off-budget transactions were shown in many locations along with the on-budget transactions, and the off-budget amounts were added to the on-budget amounts in order to show the totality of Federal spending.

The Social Security Amendments of 1983 include a requirement that the three major trust funds financed through the social security taxes -- the Federal old-age, survivors, and disability insurance funds (collectively known as social security) and the Federal Hospital Insurance (HI) fund -- be off-budget starting a decade later (1993). Subsequently, the Congress enacted and the President signed the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177). That law repealed the off-budget status of all then existing off-budget entities, but it included a provision immediately moving social security (but not HI) off-budget. In conformity with the rule that the historical data be shown as comparably as feasible over time, the budget historical data show social security off-budget for all years since its inception, and show all formerly off-budget entities on-budget for all years. The budgetary status of the HI fund is anomalous. Under current law it is on-budget, but it is scheduled to go off-budget in 1993. Currently the budget estimates extend through 1994. In order to minimize confusion and discontinuities, the budget data continue to include HI in the on-budget amounts, including for 1993 and 1994.

Though social security is now off-budget and, by law, excluded from coverage of the congressional budget resolutions, it continues to be a Federal program. Indeed, it currently accounts for around one-third of all Federal receipts and one-quarter of all Federal spending. Hence, the budget documents include social security, and they focus on the Federal totals that combine the on-budget and off-budget amounts. Various budget tables and charts show total Federal receipts, outlays, and surpluses and deficits, and divide these totals between the portions that are off-budget (the two social security trust funds) and the remainder of Federal transactions, all of which are on-budget.

1987 Outlays and Deficit

The outlay and deficit totals published in the 1989 Budget have been reduced from \$1,004.6 billion and \$150.4 billion to \$1,003.8 billion and \$149.7 billion, respectively. This is because the 1987 data in the 1989 Budget erroneously double-counted \$756.6 million of spending. \$750.0 million of this double-count was intragovernmental transactions between the Commodity Credit Corporation and the Federal Crop Insurance Corporation in the Department of Agriculture. The other error was counting in both agencies \$6.6 million of outlays financed by the highway trust fund in the Department of Transportation but administered by the Department of Agriculture. The elimination of those double-counts reduces the reported 1987 outlays and deficits by \$756.6 million.

Note on the Fiscal Year

The Federal fiscal year begins on October 1 and ends on the subsequent September 30. It is designated by the year in which it ends; for example, fiscal year 1987 began on October 1, 1986, and ended on September 30, 1987. Prior to fiscal year 1977 the Federal fiscal years began on July 1 and ended on June 30. In calendar year 1976 the July-September period was a separate accounting period (known as the transition quarter or TQ) to bridge the period required to shift to the new fiscal year.

General Note on Percentage Calculations

All percentages are computed from the most detailed data available. Details may not add to totals because of rounding. Whenever percentages of GNP or of budget totals are shown, the percentages are of current dollar data, not of constant dollar data.

HISTORICAL TABLES

INTRODUCTION

Historical Tables is designed to provide budget users with a wide range of data on Federal Government finances. In many cases, the data cover all years from 1940 to the estimates for 1996. Additionally, Section 1 provides data on receipts, outlays, and surpluses and deficits for 1934–1939 and for earlier multi-year periods.

Structure

This document is composed of 15 sections, each of which has one or more tables. Each section covers a common theme. Section 1, for example, provides an overview on the budget and off-budget totals, Section 2 provides tables on receipts by source, and Section 3 shows outlays by function. The purpose of this set of tables is to present a broad range of historical budgetary data in one convenient reference source and to provide relevant comparisons most likely to be of assistance. The most common comparisons are in terms of proportions (e.g., each major receipt category as percentages of total receipts and of the gross national product).

Section notes explain the nature of the activities covered by the tables in that section. The first time any new budget concept is introduced, the covering notes provide a nontechnical definition of the concept. Whenever it appears that some additional descriptive information would be useful, this information is also included. Explanations are generally not repeated, but there are occasional cross-references to related materials. When a section contains several tables, the general rule is to start with tables showing the broadest overview data and then work down to more detailed tables.

Because of the numerous changes in the way budget data have been presented over time, there are inevitable difficulties in trying to produce comparable data to cover so many years. The general rule underlying all of these tables is to provide data in as meaningful and comparable a fashion as possible. To the extent feasible, the data are presented on a basis consistent with current budget concepts. When a structural change is made, insofar as possible the data are adjusted for all years. No major structural changes were made in the 1991 or 1990 budgets. However, an example of the application of this rule comes from the 1989 budget. Prior to the 1989 budget one major function was entitled “general purpose fiscal assistance.” The principal component of that function—indeed, the reason that function was of sufficient importance to be a separate major function—was the general revenue sharing program. General revenue sharing started in 1963 and its last significant outlays were in 1986. With the aboli-

tion of general revenue sharing, in the 1989 budget the general purpose fiscal assistance function was converted from being a separate major function to being a subfunction in the general government function. The data base incorporates the general purpose fiscal activities as a subfunction of the general government function for all years—not just since the abolition of general revenue sharing.

In November 1990, the President signed the Omnibus Budget Reconciliation Act of 1990. Part of this legislation was the Budget Enforcement Act, which not only provided new enforcement mechanisms, but also included significant changes in budget concepts. The major conceptual change is in the measurement of Federal credit activity in the budget. Under the new law, only the subsidy cost (the cost to the Government, including the cost associated with loan defaults) of direct loans or loan guarantees is to be recorded as budget authority and outlays. The remaining financial transactions are to be recorded as means of financing items. The new law will be effective for direct loan obligations and loan guarantee commitments made in 1992 and beyond. Unfortunately, the historical data could not be converted to this new measurement basis. Thus, data prior to 1992 are on a cash flow or pre-credit reform basis. Data for 1992 and beyond are on a cash flow basis for obligations and commitments made in earlier years, but reflect the subsidy cost or post-credit reform concepts for the forty or so budget program accounts providing direct loans or loan guarantees.

Coverage

The Federal Government has used the unified budget concept as the foundation for its budgetary analysis and presentation since the 1969 budget. The basic guidelines for the unified budget were presented in the *Report of the President's Commission on Budget Concepts* (October 1967). The Commission recommended that the budget include all Federal fiscal activities unless there are exceptionally persuasive reasons for exclusion. Nevertheless, from the very beginning some programs were perceived as warranting special treatment. Indeed, the Commission itself recommended a bifurcated presentation: a “unified budget” composed of an “expenditure account” and a “loan account.” The distinction between the expenditure account and the loan account proved to be confusing and caused considerable complication in the budget for little benefit. As a result, this distinction was eliminated starting with the 1974 budget. However, even prior to the 1974 budget, the Export-Import Bank had been excluded by law from the budget totals, and other exclusions followed. The structure of the budget was gradually revised to

show the off-budget transactions in many locations along with the on-budget transactions, and the off-budget amounts were added to the on-budget amounts in order to show total Federal spending.

The Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177) repealed the off-budget status of all then existing off-budget entities, but it included a provision immediately moving the Federal old-age, survivors, and disability insurance funds (collectively known as social security) off-budget. To conform with the rule that the historical data provide a consistent time series, the budget historical data show social security off-budget for all years since its inception, and show all formerly off-budget entities on-budget for all years. Subsequent law removed the Postal Service fund off-budget, starting in fiscal year 1989. Prior to that year, the Postal Service fund is shown on-budget.

Though social security and the Postal Service are now off-budget they continue to be Federal programs. Indeed, social security currently accounts for around one-third of all Federal receipts and one-quarter of all Federal spending. Hence, the budget documents include these funds, and focus on the Federal totals that combine the on-budget and off-budget amounts. Various budget tables and charts show total Federal receipts, outlays, and surpluses and deficits, and divide these totals between the portions that are off-budget (the two social security trust funds and the Postal Service fund) and the remainder of Federal transactions, all of which are on-budget.

1989 Outlays and Deficit

The outlay and deficit totals for 1989 published in the 1991 budget have been increased from \$1,142.6 billion and \$152.0 billion to \$1,144.1 billion and \$153.4 billion, respectively. The 1989 data in the 1991 budget has been updated to reflect revised reporting of 1989 transactions to the Treasury by several agencies, mainly the Resolution Trust Corporation (RTC), the Federal Deposit Insurance Corporation's (FDIC) Bank Insurance Fund (BIF) and FSLIC Resolution Fund (FRF), and the National Archives and Records Administration (NARA). FRF outlays have been increased by \$7 million in 1988 and \$1,365 million in 1989. RTC outlays have been increased by \$64 million in 1989 and BIF outlays have been increased by \$63 million in 1989. NARA outlays for 1989 were reduced by \$55 million. Correction of an error in the 1991 budget reporting of 1989 actuals reduces 1989 net outlays for the James Madison Memorial Fellowship Foundation in subfunction 502 by \$10 million. Miscellaneous governmental receipts for that year are reduced by \$10 million and other Federal fund excise tax receipts are increased by \$10 million. Total governmental receipts are unchanged.

Note on the Fiscal Year

The Federal fiscal year begins on October 1 and ends on the subsequent September 30. It is designated by the year in which it ends; for example, fiscal year 1990 began on October 1, 1989, and ended on September

30, 1990. Prior to fiscal year 1977 the Federal fiscal years began on July 1 and ended on June 30. In calendar year 1976 the July-September period was a separate accounting period (known as the transition quarter or TQ) to bridge the period required to shift to the new fiscal year.

Notes on Section 1 (Overview of Federal Government Finances)

This section provides an overall perspective on total, on-budget, and off-budget receipts, outlays (spending), and surpluses or deficits. Tables 1.1 and 1.2 have identical structures; 1.1 shows the data in millions of dollars, while 1.2 shows the same data as percentages of the gross national product (GNP). For all the historical tables fiscal year GNP is used to calculate percentages of GNP. The fiscal year GNP data are shown in Table 1.2.

Table 1.3 shows total Federal receipts, outlays, and surpluses or deficits in current dollars, constant dollars, and as percentages of GNP. Table 6.1 provides a disaggregation of the constant dollar outlays.

Concepts Relevant to Tables in this Section

Budget (or "on-budget") receipts constitute the income side of the budget; they are composed almost entirely of taxes or other compulsory payments to the Government. Any income from business-type activities (e.g., interest income or sale of electric power), and any income by Government accounts arising from payments by other Government accounts is offset in computing *budget outlays* (spending). This method of accounting permits users to easily identify the size and trends in Federal taxes and other compulsory income, and in Federal spending financed from taxes, other compulsory income, or borrowing. *Budget surplus* refers to any excess of budget receipts over budget outlays, while *budget deficit* refers to any excess of budget outlays over budget receipts.

The terms *off-budget receipts*, *off-budget outlays*, *off-budget surpluses*, and *off-budget deficits* refer to similar categories for off-budget activities. The sum of the on-budget and off-budget transactions constitute the consolidated or total Federal Government transactions.

Table 1.4 shows on-budget receipts, outlays, and surpluses or deficits by fund group. The budget is composed of two principal fund groups—*Federal funds* and *trust funds*. Normally, whenever data are shown by fund group, any payments from programs in one fund group into receipt accounts of the other are shown as outlays of the paying fund and receipts of the collecting fund. When the two fund groups are aggregated to arrive at budget totals these *interfund transactions* are deducted from both receipts and outlays in order to arrive at transactions with the public. Table 1.4 shows the application of this rule to the on-budget accounts.

This rule was modified with regard to payments from on-budget to off-budget accounts, and vice versa, and, therefore, the off-budget amounts are not shown in table 1.4. so normal accounting can be followed. In other tables, if the normal accounting had been fol-

lowed, the collections arising from payments from on-budget Federal funds to the off-budget funds and from off-budget funds to on-budget Federal funds would have been recorded as off- or on-budget receipts. A special deduction would be needed to eliminate this double-count when the on-budget and off-budget totals were combined. To avoid this complication, collections by off-budget accounts from on-budget, and vice versa, are all offset (deducted) in computing the outlays of the receiving side, thereby allowing the addition of on- and off-budget receipts and on- and off-budget outlays without double counting and without any further adjustments.

The term *trust fund* as used in Federal budget accounting is frequently misunderstood. In private accounting, "trust" refers to funds of one party held by a second party (the trustee) in a fiduciary capacity. In the Federal budget, the term "trust fund" means only that the law requires that funds must be accounted for separately and used only for specified purposes, and the account in which the funds are deposited is designated by law as being a "trust fund." A change in law may change the future receipts and the terms under which the fund's resources are spent. The determining factor as to whether a particular fund is designated as a "Federal" fund or "trust" fund is the law governing the fund.

The largest trust funds are for retirement and social insurance (e.g., civil service and military retirement, social security, medicare, and unemployment benefits), financed largely by social insurance taxes and contributions and payments from the general fund (the main component of Federal funds). However, there are also major trust funds for transportation (highway and airport and airways) and for deposit insurance (Federal Deposit Insurance Corporation) programs that are financed by *user charges*. The term user charge refers to a charge for services rendered.

The budget documents do not separately show user charges, but frequently there is confusion between the concept of user charges and the concept of offsetting collections. User charges are charges for services rendered. Such charges may take the form of taxes (budget receipts), such as highway excise taxes used to finance the highway trust fund. They may also take the form of business-type charges, in which case they are offsetting collections—offset against budget outlays rather than being recorded as budget receipts. Examples of such charges are the proceeds from the sale of electric power by the Tennessee Valley Authority and voluntary medical insurance premiums paid to the supplementary medical insurance trust fund. User charges may go to the general fund of the Treasury or they may be "earmarked". If the funds are earmarked it means the collections are separately identified and used for a specified purpose—they are not commingled (in an accounting sense) with any other money. This does not mean the money is actually kept in a separate bank account (all money in the Treasury is merged for efficient cash management), but any earmarked funds are accounted for in such a way that the balances are always identifi-

able and available for the stipulated purposes. The Federal funds grouping includes all receipts and outlays not specified by law as being trust funds.

All Federal funds (except for the Postal Service fund starting with fiscal year 1989) are on-budget; while most trust funds are on-budget, as explained in the general notes above, the two social security trust funds are shown off-budget for all years.

Notes on Section 2 (Composition of Federal Government Receipts)

Section 2 provides historical information on budget and off-budget receipts. Table 2.1 shows total receipts divided into five major categories; it also shows the split between on-budget and off-budget receipts. Table 2.2 shows the receipts by major category as percentages of total receipts, while Table 2.3 shows the same categories of receipts as percentages of the gross national product (GNP). Table 2.4 disaggregates two of the major receipts categories: social insurance taxes and contributions and excise taxes, and Table 2.5 disaggregates the "other receipts" category. While the focus of the section is on total Federal receipts, auxiliary data show the amounts of trust fund money in each category, so it is possible to readily distinguish the Federal fund and trust fund portions.

Notes on Section 3 (Federal Government Outlays by Function)

Section 3 displays Federal Government outlays (on-budget and off-budget) according to their functional classification. The functional structure is divided into 18 broad areas (functions) that provide a coherent and comprehensive basis for analyzing the budget. Each function, in turn, is divided into basic groupings of programs entitled subfunctions. The structure has two additional categories—allowances and undistributed off-setting receipts—that are not functions but are required in order to cover the entire budget. At times a more summary presentation of functional data is needed; the data by "superfunction" is produced to satisfy this need. Table 3.1 provides outlays by superfunction and function while Table 3.2 shows outlays by function and subfunction.

No major changes were made in the functional structure for the 1992 budget. However, a new subfunction—deposit insurance (373)—was created to bring together the various accounts directly related to providing Federal insurance of deposits in financial institutions that were formerly in separate subfunctions (within the Commerce and Housing Credit function (370)). Other significant changes in functional classification for the 1992 budget include:

- A consolidation of the Department of Education's program administration amounts under subfunction 503, research and general education aids. Previously, these amounts were split into several subfunctions within Function 500, Education, Training and Employment, and Social Services;
- A reclassification of several small accounts within the Treasury Department's Customs Services from

the General Government (800) function to the Administration of Justice (750) function, consistent with the law enforcement activities these funds support; and

- A reclassification of payments to the Resolution Trust Corporation and to the Farm Credit System Financial Assistance Corporation for payment of interest on debt to subfunction 908 (other interest) from subfunctions 371 and 351, respectively.

In arraying data on a functional basis, budget authority and outlays are classified according to the primary purpose of the activity. To the extent feasible, this classification is made without regard to agency or organizational distinctions. Classifying each activity solely in the function that defines its most important purpose—even though many activities serve more than one purpose—permits adding the budget authority and outlays of each function to obtain the budget totals. For example, Federal spending for medicaid constitutes a health care program, but it also constitutes a form of income security benefits. However, the spending cannot be counted in both functions; since the main purpose of medicaid is to finance the health care of the beneficiaries, this program is classified in the “health” function. Section 3 provides data on budget outlays by function, while Section 5 provides comparable data on budget authority.

Notes on Section 4 (Federal Government Outlays by Agency)

Section 4 displays Federal Government outlays (on- and off-budget) by agency. Table 4.1 shows the dollar amounts of such outlays, and Table 4.2 shows the percentage distribution. The outlays by agency are based upon the agency structure currently in effect. For example, the Department of Education was established by legislation enacted in 1979. However, these data show the Department of Education spending for all years, including education spending that was in other agencies in earlier years.

Notes on Section 5 (Budget Authority—On- and Off-Budget)

Section 5 provides data on budget authority (BA). BA is the authority provided by law for agencies to obligate the Government to spend. Because of its heterogeneity, BA does not always constitute a stream of resources closely related to an associated stream of spending (budget or off-budget outlays). Table 5.1 shows BA by function and subfunction, starting with 1976. Table 5.2 provides the same information by agency, and Table 5.3 provides a percentage distribution of BA by agency.

The data in these tables were compiled using the same methods used for the budget historical tables for receipts and outlays (i.e., to the extent feasible, changes in classification are reflected retroactively so the data show the same stream of transactions in the same location for all years). However, BA is heterogeneous in nature, varying significantly from one program to another. As a result, it is not additive—either across pro-

grams or agencies for a year or, in many cases, for an agency or program across a series of years—in the same sense that budget receipts and budget outlays are additive. The following are examples of different kinds of BA and the manner in which there are large divergences between the creation and use of BA.

- BA and outlays for each year may be exactly the same (e.g., interest on the public debt).
- All income to a fund (e.g., the social security trust funds) may be permanently appropriated as BA; as long as the fund has adequate resources, there is no further relationship between the BA and outlays.
- For each year the Congress may appropriate a large quantity of BA that will be spent over a subsequent period of years (e.g., many defense procurement contracts and major construction programs).
- Some BA (e.g., the salaries and expenses of an operating agency) is made available only for a year and any portion not obligated during that year lapses (i.e., it ceases to be available to be obligated).
- Revolving funds may operate spending programs indefinitely with no new infusion of BA, other than the permanent BA to spend offsetting collections.
- BA may be enacted with the expectation it is unlikely ever to be used (e.g., standby borrowing authority).
- In the past, the Federal Financing Bank (FFB) was conducted as a revolving fund, making direct loans to the public or purchasing loan assets from other funds or accounts. Each new loan by the FFB required new BA. In many cases, if the same loan were made by the account being serviced by the FFB, the loan could be financed from offsetting collections and no new BA would be recorded. Under terms of the 1985 legislation moving the FFB on-budget, the FFB ceased to make direct loans to the public. Instead, it makes loans to the accounts it services, and these accounts, in turn, make the loans to the public. Such loans could be made from new BA or other obligational authority available to the parent account. These tables have not been reconstructed to shift BA previously scored in the FFB to the parent accounts, because there is no technical way to reconfigure the data.
- BA in four trust funds (the Federal hospital insurance trust fund (HI), the supplementary medical insurance trust fund (SMI), the unemployment trust fund (UI), and the railroad retirement account) is to be measured on a basis different from other trust funds. For most trust funds, budget authority is the total income to the fund. However, for these four, budget authority is an estimate of the obligations to be incurred during the fiscal year for benefit payments, administration, and other expenses of the fund.

- Although major changes in the way BA is measured for credit programs (beginning in 1992) result from the Budget Enforcement Act, these tables could not be reconstructed to show revised BA figures for 1991 and prior years on the new basis.

As a result of the diverse nature of BA, it is difficult to conceptualize what the BA total means for a single year, or to determine the significance of a change in total BA from one year to the next. Sometimes it is meaningful to compare the BA for one function or subfunction with that for another function or subfunction, but often it is not. It is also generally not meaningful to compare BA for a particular function or subfunction with total BA. Additionally, since some BA lapses without being used and some BA is standby and never used, it is impossible to add the BA for a period of years in a meaningful manner in the same sense that receipts or outlays can be added over a period of years.

Despite these qualifications and drawbacks, there is a desire for historical data on BA, and this section has been developed to meet that desire.

Notes on Section 6 (Composition of Federal Government Outlays)

The "composition" categories in this section divide total outlays (including social security) into national defense and nondefense components, and then disaggregate the nondefense spending into several parts:

- *Payments for individuals:* These are Federal Government spending programs designed to transfer income (in cash or in kind) to individuals or families. To the extent feasible, this category does not include reimbursements for current service rendered (e.g., salaries and interest). The payments may be in the form of cash or may take the form of the provision of services or the payment of bills for activities largely financed from personal income. They include outlays for the provision of medical care (in veterans hospitals, for example) and for the payment of medical bills (e.g., medicare). They also include subsidies to reduce the cost of housing below market rates, and food and nutrition assistance (such as food stamps). The data base, while not precise, provides a reasonable perspective of the size and composition of income support transfers within any particular year and trends over time. Section 11 disaggregates the components of this category. The data in Section 6 show a significant amount of payments for individuals takes the form of grants to State and local governments to finance benefits for the ultimate recipients. These grants include medicaid, some food and nutrition assistance, and a significant portion of the housing assistance payments. Sections 11 and 12 provide a more detailed disaggregation of this spending.
- *All other grants to State and local governments:* This category is composed of the Federal non-defense grants to State and local governments

other than grants defined as payments for individuals. Section 12 disaggregates this spending.

- *Net interest:* This category is composed of all spending (including offsetting receipts) included in the functional category "net interest." Most spending for net interest is paid to the public as interest on the Federal debt. As shown in Table 3.2, net interest includes, as an offset, significant amounts of interest income.
- *All other:* This category is composed of all remaining Federal spending (and offsetting receipts) except for the offsetting receipts included in the category "undistributed offsetting receipts." It includes all Federal loan activities and most Federal spending for foreign assistance, farm price supports, medical and other scientific research, and, in general, Federal direct program operations.
- *Undistributed offsetting receipts:* This is function 950 as shown in the functional tables. Additional details on its composition can be found at the end of Table 3.2.

Table 6.1 shows these outlays in current dollars, in constant dollars, the percentage distribution of current dollar outlays, and the current dollar outlays as percentages of GNP. The term "constant dollars" means the amounts of money that would have had to be spent in each year if, on average, the unit cost of everything purchased within that category each year (including purchases financed by income transfers, interest, etc.) were the same as in the base year (1982). The adjustments to constant dollars are made by applying a series of price deflators to the current dollar data base. The composite deflator is used to produce estimates of constant dollar receipts, and is published in Table 1.3. The separate deflators used for these calculations are not published, but are available upon request. Requests should be sent to Historical Tables, Office of Management and Budget, Room 6025, NEOB, Washington, DC 20503.

Notes on Section 7 (Federal Debt)

This section provides information about Federal debt. Table 7.1 contains data on gross Federal debt and its major components in terms of both the amount of debt outstanding at the end of each year and that amount as a percentage of fiscal year GNP. Gross Federal debt is the broadest measure of Federal debt commonly used. It is composed both of Federal debt held (owned) by the public and Federal debt held by Federal Government accounts. The largest Federal Government accounts that hold Federal debt securities are the civil service and military retirement, unemployment, social security, and medicare trust funds. However, significant amounts are also held by some other Government accounts, such as the Bank Insurance Fund and the highway trust fund.

Federal debt held by the public is gross Federal debt less that portion held by Federal Government accounts. "The public" includes any person or institution other than Federal Government accounts—for example, individuals, private banks and insurance companies, the

Federal Reserve Banks, and foreign central banks. Table 7.1 divides debt held by the public between that amount held by the Federal Reserve Banks and the remainder. The Federal Reserve Banks, while not part of the Government, are the central banking system for the Nation. Their holdings of Federal debt arise from their role as the country's central bank, and the size of these holdings has a major impact on the Nation's money supply. Since the Federal budget does not forecast Federal Reserve monetary policy, it does not project future changes in the amounts of Federal debt that will be held by the Federal Reserve Banks. Hence, the split of debt held by the public into that portion held by the Federal Reserve Banks and the remainder is provided only for past years. Table 2.5 shows deposits of earnings by the Federal Reserve System. Most interest paid by Treasury on debt held by the Federal Reserve Banks is returned to the Treasury as deposits of earnings, which are counted as budget receipts.

As a result of a conceptual revision in the quantification of Federal debt, the data on debt held by the public and gross Federal debt—but only a small part of debt held by Government accounts—were revised back to 1956 in the 1990 budget. The total revision was relatively small—a change of under one percent of the recorded value of the debt—but the revised basis is more consistent with the quantification of interest outlays, and provides a more meaningful measure of Federal debt. The change converted most debt held by the public from par value to accrual value (sales price plus amortized discount).

Table 7.2 shows the end-of-year amounts of Federal debt subject to the general statutory limitation. It is recorded at par value (except for savings bonds) through 1988, but by law the basis was changed, in part, to accrual value for later years. Before World War I, each debt issue by the Government required specific authorization by the Congress. Starting in 1917, the nature of this limitation was modified in several steps until it developed into a limit on the total amount of Federal debt outstanding. The Treasury is free to borrow whatever amounts are needed up to the debt limit, which is changed from time to time to meet new requirements. Table 7.3 shows the ceiling at each point in time since 1940. It provides the specific legal citation, a short description of the change, and the amount of the limit specified by each Act. Most of gross Federal debt is subject to the statutory limit. However, there are some differences, and Chapter VIII.C. of the *Budget* discusses them in greater detail and shows a table bridging from gross Federal debt to debt subject to the general statutory limitation.

Notes on Section 8 (Outlays by Budget Enforcement Act Categories)

Section 8 is composed of three tables providing budget outlays by categories used under the Budget Enforcement Act and under previous budget agreements between Congress and the current and previous Administration. Table 8.1 shows Federal outlays within each of the categories and subcategories. The principal cat-

egories are outlays for mandatory and related programs and outlays for discretionary programs. Mandatory and related programs include direct spending and offsetting receipts, whose budget authority is provided by law other than appropriations Acts. Also included in this category are appropriated entitlements and the food stamp program. Table 8.2 provides additional detail by function and/or subfunction for mandatory and related programs.

Discretionary programs are those whose budgetary resources (other than entitlement authority) are provided in appropriations Acts. The Budget Enforcement Act defines three categories of discretionary programs: Defense (Function 050), International (Function 150), and Domestic (all other discretionary programs). Table 8.3 provides additional detail by function and/or subfunction on outlays for discretionary programs.

Notes on Section 9 (Federal Government Outlays for Major Physical Capital)

The tables in this section provide a broad perspective on Federal Government outlays for public physical capital. They are based on the data classifications discussed in Chapter XVIII of the *Budget*, which contains a discussion of this spending. These data measure new Federal spending for major public physical assets, but they exclude major commodity inventories. In some cases it was necessary to use supplementary data sources in order to develop the historical comparisons, primarily the special analyses on public works. Whenever changes from the originally published data were made or whenever data from supplementary data sources were used, these adjustments were made to provide a consistent data series. In some instances, it was necessary to estimate the comparable historical spending.

Notes on Section 10 (Federal Government Outlays for the Conduct of Research and Development)

Chapter XVIII of the *Budget* provides data showing Federal Government outlays for the conduct of research and development (R&D). These data exclude outlays for construction and major equipment for R&D, because such spending is included in outlays for physical capital (Section 9). Table 10.1 provides an overall perspective on Federal Government outlays for the conduct of R&D. It shows total spending and the split between national defense and nondefense spending in four forms: in current dollars, in constant dollars, as percentages of total outlays, and as percentages of GNP. Table 10.2 shows the outlays in current dollars by major function and program. Chapter IV.C. of the *Budget* discusses Federal research and development activities.

Notes on Section 11 (Federal Government Payments for Individuals)

This section provides detail on outlays for Federal Government payments for individuals, which are also described in the notes on Section 6. The basic purpose of the payments for individuals aggregation is to pro-

vide a broad perspective on Federal spending in cash or in-kind for which no current service is rendered yet which constitute income transfers to individuals and families. Table 11.1 provides an overview display of these data in four different forms. All four of these displays show the total payments for individuals, and the split of this total between grants to State and local Governments for payments for individuals (such as medicaid and grants for housing assistance) and all other ("direct") payments for individuals.

Table 11.2 shows the functional composition of payments for individuals (see notes on Section 3 for a description of the functional classification), and includes the same grants versus nongrants ("direct") split provided in Table 11.1. The off-budget social security program finances a significant portion of the Federal payments for individuals. These tables do not distinguish between the on-budget and off-budget payments for individuals. However, all payments for individuals shown in Table 11.2 in function 650 (social security) are off-budget outlays, and all other payments for individuals are on-budget. Table 11.3 displays the payments for individuals by major program category.

Notes on Section 12 (Federal Grants To State and Local Governments)

For several decades the Federal budget documents have provided data on Federal grants to State and local Governments. The purpose of these data is to identify Federal Government outlays that constitute income to State and local Governments to help finance their services and their income transfers (payments for individuals) to the public. Grants generally exclude Federal Government payments for services rendered directly to the Federal Government; for example, they exclude most Federal Government payments for research and development, and they exclude payments to State social service agencies for screening disability insurance beneficiaries for the Federal disability insurance trust fund.

Table 12.1 provides an overall perspective on grants; its structure is similar to the structure of Table 11.1.

Table 12.2 displays Federal grants by function (see notes on Section 3 for a description of the functional classification). The bulk of Federal grants are included in the Federal funds group; however, since the creation of the highway trust fund in 1957, significant amounts of grants have been financed from trust funds (see notes to Section 1 for a description of the difference between "Federal funds" and "trust funds"). All Federal grants are on-budget. Wherever trust fund outlays are included in those data, Table 12.2 not only identifies the total grants by function but also shows the split between Federal funds and trust funds.

Table 12.3 provides data on grants at the account or program level, with an identification of the function, agency, and fund group of the payment.

Chapter VI.C. of the *Budget* discusses Federal aid to State and local governments.

Notes on Section 13 (Social Security and Medicare)

Over the past several decades the social security programs (the Federal old-age and survivors insurance (OASI) and the Federal disability insurance (DI) trust funds) and the medicare programs (the Federal hospital insurance (HI) and the Federal supplementary medical insurance (SMI) trust funds) have grown to be among the largest components of the Federal budget. Because of the size, the rates of growth, and the specialized financing of these programs, policy analysts frequently need to identify these activities separately from all other Federal taxes and spending. As discussed in the introductory notes, the two social security funds are off-budget, while the medicare funds are on-budget. As Table 13.1 shows, the first of these funds (OASI) began in 1937. The table traces the annual transactions of that fund and of the other funds beginning with their points of origin.

The table provides detailed information about social security and medicare by fund. It shows total cash income (including offsetting receipts) by fund, separately identifying social insurance taxes and contributions, intragovernmental income, and proprietary receipts from the public. Virtually all of the proprietary receipts from the public, especially those for the supplementary medical insurance trust fund, are medicare insurance premiums. The table shows the income, outgo, and surplus or deficit of each fund for each year, and also shows the balances of the funds available for future requirements. Most of these fund balances are invested in public debt securities and constitute a significant portion of the debt held by Government accounts (see Table 7.1).

The SMI fund, which was established in 1967, is financed primarily by payments from Federal funds and secondarily by voluntary medical insurance premiums (proprietary receipts from the public). The other three trust funds are financed primarily by social insurance taxes. The law establishing the rate and base of these taxes allocates the tax receipts among the three funds.

The table shows significant transfers by OASI and DI to the railroad retirement social security equivalent account. These transfers are equal to the additional amounts of money social security would have had to pay, less additional receipts it would have collected, if the rail labor force had been included directly under social security since the inception of the social security program. In 1983, when the OASI fund ran short of money, Congress passed legislation that (a) provided for a one-time acceleration of military service credit payments to these trust funds, (b) provided for a Federal fund payment to OASDI for the estimated value of checks issued in prior years and charged to the trust funds but never cashed, (c) required the Treasury make payments to OASDHI on the first day of the month for the estimated amounts of their social insurance taxes to be collected over the course of each month (thereby increasing each affected trust fund's balances at the beginning of the month), and (d) subjected some social security benefits to Federal income or other taxes

and provided for payments by Federal funds to social security of amounts equal to these additional taxes. Additionally, in 1983 the OASI fund borrowed from the DI and HI funds (the tables show the amounts of such borrowing and repayments of borrowing). The large intragovernmental collections by OASDHI in 1983 are a result of the transactions described under (a) and (b) above. Also starting in 1983, OASI began paying interest to DI and HI to reimburse them for the balances OASI borrowed from them; OASDI paid interest to Treasury to compensate it for the balances transferred to these funds on the first day of each month. This practice was repealed for OASDI in the Omnibus Budget Reconciliation Act of 1990. It had been repealed previously for HI.

Notes on Section 14 (Federal Transactions in the National Income and Product Accounts)

The principal system used in the United States for measuring total economic activity is the system of national income and product accounts (NIPA), which provide calculations of the GNP and related data series. These data are produced by the Bureau of Economic Analysis (BEA) of the Department of Commerce. As part of this work the BEA staff analyze the budget data base and estimate budgetary transactions consistent with this measurement system. These data are displayed and discussed in Chapter XVI of the *Budget*. The NIPA data are normally produced for calendar years and quarters. However, Section 14 provides these data on a fiscal year basis from 1947 through the estimates for 1992, so users may have the historical data series comparable with the data displayed in Chapter XVI of the *Budget*.

Notes on Section 15 (Total (Federal and State and Local) Government Finances)

Section 15 provides a perspective on the size and composition of total Government (Federal, State, and local) receipts and spending on an accounting basis roughly comparable to that used for the budget. Both the Census Bureau and the Bureau of Economic Analysis (in the national income and product accounts (NIPA) data) in the Commerce Department provide information on income and spending for all levels of government in the United States. However, these data sources differ

significantly from the Federal budget and from each other in the ways they record transactions.

Chapter XVI of the *Budget* provides a table and discussion showing the differences between measurement of Federal receipts and outlays in the budget and in the NIPA data series. The table shows, for example, that the NIPA receipts include the proceeds from payments by the Federal Government for employer contributions to its employee retirement systems (to match the treatment of payments of Federal social insurance taxes by private employers), whereas the budget treats the collection of these payments as offsetting collections (because they are payments from the Government to itself). There are various other transactions the budget treats as offsetting collections but the NIPA count as nontax or social insurance receipts. Because of these and other conceptual differences, users of the budget documents who need measures of State and local transactions on a basis comparable to the budget cannot directly relate the State and local NIPA data with the Federal budget data.

Similarly, the Census data differ from the budget data. For example, the budget records the sale of postal stamps as an offset to the cost of operating the Postal Service, whereas the Census includes the proceeds from the sale of stamps in the income side in its measurement of Government receipts.

Section 15 provides data for budget users who wish to see the size, composition, and trends of the finances of total Government activity in the United States on a basis roughly comparable to the budget measurement system. This is done by first taking the NIPA data (shown in the tables as "NIPA Basis") for State and local receipts and spending and adjusting these data to be reasonably comparable to the way the budget records similar Federal transactions. Next the State and local government "nontax receipts" are converted to offsetting collections (i.e., deducting them from spending rather than counting them as receipts). The tables then include these adjusted State and local transactions with the Federal budget (deducting the amount of overlap due to Federal grants to State and local governments) to measure total Government on a basis roughly comparable to the Federal budget measurement.

HISTORICAL TABLES

INTRODUCTION

Historical Tables is designed to provide budget users with a wide range of data on Federal Government finances. In many cases, the data cover all years from 1940 to the presidential policy estimates through 1998. Additionally, Section 1 provides data on receipts, outlays, and surpluses or deficits for 1934–1939 and for earlier multi-year periods.

Structure

This document is composed of 15 sections, each of which has one or more tables. Each section covers a common theme. Section 1, for example, provides an overview of the budget and off-budget totals; Section 2 provides tables on receipts by source; and Section 3 shows outlays by function. The purpose of this set of tables is to present a broad range of historical budgetary data in one convenient reference source and to provide relevant comparisons most likely to be of assistance. The most common comparisons are in terms of proportions (e.g., each major receipt category as a percentage of total receipts and of the gross domestic product).

Section notes explain the nature of the activities covered by the tables in each section. The first time any new budget concept is introduced, the notes provide a nontechnical definition of the concept. Whenever it appears that some additional descriptive information would be useful, this information is also included. Explanations are generally not repeated, but there are occasional cross-references to related materials. When a section contains several tables, the general rule is to start with tables showing the broadest overview data and then work down to more detailed tables.

Because of the numerous changes in the way budget data have been presented over time, there are inevitable difficulties in trying to produce comparable data to cover many

years. The general rule underlying all of these tables is to provide data in as meaningful and comparable a fashion as possible. To the extent feasible, the data are presented on a basis consistent with current budget concepts. When a structural change is made, insofar as possible the data are adjusted for all years.

In November 1990, the Omnibus Budget Reconciliation Act of 1990 was enacted. Part of this legislation was the Budget Enforcement Act, which not only provided new enforcement mechanisms, but also included significant changes in budget concepts. The major conceptual change concerns the measurement of Federal credit activity in the budget. Under current law, only the subsidy cost (the cost to the Government, including the cost associated with loan defaults) of direct loans and loan guarantees is recorded as budget authority and outlays. The remaining financial transactions of credit programs are recorded as means of financing the deficit. This concept applies only to direct loan obligations and loan guarantee commitments made in 1992 and later years. Unfortunately, the data for credit programs prior to 1992 could not be converted to this subsidy cost measurement basis. Thus, data prior to 1992 are on a cash flow or pre-credit reform basis. Data for 1992 and beyond are on a cash flow basis for direct loans and loan guarantees made in earlier years, but reflect the subsidy cost or credit reform concepts for the forty or so budget program accounts providing direct loans or loan guarantees.

The Budget Enforcement Act also changed the concept of budget authority for most special and trust funds starting with 1992 data. These changes are discussed in the Notes to Section 5 below.

Coverage

The Federal Government has used the unified or consolidated budget concept as

the foundation for its budgetary analysis and presentation since the 1969 budget. The basic guidelines for the unified budget were presented in the *Report of the President's Commission on Budget Concepts* (October 1967). The Commission recommended the budget include all Federal fiscal activities unless there were exceptionally persuasive reasons for exclusion. Nevertheless, from the very beginning some programs were perceived as warranting special treatment. Indeed, the Commission itself recommended a bifurcated presentation: a "unified budget" composed of an "expenditure account" and a "loan account." The distinction between the expenditure account and the loan account proved to be confusing and caused considerable complication in the budget for little benefit. As a result, this distinction was eliminated starting with the 1974 budget. However, even prior to the 1974 budget, the Export-Import Bank had been excluded by law from the budget totals, and other exclusions followed. The structure of the budget was gradually revised to show the off-budget transactions in many locations along with the on-budget transactions, and the off-budget amounts were added to the on-budget amounts in order to show total Federal spending.

The Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177) repealed the off-budget status of all then existing off-budget entities, but it included a provision immediately moving the Federal old-age, survivors, and disability insurance funds (collectively known as social security) off-budget. To provide a consistent time series, the budget historical data show social security off-budget for all years since its inception, and show all formerly off-budget entities on-budget for all years. Subsequent law (OBRA 1989) moved the Postal Service fund off-budget, starting in fiscal year 1989. Prior to that year, the Postal Service fund is shown on-budget.

Though social security and the Postal Service are now off-budget, they continue to be Federal programs. Indeed, social security currently accounts for around one-third of all Federal receipts and one-quarter of all Federal spending. Hence, the budget documents include these funds and focus on the Federal totals that combine the on-

budget and off-budget amounts. Various budget tables and charts show total Federal receipts, outlays, and surpluses and deficits, and divide these totals between the portions that are off-budget and the remainder of Federal transactions, all of which are on-budget.

Changes in Historical Outlays and Deficit

The outlay and deficit totals for 1991 published in the 1993 budget have increased from \$1,323.0 billion and \$268.7 billion to 1,323.8 billion and \$269.5 billion, respectively. These increases correct errors in recording certain TVA purchases and sales of Treasury debt securities. Purchases and sales had been classified as outlays and offsets to outlays, respectively, instead of non-expenditure transactions; increases and decreases in holdings of Treasury debt by Government accounts had not been recorded. The corrections do not affect total Federal debt. The increases in debt held by Government accounts are offset by equal deductions in debt held by the public. Similar corrections were made to the outlay and deficit totals for 1989 and 1990.

Note on the Fiscal Year

The Federal fiscal year begins on October 1 and ends on the subsequent September 30. It is designated by the year in which it ends; for example, fiscal year 1990 began on October 1, 1989, and ended on September 30, 1990. Prior to fiscal year 1977 the Federal fiscal years began on July 1 and ended on June 30. In calendar year 1976 the July-September period was a separate accounting period (known as the transition quarter or TQ) to bridge the period required to shift to the new fiscal year.

Concepts Relevant to the Historical Tables

Budget (or "on-budget") receipts constitute the income side of the budget; they are composed almost entirely of taxes or other compulsory payments to the Government. Any income from business-type activities (e.g., in-

terest income or sale of electric power), and any income by Government accounts arising from payments by other Government accounts is offset in computing *budget outlays* (spending). This method of accounting permits users to easily identify the size and trends in Federal taxes and other compulsory income, and in Federal spending financed from taxes, other compulsory income, or borrowing. *Budget surplus* refers to any excess of budget receipts over budget outlays, while *budget deficit* refers to any excess of budget outlays over budget receipts.

The terms *off-budget receipts*, *off-budget outlays*, *off-budget surpluses*, and *off-budget deficits* refer to similar categories for off-budget activities. The sum of the on-budget and off-budget transactions constitute the consolidated or total Federal Government transactions.

The budget is divided between two fund groups, federal funds and trust funds. The Federal funds grouping includes all receipts and outlays not specified by law as being trust funds. All Federal funds are on-budget (except for the Postal Service fund starting with fiscal year 1989). Most trust funds are on-budget, but as explained in the general notes above, the two social security retirement trust funds are shown off-budget for all years.

The term *trust fund* as used in Federal budget accounting is frequently misunderstood. In the private sector, "trust" refers to funds of one party held by a second party (the trustee) in a fiduciary capacity. In the Federal budget, the term "trust fund" means only that the law requires the funds be accounted for separately and used only for specified purposes and that the account in which the funds are deposited is designated as a "trust fund." A change in law may change the future receipts and the terms under which the fund's resources are spent. The determining factor as to whether a particular fund is designated as a "Federal" fund or "trust" fund is the law governing the fund.

The largest trust funds are for retirement and social insurance (e.g., civil service and military retirement, social security, medicare, and unemployment benefits). They are financed largely by social insurance taxes and

contributions and payments from the general fund (the main component of Federal funds). However, there are also major trust funds for transportation (highway and airport and airways) and for other programs financed in whole or in part by *user charges*.

The budget documents do not separately show user charges. Frequently there is confusion between the concept of user charges and the concept of offsetting collections. User charges are charges for services rendered. Such charges may take the form of taxes (budget receipts), such as highway excise taxes used to finance the highway trust fund. They may also take the form of business-type charges, in which case they are offsetting collections—offset against budget outlays rather than being recorded as budget receipts. Examples of such charges are the proceeds from the sale of electric power by the Tennessee Valley Authority and medical insurance premiums paid to the supplementary medical insurance trust fund. User charges may go to the general fund of the Treasury or they may be "earmarked". If the funds are earmarked, it means the collections are separately identified and used for a specified purpose—they are not commingled (in an accounting sense) with any other money. This does not mean the money is actually kept in a separate bank account. All money in the Treasury is merged for efficient cash management. However, any earmarked funds are accounted for in such a way that the balances are always identifiable and available for the stipulated purposes.

Notes on Section 1 (Overview of Federal Government Finances)

This section provides an overall perspective on total receipts, outlays (spending), and surpluses or deficits, the on-budget and off-budget amounts are also separately shown. Tables 1.1 and 1.2 have identical structures; 1.1 shows the data in millions of dollars, while 1.2 shows the same data as percentages of the gross domestic product (GDP). For all the historical tables, fiscal year GDP is used to calculate percentages of GDP. The fiscal year GDP data are shown in Table 1.2.

Table 1.3 shows total Federal receipts, outlays, and surpluses or deficits in current and constant dollars, and as percentages of GDP. Table 6.1 provides a disaggregation of the constant dollar outlays.

Table 1.4 shows receipts, outlays and surpluses or deficits for the consolidated budget by fund group. The budget is composed of two principal fund groups—Federal funds and trust funds. Normally, whenever data are shown by fund group, any payments from programs in one fund group to accounts of the other are shown as outlays of the paying fund and receipts of the collecting fund. When the two fund groups are aggregated to arrive at budget totals these interfund transactions are deducted from both receipts and outlays in order to arrive at transactions with the public. Table 1.4 displays receipts and outlays on a gross basis. That is, in contrast to normal budget practice, collections of interfund payments are included in the receipts totals rather than as offsets to outlays. These interfund collections are grossed-up to more closely approximate cash income and outgo of the fund groups.

Notes on Section 2 (Composition of Federal Government Receipts)

Section 2 provides historical information on on-budget and off-budget receipts. Table 2.1 shows total receipts divided into five major categories; it also shows the split between on-budget and off-budget receipts. Table 2.2 shows the receipts by major category as percentages of total receipts, while Table 2.3 shows the same categories of receipts as percentages of GDP. Table 2.4 disaggregates two of the major receipts categories, social insurance taxes and contributions and excise taxes, and Table 2.5 disaggregates the “other receipts” category. While the focus of the section is on total Federal receipts, auxiliary data show the amounts of trust fund money in each category, so it is possible to readily distinguish the Federal fund and trust fund portions.

Notes on Section 3 (Federal Government Outlays by Function)

Section 3 displays Federal Government outlays (on-budget and off-budget) according to their functional classification. The functional structure is divided into 18 broad areas (functions) that provide a coherent and comprehensive basis for analyzing the budget. Each function, in turn, is divided into basic groupings of programs entitled subfunctions. The structure has two categories—allowances and undistributed offsetting receipts—that are not truly functions but are required in order to cover the entire budget. At times a more summary presentation of functional data is needed; the data by “superfunction” is produced to satisfy this need. Table 3.1 provides outlays by superfunction and function while Table 3.2 shows outlays by function and subfunction.

No major changes have been made in the functional structure since last year’s document. Subfunctional classifications have not changed, although the classification of one program has been corrected. Payments to States for AFDC work programs has been moved from subfunction 609 (Other income security) to subfunction 504 (Training and employment).

In arraying data on a functional basis, budget authority and outlays are classified according to the primary purpose of the activity. To the extent feasible, this classification is made without regard to agency or organizational distinctions. Classifying each activity solely in the function defining its most important purpose—even though many activities serve more than one purpose—permits adding the budget authority and outlays of each function to obtain the budget totals. For example, Federal spending for medicaid constitutes a health care program, but it also constitutes a form of income security benefits. However, the spending cannot be counted in both functions; since the main purpose of medicaid is to finance the health care of the beneficiaries, this program is classified in the “health” function. Section 3 provides data on budget outlays by function,

while Section 5 provides comparable data on budget authority.

Notes on Section 4 (Federal Government Outlays by Agency)

Section 4 displays Federal Government outlays (on- and off-budget) by agency. Table 4.1 shows the dollar amounts of such outlays, and Table 4.2 shows the percentage distribution. The outlays by agency are based upon the agency structure currently in effect. For example, the Department of Education was established by legislation enacted in 1979. However, these data show the Department of Education spending for all years, including education spending that was in other agencies in earlier years.

Notes on Section 5 (Budget Authority—On- and Off-Budget)

Section 5 provides data on budget authority (BA). BA is the authority provided by law for agencies to obligate the Government to spend. Table 5.1 shows BA by function and subfunction, starting with 1976. Table 5.2 provides the same information by agency, and Table 5.3 provides a percentage distribution of BA by agency.

The data in these tables were compiled using the same methods used for the budget historical tables for receipts and outlays (i.e., to the extent feasible, changes in classification are reflected retroactively so the data show the same stream of transactions in the same location for all years). However, BA is heterogeneous in nature, varying significantly from one program to another. As a result, it is not additive—either across programs or agencies for a year or, in many cases, for an agency or program across a series of years—in the same sense that budget receipts and budget outlays are additive. The following are examples of different kinds of BA and the manner in which there are large divergences between the creation and use of BA.

- BA and outlays for each year may be exactly the same (e.g., interest on the public debt).

- All income to a fund (e.g., certain trust funds) may be permanently appropriated as BA; as long as the fund has adequate resources, there is no further relationship between the BA and outlays.
- For each year the Congress may appropriate a large quantity of BA that will be spent over a subsequent period of years (e.g., many defense procurement contracts and major construction programs).
- Some BA (e.g., the salaries and expenses of an operating agency) is made available only for a year and any portion not obligated during that year lapses (i.e., it ceases to be available to be obligated).
- Revolving funds may operate spending programs indefinitely with no new infusion of BA, other than the authority to spend offsetting collections.
- BA may be enacted with the expectation it is unlikely ever to be used (e.g., standby borrowing authority).
- In the past, the Federal Financing Bank (FFB) was conducted as a revolving fund, making direct loans to the public or purchasing loan assets from other funds or accounts. Each new loan by the FFB required new BA. In many cases, if the same loan were made by the account being serviced by the FFB, the loan could be financed from offsetting collections and no new BA would be recorded. Under terms of the 1985 legislation moving the FFB on-budget, the FFB ceased to make direct loans to the public. Instead, it makes loans to the accounts it services, and these accounts, in turn, make the loans to the public. Such loans could be made from new BA or other obligational authority available to the parent account. These tables have not been reconstructed to shift BA previously scored in the FFB to the parent accounts, because there is no technical way to reconfigure the data.
- Although major changes in the way BA is measured for credit programs (beginning in 1992) result from the Budget Enforcement Act, these tables could not be reconstructed to show revised BA figures for 1991 and prior years on the new basis.

- Beginning in 1992, the measurement of BA changed in most special and trust funds with legislatively imposed limitations or benefit formulas that preclude the use of BA. Where previously budget authority was the total income to the fund, BA in these funds for 1992 and subsequent years is an estimate of the obligations to be incurred during the fiscal year for benefit payments, administration and other expenses of the fund.

As a result of the diverse nature of BA, it is difficult to conceptualize what the BA total means for a single year, or to determine the significance of a change in total BA from one year to the next. Sometimes it is meaningful to compare the BA for one function or subfunction with that for another function or subfunction, but often it is not. It is also generally not meaningful to compare BA for a particular function or subfunction with total BA. Additionally, since some BA lapses without being used and some BA is standby and never used, it is impossible to add the BA for a period of years in a meaningful manner in the same sense that receipts or outlays can be added over a period of years.

Despite these qualifications and drawbacks, there is a desire for historical data on BA, and this section has been developed to meet that desire. Budget authority data are also provided in Table 8.9 for various discretionary program groupings.

Notes on Section 6 (Composition of Federal Government Outlays)

The "composition" categories in this section divide total outlays (including social security) into national defense and nondefense components, and then disaggregate the nondefense spending into several parts:

- *Payments for individuals:* These are Federal Government spending programs designed to transfer income (in cash or in kind) to individuals or families. To the extent feasible, this category does not include reimbursements for current services rendered (e.g., salaries and interest). The payments may be in the form of cash paid directly to individuals or they may take the form of the provision of services or the payment of bills for activities largely financed from personal income. They include outlays for the provision of medical care (in veterans hospitals, for example) and for the payment of medical bills (e.g., medicare). They also include subsidies to reduce the cost of housing below market rates, and food and nutrition assistance (such as food stamps). The data base, while not precise, provides a reasonable perspective of the size and composition of income support transfers within any particular year and trends over time. Section 11 disaggregates the components of this category. The data in Section 6 show a significant amount of payments for individuals takes the form of grants to State and local governments to finance benefits for the ultimate recipients. These grants include medicaid, some food and nutrition assistance, and a significant portion of the housing assistance payments. Sections 11 and 12 provide a more detailed disaggregation of this spending.
- *All other grants to State and local governments:* This category is composed of the Federal nondefense grants to State and local governments other than grants defined as payments for individuals. Section 12 disaggregates this spending.
- *Net interest:* This category is composed of all spending (including offsetting receipts) included in the functional category "net interest." Most spending for net interest is paid to the public as interest on the Federal debt. As shown in Table 3.2, net interest includes, as an offset, significant amounts of interest income.
- *All other:* This category is composed of all remaining Federal spending and offsetting receipts except for the offsetting receipts included in the category "undistributed offsetting receipts." It includes most Federal loan activities and most Federal spending for foreign assistance, farm price supports, medical and other scientific research, and, in general, Federal direct program operations.
- *Undistributed offsetting receipts:* These are offsetting receipts that are not offset against any specific agency or pro-

grammatic function. They are classified as function 950 in the functional tables. Additional details on their composition can be found at the end of Table 3.2.

Table 6.1 shows these outlays in current and constant dollars, the percentage distribution of current dollar outlays, and the current dollar outlays as percentages of GDP. The term "constant dollars" means the amounts of money that would have had to be spent in each year if, on average, the unit cost of everything purchased within that category each year (including purchases financed by income transfers, interest, etc.) were the same as in the base year (1987). The adjustments to constant dollars are made by applying a series of price deflators to the current dollar data base. The composite deflator is used to produce estimates of constant dollar receipts, and is published in Table 1.3. The separate deflators used for these calculations are not published, but are available upon request. Requests should be sent to Historical Tables, Office of Management and Budget, Room 6025, NEOB, Washington, DC 20503.

Notes on Section 7 (Federal Debt)

This section provides information about Federal debt. Table 7.1 contains data on gross Federal debt and its major components in terms of both the amount of debt outstanding at the end of each year and that amount as a percentage of fiscal year GDP. Gross Federal debt is the broadest measure of Federal debt commonly used. It is composed both of Federal debt held (owned) by the public and Federal debt held by Federal Government accounts. The largest Federal Government accounts holding Federal debt securities are the civil service and military retirement, social security, and medicare trust funds. However, significant amounts are also held by some other Government accounts, such as the unemployment and highway trust funds.

Federal debt held by the public is gross Federal debt not held by Federal Government accounts. For example, it includes debt held by individuals, private banks and insurance companies, the Federal Reserve Banks and foreign central banks.

Table 7.1 divides debt held by the public between the amount held by the Federal Reserve Banks and the remainder. The Federal Reserve Banks, while not part of the Government, are the central banking system for the Nation. Those data are shown separately because holdings of Federal debt by the Federal Reserve Banks do not have the same impact on private credit markets as other debt held by the public. Their holdings of Federal debt arise from their role as the country's central bank, and the size of these holdings has a major impact on the Nation's money supply. Since the Federal budget does not forecast Federal Reserve monetary policy, it does not project future changes in the amounts of Federal debt that will be held by the Federal Reserve Banks. Hence, the split of debt held by the public into that portion held by the Federal Reserve Banks and the remainder is provided only for past years. Table 2.5 shows deposits of earnings by the Federal Reserve System. Most interest paid by Treasury on debt held by the Federal Reserve Banks is returned to the Treasury as deposits of earnings, which are counted as budget receipts.

As a result of a conceptual revision in the quantification of Federal debt, the data on debt held by the public and gross Federal debt—but only a small part of debt held by Government accounts—were revised back to 1956 in the 1990 budget. The total revision was relatively small—a change of under one percent of the recorded value of the debt—but the revised basis is more consistent with the quantification of interest outlays, and provides a more meaningful measure of Federal debt. The change converted most debt held by the public from the par value to the sales price plus amortized discount.

Table 7.2 shows the end-of-year amounts of Federal debt subject to the general statutory limitation. It is recorded at par value (except for savings bonds) through 1988, but by law the basis was changed, in part, to accrual value for later years. Before World War I, each debt issue by the Government required specific authorization by the Congress. Starting in 1917, the nature of this limitation was modified in several steps until it developed into a limit on the total amount

of Federal debt outstanding. The Treasury is free to borrow whatever amounts are needed up to the debt limit, which is changed from time to time to meet new requirements. Table 7.3 shows the ceiling at each point in time since 1940. It provides the specific legal citation, a short description of the change, and the amount of the limit specified by each Act. Most of gross Federal debt is subject to the statutory limit. However, there are some differences.

Notes on Section 8 (Outlays by Budget Enforcement Act Categories)

Section 8 is composed of nine tables that present budget authority and outlays by the major categories used under the Budget Enforcement Act (BEA) and under previous budget agreements between Congress and the current and previous Administrations. Table 8.1 shows Federal outlays within each of the categories and subcategories. The principal categories are outlays for mandatory and related programs and outlays for discretionary programs. Mandatory and related programs include direct spending and offsetting receipts whose budget authority is provided by law other than appropriations Acts. These include appropriated entitlements and the food stamp program, which receive pro forma appropriations. Table 8.2 has the same structure, but shows the data in constant (FY 1987) dollars. Table 8.3 shows the percentage distribution of outlays by BEA category and Table 8.4 shows outlays by BEA category as a percentage of GDP.

Table 8.5 provides additional detail by function and/or subfunction for mandatory and related programs. Table 8.6 shows the same data in constant dollars.

Discretionary programs are those whose budgetary resources (other than entitlement authority) are provided in appropriations Acts. The BEA defines three categories of discretionary programs: Defense (Function 050), International (Function 150), and Domestic (all other discretionary programs). Table 8.7 provides additional detail by function and/or subfunction on outlays for discretionary programs. Table 8.8 provides the same data in constant dollars. Table 8.9 provides function

and/or subfunction detail on budget authority for discretionary programs.

Notes on Section 9 (Federal Government Outlays for Major Physical Capital)

The tables in this section provide a broad perspective on Federal Government outlays for public physical capital. These data measure new Federal spending for major public physical assets, but they exclude major commodity inventories. In some cases it was necessary to use supplementary data sources to estimate missing data in order to develop a consistent historical data series.

Table 9.1 shows direct Federal and grant outlays for major public physical capital investment in current and constant (FY 1987) dollars. Direct Federal outlays are further disaggregated into capital investment for national defense and nondefense capital investment. Table 9.2 has the same structure but shows the percentage distribution of outlays and the outlays as a percentage of GDP.

Table 9.3 disaggregates national defense direct outlays for major public physical capital investment. Table 9.4 disaggregates non-defense direct outlays. Table 9.5 shows the composition of grant outlays for major public physical capital investment.

Table 9.6 provides total outlays for major public physical capital investment in constant (FY 1987) dollars. Direct outlays and grant outlays are shown with further disaggregations of each category.

Notes on Section 10 (Federal Government Outlays for the Conduct of Research and Development and for the Conduct of Education and Training)

Section 10 provides data showing Federal Government outlays for the conduct of research and development (R&D) and the conduct of education and training. The data for the conduct of R&D exclude outlays for construction and major equipment for R&D, because such spending is included in outlays for physical capital (Section 9). Table 10.1 provides an overall perspective on Federal Government outlays for the conduct

of R&D. It shows total spending and the split between national defense and nondefense spending in four forms: in current dollars, in constant dollars, as percentages of total outlays, and as percentages of GDP. Table 10.2 shows the outlays in current dollars by major function and program. Table 10.3 provides outlays for the conduct of education and training in current dollars for direct Federal programs and for grants to State and local governments. In each of these two categories, outlays are shown by subfunction. Total outlays for the conduct of education and training as a percentage of total Federal outlays and in constant FY 1987 dollars are also shown.

Table 10.3 shows outlays for the conduct of education and training in current dollars for direct Federal programs and for grants to State and local governments. In each of these two categories, outlays are shown by subfunction. Total outlays for the conduct of education and training as a percentage of total Federal outlays and in constant FY 1987 dollars are also shown. As with the series on physical capital, several budget data sources have been used to develop a consistent data series extending back to 1962. The major discontinuity occurs between 1991 and 1992 and affects primarily direct Federal higher education outlays. For 1991 and earlier, these data include net loan outlays. Beginning in 1992, pursuant to changes in the treatment of loans as specified in the Credit Reform Act of 1990, this series includes liquidating accounts for loans obligated in 1991 and earlier and credit subsidies for 1992 and later years.

Table 10.3 also excludes education and training outlays for physical capital (which are included in Section 9) and education and training outlays for the conduct of research and development (which are in Tables 10.1 and 10.2). Also excluded are education and training programs for Federal civilian and military personnel.

Notes on Section 11 (Federal Government Payments for Individuals)

This section provides detail on outlays for Federal Government payments for individuals, which are also described in the notes

on Section 6. The basic purpose of the payments for individuals aggregation is to provide a broad perspective on Federal spending in cash or in-kind for which no current service is rendered yet which constitutes income transfers to individuals and families. Table 11.1 provides an overview display of these data in four different forms. All four of these displays show the total payments for individuals, and the split of this total between grants to State and local governments for payments for individuals (such as medicaid and grants for housing assistance) and all other ("direct") payments for individuals.

Table 11.2 shows the functional composition of payments for individuals (see notes on Section 3 for a description of the functional classification), and includes the same grants versus nongrants ("direct") split provided in Table 11.1. The off-budget social security program finances a significant portion of the Federal payments for individuals. These tables do not distinguish between the on-budget and off-budget payments for individuals. However, all payments for individuals shown in Table 11.2 in function 650 (social security) are off-budget outlays, and all other payments for individuals are on-budget. Table 11.3 displays the payments for individuals by major program category.

Notes on Section 12 (Federal Grants To State and Local Governments)

For several decades the Federal budget documents have provided data on Federal grants to State and local governments. The purpose of these data is to identify Federal Government outlays that constitute income to State and local governments to help finance their services and their income transfers (payments for individuals) to the public. Grants generally exclude Federal Government payments for services rendered directly to the Federal Government; for example, they exclude most Federal Government payments for research and development, and they exclude payments to State social service agencies for screening disability insurance beneficiaries for the Federal disability insurance trust fund.

Table 12.1 provides an overall perspective on grants; its structure is similar to the structure of Table 11.1.

Table 12.2 displays Federal grants by function (see notes on Section 3 for a description of the functional classification). The bulk of Federal grants are included in the Federal funds group; however, since the creation of the highway trust fund in 1957, significant amounts of grants have been financed from trust funds (see notes to Section 1 for a description of the difference between "Federal funds" and "trust funds"). All Federal grants are on-budget. Wherever trust fund outlays are included in those data, Table 12.2 not only identifies the total grants by function but also shows the split between Federal funds and trust funds.

Table 12.3 provides data on grants at the account or program level, with an identification of the function, agency, and fund group of the payment.

Notes on Section 13 (Social Security and Medicare)

Over the past several decades the social security programs (the Federal old-age and survivors insurance (OASI) and the Federal disability insurance (DI) trust funds) and the medicare programs (the Federal hospital insurance (HI) and the Federal supplementary medical insurance (SMI) trust funds) have grown to be among the largest parts of the Federal budget. Because of the size, the rates of growth, and the specialized financing of these programs, policy analysts frequently need to identify these activities separately from all other Federal taxes and spending. As discussed in the introductory notes, the two social security funds are off-budget, while the medicare funds are on-budget. As Table 13.1 shows, the first of these funds (OASI) began in 1937. The table traces the annual transactions of that fund and of the other funds beginning with their points of origin.

The table provides detailed information about social security and medicare by fund. It shows total cash income (including offsetting receipts) by fund, separately identifying social insurance taxes and contributions,

intragovernmental income, and proprietary receipts from the public. Virtually all of the proprietary receipts from the public, especially those for the supplementary medical insurance trust fund, are medicare insurance premiums. The table shows the income, outgo, and surplus or deficit of each fund for each year, and also shows the balances of the funds available for future requirements. Most of these fund balances are invested in public debt securities and constitute a significant portion of the debt held by Government accounts (see Table 7.1).

The SMI fund, which was established in 1967, is financed primarily by payments from Federal funds and secondarily by medical insurance premiums (proprietary receipts from the public). The other three trust funds are financed primarily by social insurance taxes. The law establishing the rate and base of these taxes allocates the tax receipts among the three funds.

The table shows significant transfers by OASI and DI to the railroad retirement social security equivalent account. These transfers are equal to the additional amounts of money social security would have had to pay, less additional receipts it would have collected, if the rail labor force had been included directly under social security since the inception of the social security program.

In 1983, when the OASI fund ran short of money, Congress passed legislation that (a) provided for a one-time acceleration of military service credit payments to these trust funds, (b) provided for a Federal fund payment to OASDI for the estimated value of checks issued in prior years and charged to the trust funds but never cashed, (c) required that the Treasury make payments to OASDHI on the first day of the month for the estimated amounts of their social insurance taxes to be collected over the course of each month (thereby increasing each affected trust fund's balances at the beginning of the month), and (d) subjected some social security benefits to Federal income or other taxes and provided for payments by Federal funds to social security of amounts equal to these additional taxes. Additionally, in 1983 the OASI fund borrowed from the

DI and HI funds (the tables show the amounts of such borrowing and repayments of borrowing). The large intragovernmental collections by OASDHI in 1983 are a result of the transactions described under (a) and (b) above. Also starting in 1983, OASI began paying interest to DI and HI to reimburse them for the balances OASI borrowed from them; OASDHI paid interest to Treasury to compensate it for the balances transferred to these funds on the first day of each month. This practice of Treasury making payments on the first day of the month, and the associated interest payment, ended in 1985 for HI and in 1991 for OASI.

Notes on Section 14 (Federal Sector Transactions in the National Income and Product Accounts)

The principal system used in the United States for measuring total economic activity is the system of national income and product accounts (NIPA), which provide calculations of the GDP and related data series. These data are produced by the Bureau of Economic Analysis (BEA) of the Department of Com-

merce. As part of this work the BEA staff analyze the budget data base and estimate transactions consistent with this measurement system. The NIPA data are normally produced for calendar years and quarters. Section 14 provides Federal Sector NIPA data on a fiscal year basis from 1947 through 1994.

Notes on Section 15 (Total (Federal and State and Local) Government Finances)

Section 15 provides a perspective on the size and composition of total Government (Federal, State, and local) receipts and spending. Both the Bureau of the Census and the Bureau of Economic Analysis in the Commerce Department provide information (in the national income and product accounts (NIPA) data) on income and spending for all levels of government in the United States. These tables include the NIPA State and local transactions with the Federal budget (deducting the amount of overlap due to Federal grants to State and local governments) to measure total Government receipts and spending on a fiscal year basis from 1947 through 1992.