ANALYTICAL PERSPECTIVES

BUDGET OF THE UNITED STATES GOVERNMENT

Fiscal Year 1998

THE BUDGET DOCUMENTS

Budget of the United States Government, Fiscal Year 1998 contains the Budget Message of the President and information on the President's 1998 budget proposals. In addition, the *Budget* includes a descriptive discussion of Federal programs organized by function, i.e., by the primary purpose of the activity.

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GENERAL NOTES

1. All years referred to are fiscal years, unless otherwise noted.
2. Detail in this document may not add to the totals due to rounding.

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1. ECONOMIC ASSUMPTIONS

Introduction

The economy is in excellent health. Not only are current conditions favorable, but they provide a solid foundation for continued economic progress. During the last two years, the economy achieved the often elusive "soft landing." Real economic growth slowed from the unsustainable 3.5 percent of 1994 to an average of 2 percent per year—close to the Administration's 2.3 percent estimate of the economy's potential growth rate. This occurred without an increase in the unemployment rate. Indeed, during this time, 4.8 million new jobs were created—enough new jobs to absorb all the new entrants into the labor force and raise the employment/population ratio to record levels. Inflation, meanwhile, has been low and relatively stable. In financial markets, interest rates at the end of 1996 were lower than two years ago, and the Dow Jones Industrial average gained 72 percent during 1995–1996.

The Administration projects real growth to continue during the next two years at the same rate as that of the past two years—2.0 percent. This will be enough growth to create millions more new jobs, while holding the unemployment rate close to its current level. Growth of demand is not projected to put in jeopardy the success achieved in the last four years in controlling inflation. Passage of the President's balanced budget plan is expected to bring interest rates down further.

Beyond 1998, the economic assumptions represent anticipated trends rather than a precise cyclical pattern. Assuming that the deficit continues on a path toward balance in 2002, potential growth on average is expected to be slightly faster than in recent years, unemployment and inflation are expected to remain low, and interest rates are likely to continue to decline as the budget approaches balance.

Most private forecasters also share a favorable view of the economic outlook. The most recent Blue Chip consensus forecast, an average of 50 private forecasts, also calls for real GDP growth to average 2.0 percent through 1998 and to pick up a bit thereafter. The consensus expects inflation and unemployment to remain low through 2002. However, the consensus expects interest rates to hold at around current levels, rather than decline as in the Administration's projection. This difference is probably due to differences in fiscal policy assumptions. The Administration assumes that a credible balanced budget agreement will be reached this year and fully implemented in the coming years. If private sector forecasters based their projections on this fiscal policy assumption, they too would likely project a downward trend for interest rates. The broad similarity between these private sector forecasts and the Administration's assumptions indicates that the assumptions provide a reasonable, prudent basis for projecting the budget.

The business cycle expansion that began in April 1991 has already outlasted all but three of the previous 20 expansions during this century. If the expansion continues through December 1998, it will become the century's longest peacetime expansion. If it continues 14 months beyond that date, through February 2000, it will surpass even the record of 106 months set by the 1960s expansion. With inflation under control, incomes and employment on the rise, consumer and business confidence high, interest rates trending down, and fiscal and monetary policy supporting noninflationary growth, this expansion certainly has the potential to enter the record books.

This chapter begins with a review of recent developments, followed by a discussion of two important statistical issues involving the measurement of real growth and inflation that are relevant to understanding recent trends. Next, the Administration's projections are presented and compared with those of the Congressional Budget Office (CBO). The chapter concludes with an analysis of the impact on the projected deficit of changes in economic assumptions since last year's budget, and with estimates of the sensitivity of the budget to changes in economic assumptions.

Fiscal and Monetary Policy

The favorable economic environment currently prevailing and the buoyant outlook reflect the underlying strength of the American economy when it is supported by sound fiscal and monetary policies. The Omnibus Budget Reconciliation Act of 1993 (OBRA93) was intended to set the budget deficit on a sharp downward path. In 1992, prior to passage of OBRA93, the deficit hit a postwar record of $290 billion, 4.7 percent of gross domestic product (GDP). Since then, the deficit has shrunk in every year. In 1996, the deficit was only $107 billion, the lowest level in 15 years and just 1.4 percent of GDP. The last time the deficit share was this low was over two decades ago. Special factors added to the deficit's decline in 1996, and without those special factors in 1997, the deficit is expected to increase modestly. However, if the President's budget is adopted, the deficit will resume its downward trend in 1998.

The Administration originally estimated that OBRA93 would reduce deficits during 1994–98 by a cumulative total of $505 billion. The budget and the economy have far outperformed the projections made in 1993. It now seems likely that the cumulative deficit reduction through 1998, even without the further deficit reductions proposed in this budget, will be around $924 billion.

The lower deficit path contributed greatly to the economy's soft landing in 1995–1996. It enabled interest rates to decline, rather than rise—as has often occurred at similar stages of past business cycles. Lower interest rates, in turn, have helped propel the stock market, thereby lowering businesses' cost of capital and boosting household wealth. Lower interest rates have stimulated business investment in new plant and equipment and household interest-sensitive purchases of durable goods and new homes. The ensuing boost to business and household demand created new jobs and raised incomes as the economy continued to grow neither too fast nor too slowly. It also increased the Nation's productive capacity, and helped productivity to grow faster—thereby providing protection against future inflation.

Monetary policy helped to engineer the soft landing by acting preemptively to prevent inflation from picking up as the economy approached its potential output. In the past, when the economy approached capacity, excessive demands in labor and product markets often pushed it beyond the noninflationary limits. The ensuing strains caused inflation to accelerate, and forced the monetary authorities to tighten policy and precipitate a recession.

In this expansion, however, monetary policy tightened in 1994 and early 1995, when the economy was growing rapidly but before inflationary pressures had yet appeared. During 1995 and early 1996, as the pace of economic activity slowed and incipient inflationary pressures waned, the Federal Reserve gradually relaxed monetary policy to support economic growth. The last move in this direction occurred in January 1996 when the Federal Open Market Committee reduced the federal funds rate ¼ percentage point to 5¼ percent. During the past year, as the soft landing became evident, the Federal Reserve kept monetary policy unchanged.

The stability of monetary policy since January 1996 helped maintain short-term interest rates at relatively stable levels. The 3–month Treasury bill rate has been on a plateau near 5 percent. Long-term rates have been more volatile, moving up as the pace of activity quickened in the spring and down as the economy slowed in the second half of the year. During the first six months of the year, the 10–year Treasury bond yield rose 1¼ percentage points to 7 percent in June. By the end of the year, however, the rate was 6.3 percent. Although higher than at the end of 1995, that rate was still 1½ percentage points lower than two years earlier, and very low by historical standards for periods with similar unemployment and economic growth.

Recent Developments

Real Growth: The economy expanded an estimated 2.8 percent over the four quarters of last year, up from the 1.3 percent pace of the prior year. Several important but transitory factors restrained growth around the start of 1996. The Federal Government was partially shut down twice by budgetary disputes between the Administration and Congress. In addition, a severe January blizzard paralyzed business activity on the East Coast; and in March, motor vehicle production was sharply curtailed by a strike at General Motors, the Nation's largest automaker. In the second quarter, however, the economy grew at nearly a 5 percent annual rate as it made up for the earlier losses of output and sales. In the second half of the year, the pace of economic activity moderated.

The fastest-growing component of GDP last year was business fixed investment, which was up at a double-digit pace during the first three quarters of the year. Outsized advances in spending on computers and other information processing equipment continued to lead the way, but businesses also boosted their outlays for other types of equipment and structures. During the past two years, business investment has been propelled by a need to reduce costs in competitive world markets, and also to expand capacity as the economy operated close to its potential, leaving little excess capacity to exploit. During 1995–1996, industrial capacity grew by 4 percent annually, up from the 2½-percent average of the prior three years. Business inventory investment also contributed to GDP growth last year, especially in the third quarter. A pick-up in final sales in the fourth quarter kept inventories in line with sales.

The expansion was also supported by the household sector's willingness and ability to purchase big-ticket durable goods and homes. Consumer confidence rose during the year, and by the second half was at its highest level in years. Expanding employment and income and a booming stock market provided consumers with the wherewithal to spend. Over the first three quarters of the year, consumer spending rose at a 2½-percent annual rate, led by durable goods purchases. New home sales during the first 11 months of the year reached the highest level in 17 years, helping to push housing starts to the highest level in eight years. The residential investment component of GDP increased at a 6 percent annual rate over the first three quarters of the year.

Even the government sector contributed modestly to growth last year. Over the first three quarters, Federal Government consumption and gross investment rose at a 4 percent annual rate. All of the growth, however, was attributable to a catch-up for the lost activity during the shutdowns in the fourth quarter of 1995. By the third quarter of 1996, the Federal component of GDP was lower than a year earlier. State and local governments' consumption and gross investment rose at a 2¼ percent rate over the first three quarters of 1996, about the same pace as during 1995. State and local government finances have benefited from the long expansion, which has boosted revenues.

The foreign sector was the main restraint on GDP growth last year. During the first three quarters, net exports of goods and services slowed growth by 1 percentage point. The wider trade deficit reflected the stronger growth of domestic demand in the U.S. than in several of our trading partners.

Labor Markets: During 1996, nearly 2.6 million new jobs were created, bringing the total since this Administration came into office in January 1993 to 11.2 million. Almost all the new jobs added last year were in the private sector, primarily in service industries. Manufacturing payrolls shrank for the second consecutive year. The availability of jobs throughout the country provided the incentive for more people to enter the labor force and to find work. By the fourth quarter of 1996, both the labor force participation rate and the employment/population ratio had reached their highest levels in the postwar period.

The unemployment rate last year averaged 5.4 percent, the lowest level since 1989. By the end of the year, 32 States had unemployment rates of 5 percent or less. Unemployment rates were 4 percent or less in States with the tightest labor markets. Even areas of the country that had lagged behind in job creation earlier in the recovery experienced favorable job markets and the lowest unemployment rates in years. By the end of 1996, almost all demographic groups enjoyed lower unemployment rates than a year earlier.

Inflation: Despite the low unemployment rate last year, inflation remained under control. The broadest measure of inflation, the GDP chain-weighted price index, rose at just a 2.2 percent annual rate during the first three quarters, down from 2.5 percent during 1995. As for consumer prices, core inflation measured by the Consumer Price Index excluding food and energy increased only 2.6 percent during 1996, the slowest rise since 1965. The overall Consumer Price Index rose 3.3 percent last year, mainly because of sharp increases in energy prices. These are not expected to be repeated in 1997.

The low inflation rate was made possible by a moderate growth of labor compensation. The most comprehensive measure of labor compensation, the Employment Cost Index (ECI), rose just 2.8 percent during the most recent 12 months, virtually the same as it did during the previous year. This is the smallest rise since the series began in 1981. The ECI is composed of both benefits and wages. In recent years, benefit costs have slowed substantially. Firms have been able to rein in health insurance costs thanks to innovations in health care delivery, and have also been able to reduce their contributions to retirement programs because of booming equity markets. Cash wages, however, increased more rapidly in the past year. This is consistent with the results of most studies that reveal that there is a trade-off between benefits and cash wages. Savings in benefit costs eventually are passed on to workers in the form of higher cash wages.

The favorable inflation performance last year sheds new light on the key question for monetary policy: What is the current threshold level of unemployment below which inflation tends to accelerate (and above which it decelerates)? This threshold has been called NAIRU—for "nonaccelerating inflation rate of unemployment." For much of the 1980s, the consensus was that NAIRU was in the neighborhood of 6 percent. This estimate proved to be consistent with the experience of 1987–1990, when inflation increased as unemployment fell below 6 percent.

A 6 percent estimate of NAIRU, however, is not consistent with the experience since 1994. Last year, unemployment averaged 5.4 percent. If NAIRU was 6 percent, inflation should have risen; instead it declined, as measured by the GDP chain-weighted price index and by the core CPI. In light of recent experience, it is likely that NAIRU is now well below 6 percent. In the 1997 Budget, the Administration had assumed NAIRU was 5.7 percent; in this Budget, NAIRU is assumed to be 5.5 percent, in part because of the moderate inflation experienced last year.

A decline in NAIRU in recent years can be attributed to three factors. First, the aging of the baby boomers has shifted the composition of the labor force towards groups that have lower unemployment rates. To achieve the same degree of labor market tightness in 1996 as a decade earlier would now require a lower overall unemployment rate. Second, heightened competition in product and labor markets may have made businesses less able to raise their prices, and workers more cautious in seeking wage gains. Finally, for much of the 1970s and early 1980s, wage demands appear to have been based on unrealistic expectations of productivity growth that did not incorporate the productivity slowdown that began in 1974. Because of these demands, the level of NAIRU consistent with stable inflation was higher. By 1996, however, the wage and productivity relationship was in better balance.

Statistical Issues

Serious questions have been raised recently about whether real GDP accurately measures the economy's growth and whether the CPI accurately measures inflation.

Real Growth: In the past two years, a wide and growing discrepancy has developed between growth measured by the change in output (the familiar real GDP) and growth measured by the increase in real income (real Gross Domestic Income). In the two years ending in the third quarter of 1996, the most recent data available, real GDP rose at an average annual rate of 2.1 percent. Growth measured by real Gross Domestic Income (GDI), however, was up at a more rapid 3.1 percent rate. In the third quarter of 1996, the discrepancy had widened to 2.1 percentage points: GDP was up at a 2.1 percent annual rate, but GDI was up at a 4.2 percent pace.

In an ideal world, the two measures would be equal. In reality, they always differ because of inconsistencies and gaps in source data. The differences, however, have rarely been as large as they are now. The difference between the output and income measures is called the statistical discrepancy; it was nearly $100 billion in the third quarter of 1996—a record 1.3 percent of nominal GDP.

The divergent readings during the last two years make it difficult to ascertain how fast the economy has grown and where the economy is with respect to potential output. There are three reasons, however, for believing that the output measure of growth may be an underestimate.

- First, Treasury receipts during 1996 came in strong. While some of this may be due to capital gains receipts spurred by the booming stock market, which are not included in the national accounts measures, some may also be from taxes levied on economic activity that is not showing up on the output side (that is, GDP). The receipts growth is less puzzling in light of the higher income-side measure.
- Second, with GDP growth in the neighborhood of a 2.0 percent annual rate during the past two years, the unemployment rate might have been expected to have held steady or even risen slightly. Instead, it fell 0.3 percentage point, which is more consistent with the growth rate measured from the income side.
- Third, growth rates closer to the higher income-side reading would mean that productivity growth was also stronger than reported and unit labor cost growth less than reported. That more favorable scenario fits better with the subdued inflation experienced last year.

The incorporation of new source data in the forthcoming July benchmark revisions to the National Income and Product Accounts may narrow the difference between the output and income sides. On the other hand, the difference is so large that even after the benchmark there may still be considerable uncertainty about the pace of economic activity in recent years.

Inflation: In December, the Advisory Commission to Study the Consumer Price Index, appointed by the Senate Finance Committee and led by Michael Boskin, former Chairman of the Council of Economic Advisers, reported its finding that the Consumer Price Index for urban consumers (CPI-U), compiled by the Bureau of Labor Statistics (BLS), overestimates annual changes in the cost of living by 1.1 percentage points. The Commission's findings were controversial. Although there is a widely shared view that problems in calculating the CPI may give it an upward bias, there is far less agreement over the size of the bias and over the practical steps that should be taken to remedy it.

The BLS continually tests the CPI and regularly makes improvements in it when problems are discovered. It has been unable to identify quantitatively more than a fraction of the bias reported by the Commission. Recently, BLS has proposed a number of changes in the way it computes the CPI that are expected to reduce measured inflation over the next several years.

The CPI is a "fixed-weight" price index. The market basket on which it is based consists of about 200 categories of goods and services which are updated only once every 10 years or so. Within each of these categories, however, about one-fifth of the individual items are replaced each year, so the CPI can keep current with changing brands and other minor variations in consumption patterns. Essentially, the CPI measures how much this market basket costs each month. The CPI was last updated in 1987 to reflect consumption patterns in 1982–1984; the next rebasing is scheduled for January 1998 when 1993–1995 spending patterns will be used.

The CPI has some long-recognized disadvantages which are highlighted in the Advisory Commission's report. In the first place, when relative prices change, people change their consumption patterns to reduce the effects of such changes on their living standards; because it is a fixed-weight index, the CPI misses these adjustments. And, because it is not based on current spending patterns, the CPI can miss the introduction of new products, which often have sharp price declines early in their life cycle. Also, when consumers switch from department stores to discount outlets to save money on name-brand merchandise, the BLS does not record this as a drop in consumer prices, because the discount outlets are assumed to provide less service.

The single largest source of bias identified by the Advisory Commission is insufficient adjustment for quality changes. Sometimes goods rise in price because their quality improves; for example, the higher prices paid today for many medical services may reflect the higher quality of these services, including a better chance of survival and less pain or confinement during treatment. Quality can also decline, of course, and if such changes are missed then the CPI would understate inflation. The BLS attempts to capture the effects of quality changes where there are reliable measures. For example, beginning this year, the BLS revised the way it treats hospital costs to account better for quality improvements. Most experts acknowledge that the task of incorporating quality changes into the CPI is quite difficult.

If the upward bias is as large as the Advisory Commission suggests, recent economic history would have to be rewritten to reflect the revised inflation estimate. For example, the decline in real weekly wages over the past three decades would be reversed if the CPI has really been overstated consistently by 1.1 percentage points per year since 1965. Real economic growth would also be raised by between 0.5 and 1.0 percentage points per year. Productivity growth would show a comparable increase. These are large changes, and it is not yet clear whether there is other evidence to support such wholesale revisions to recent history. This is another reason why the Advisory Commission's findings have been controversial.

Because many Federal benefit programs and tax provisions are indexed to the CPI, a lower rate of increase in the CPI would be helpful to the budget. Limiting the rate of change in the CPI by 1.1 percentage points per year compared with the current Administration forecast would lower the deficit projected in 2002 by $58 billion, and would reduce the cumulative deficit between 1997 and 2002 by $145 billion. These figures indicate how important the CPI is to the budget, but they are not necessarily a reason for changing the indexing formulas that rely on the CPI. Because the CPI is important to the budget and to a wide variety of private contracts, any changes made to this index need to be studied carefully and justified thoroughly.

While the Advisory Commission has recommended changes in technical practices at BLS that might be expected to reduce the bias in the CPI, the actual effects of these changes remain to be determined. Moreover, the recommended procedures would require data that are not currently available in time for the monthly production of the CPI. In preparing its report, the Advisory Commission relied heavily on retrospective data that are unavailable when the CPI is actually produced. Other gaps in the data were filled by the informed judgements of its authors. This is a common practice in academic studies, and it is appropriate in that context, but it would be questionable in a Federal statistical series that must be based on objective data.

The technical experts at BLS, who have a long research tradition that has exposed weaknesses in the CPI in the past and provided remedies for them, will continue the scheduled sequence of improvements while continuing to refine the estimates of other possible biases. Improvements in procedures for hospital costs in January of 1997 will likely reduce measured inflation; and updating the CPI market basket in 1998 can be expected to lower reported inflation by bringing the market basket weights more in line with current experience.

All observers agree that the Nation needs the best possible measure for the cost of living. No change will be made to the CPI that is not technically appropriate for the better measurement of living costs.

Economic Projections

Key assumptions: The economic projections underlying this budget are summarized in Table 1–1. They are based on the crucial assumption that the budget will be adopted. If it is, the deficit will be progressively reduced until the budget achieves a surplus by 2002. Deficit reduction is expected to continue to foster the favorable macroeconomic environment experienced in recent years. Interest rates would come down and private sector investment would continue to grow, without

Table 1–1. ECONOMIC ASSUMPTIONS [1]

(Calendar years; dollar amounts in billions)

	Actual 1995	Projections						
		1996	1997	1998	1999	2000	2001	2002
Gross Domestic Product (GDP):								
Levels, dollar amounts in billions:								
Current dollars	7,254	7,577	7,943	8,313	8,717	9,153	9,610	10,087
Real, chained (1992) dollars	6,743	6,901	7,056	7,197	7,355	7,525	7,699	7,877
Chained price index (1992 = 100), annual average	107.6	109.9	112.7	115.7	118.7	121.8	125.0	128.2
Percent change, fourth quarter over fourth quarter:								
Current dollars	3.8	5.0	4.6	4.7	5.0	5.0	5.0	5.0
Real, chained (1992) dollars	1.3	2.8	2.0	2.0	2.3	2.3	2.3	2.3
Chained price index (1992 = 100)	2.5	2.3	2.5	2.6	2.6	2.6	2.6	2.6
Percent change, year over year:								
Current dollars	4.6	4.5	4.8	4.7	4.9	5.0	5.0	5.0
Real, chained (1992) dollars	2.0	2.3	2.2	2.0	2.2	2.3	2.3	2.3
Chained price index (1992 = 100)	2.5	2.2	2.5	2.6	2.6	2.6	2.6	2.6
Incomes, billions of current dollars:								
Corporate profits before tax	599	652	676	714	757	796	816	849
Wages and salaries	3,431	3,628	3,808	3,982	4,168	4,374	4,590	4,810
Other taxable income [2]	1,532	1,612	1,684	1,748	1,809	1,882	1,967	2,068
Consumer Price Index (all urban): [3]								
Level (1982–84 = 100), annual average	152.5	156.9	161.2	165.5	170.0	174.6	179.3	184.1
Percent change, fourth quarter over fourth quarter	2.7	3.1	2.6	2.7	2.7	2.7	2.7	2.7
Percent change, year over year	2.8	2.9	2.7	2.7	2.7	2.7	2.7	2.7
Unemployment rate, civilian, percent:								
Fourth quarter level	5.5	5.3	5.4	5.6	5.5	5.5	5.5	5.5
Annual average	5.6	5.4	5.3	5.5	5.5	5.5	5.5	5.5
Federal pay raises, January, percent:								
Military	2.6	2.6	3.0	2.8	3.0	3.0	3.0	3.0
Civilian [4]	2.6	2.4	3.0	2.8	NA	NA	NA	NA
Interest rates, percent:								
91–day Treasury bills [5]	5.5	5.0	5.0	4.7	4.4	4.2	4.0	4.0
10–year Treasury notes	6.6	6.5	6.1	5.9	5.5	5.3	5.1	5.1

NA = Not Available.
[1] Based on information available as of mid-November 1996.
[2] Rent, interest, dividend and proprietor's components of personal income.
[3] CPI for all urban consumers. Two versions of the CPI are now published. The index shown here is that currently used, as required by law, in calculating automatic adjustments to individual income tax brackets. Projections reflect scheduled changes in methodology.
[4] Overall average increase, including locality pay adjustments. Percentages to be proposed for years after 1998 have not yet been determined.
[5] Average rate (bank discount basis) on new issues within period.

any buildup of inflationary pressures. This would allow interest rates to decline without igniting inflation.

Real GDP and unemployment: Over the next two years, real GDP is expected to rise 2.0 percent annually, close to the rate of the past two years. During 1999–2002, the pace of growth is expected to quicken to 2.3 percent annually—the Administration's estimate of the economy's potential growth rate. As in recent years, the fastest growing component of GDP is likely to be business fixed investment, stimulated by the fall in interest rates. Federal consumption and gross investment is projected to decline as the budget moves towards balance. The net export component of GDP is expected to move from deficit to surplus as the Federal deficit shrinks, and there is less need for capital from abroad to support domestic investment.

The faster GDP growth in the outyears is due to an expected boost in trend productivity growth that is likely to accompany higher rates of investment. Productivity growth is projected to average 1.2 percent per year during the next seven years. By way of reference, from the last cyclical peak in the third quarter of 1990 to the third quarter of 1996, productivity growth was 0.9 percent per year measured from the output side and 1.2 percent measured from the income side.

Potential GDP growth can be decomposed into the trend growth of productivity (1.2 percent) and the growth of the labor force. The Administration's projection assumes that the working age population will grow 1.0 percent annually during the next seven years, and the labor force participation rate will edge up 0.1 percent per year. This labor force projection assumes that the trends of the past six years will continue, which represents a significant break with experience in 1974–1990 when both population and labor force participation were growing more rapidly. With the baby boom generation well into its working years, and both the labor force participation rate and the employment/population ratio already at record levels, it is prudent to project continued but slower growth of the work force in the future.

The real GDP growth projection of 2.0 percent during the next two years is consistent with a slight rise in the unemployment rate, edging up from the 5.4 percent average of last year to 5.5 percent by 1998. Thereafter, real growth is expected to be at the potential growth rate, implying that the unemployment rate would remain stable.

Inflation: With projected unemployment close to or at NAIRU throughout the budget forecast, inflation is expected to remain steady. The GDP chain-weighted price index is projected to stay on a plateau of 2.6 percent annual growth. The CPI is expected to grow 2.7 percent per year in almost every year, slightly slower than the 3.3 percent actual for 1996. The CPI would continued to grow about 3.0 percent during 1997–1998 if not for methodological improvements already instituted or planned by the Bureau of Labor Statistics. These are expected to trim the annual growth of the CPI by about 0.3 percentage point.

Interest rates: Short- and long-term interest rates are expected to decline as a result of the passage of the Administration's budget proposals, which will reduce the Government's demands on credit markets. The 91–day Treasury bill rate is expected to decline steadily from 5.0 percent at the end of 1996 to 4.0 percent by 2001 and then hold at that level. The 10–year Treasury bond yield, which was 6.3 percent at the end of last year, is projected to fall to 5.1 percent by 2001 and remain at that level. With inflation holding steady, these interest rate projections imply a reduction in real interest rates to levels seen previously when the Federal budget was closer to balance.

Incomes: The decline in interest rates is expected to have important but largely offsetting impacts on the income of the household sector, a net lender in the economy, and the corporate sector, a net borrower. The share of personal interest income of the household sector in nominal GDP is expected to decline because of lower rates. On the other hand, the fall in rates will help keep the share of profits near the historically high levels that prevailed during 1996. During the first three quarters of last year, the share of corporate profits before tax in nominal GDP was the highest since 1979. The share of wages and salaries in nominal GDP is projected to remain close to the level of last year. Aggregate wages and salaries are projected to rise nearly 40 percent from 1996 to 2002. After adjustment for inflation, real wages and salaries are expected to increase 15 percent.

Comparison with CBO

The Congressional Budget Office (CBO) prepares the economic projections used by Congress in formulating budget policy. In the executive branch, this function is performed jointly by the Treasury, the Council of Economic Advisers (CEA), and OMB. It is natural that the two sets of economic projections be compared with one another, but there are several important differences, along with the similarities, that should be kept in mind:

- The Administration's projections always assume that the President's policy proposals in the budget will be adopted in full. Currently, that means the deficit will be progressively reduced until the budget achieves a surplus in 2002. In contrast, CBO normally assumes that current law will continue to hold; thus, it makes a "pre-policy" projection. Both last year and this, however, CBO also presented economic projections based on a fiscal policy similar to the budget's.
- Both CBO and the Administration believe that balancing the Federal budget by 2002 would have significant macroeconomic effects, especially for interest rates and the distribution of income. The Administration does not present an explicit estimate of the fiscal dividend in this budget. CBO's

estimates of the dividend show that it is smaller now than it was a year ago, partly because the budget is already closer to balance.

- The two sets of projections are often prepared at different times. The Administration's projections must be prepared months ahead of the release of the budget. Some of the differences in the Administration's and CBO's near-term forecasts, therefore, may be due to the availability of more recent data to CBO; a direct comparison with the CBO projections is not always meaningful. Timing differences are much less likely to play an important role in any differences in outyear projections, however.

Table 1–2 presents a summary comparison of the two sets of projections based on the common assumption that the deficit will be eliminated by 2002.

- *Real GDP:* The projections of real GDP growth are quite similar. The Administration projects that real GDP will grow at an average rate of 2.2 percent from 1997–2002; CBO projects a 2.1 percent average growth rate.
- *Inflation:* Both the Administration and CBO expect inflation to continue at a slow, steady rate over the next several years. For the chain-weighted GDP price index, both predict that inflation will be 2.6 percent yearly beginning in 1998; CBO expects the annual rate of change in the CPI to be about one-quarter percentage point higher than the Administration.
- *Unemployment:* CBO projects unemployment to rise from its current level to around 6 percent. The Administration believes unemployment can stabilize near its current level without raising the rate of inflation.
- *Interest rates:* Both the Administration and CBO have a similar decline in short-term interest rates. The Administration, however, projects a slightly larger drop in long-term rates than does CBO.
- *Income distribution:* Both CBO and the Administration expect a shift of income from interest to corporate profits as a result of the lower interest rates produced by a balanced budget. The corporate sector is a net borrower and the profits share of GDP benefits from lower interest rates. In part because the Administration assumes a larger decline in long-term interest rates than does CBO, it projects a larger shift into profits.

CBO has a good economic forecasting record. During much of the 1980s its forecasts were more accurate than those of the Administration. The record over the last four years, however, has been more mixed. Since it took office in 1993, this Administration has placed the highest priority on careful and prudent economic forecasts. Partly because of its conservative approach to forecasting the deficit, the Administration has overestimated the deficit by about $50 billion on average in the budgets submitted for fiscal years 1994–1996. It is too early to tell whether this pattern will continue, but even the Mid-Session estimate of the 1996 deficit proved to be an overestimate.

It would be preferable to project the deficit without any error, but that is not possible. Still, the Administration's cautious approach has meant that the projection misses have helped and not hurt in the effort to reduce the deficit. There are a number of reasons why the

Table 1–2. COMPARISON OF ECONOMIC ASSUMPTIONS

(Calendar years)

	Projections					
	1997	1998	1999	2000	2001	2002
Real GDP (chain-weighted)[1]:						
CBO January[2]	2.1	2.1	2.2	2.2	2.1	2.1
1998 Budget	2.0	2.0	2.3	2.3	2.3	2.3
Chain-weighted GDP Price Index[1]:						
CBO January[2]	2.4	2.6	2.6	2.6	2.6	2.6
1998 Budget	2.5	2.6	2.6	2.6	2.6	2.6
Consumer Price Index (all-urban)[1]:						
CBO January[2]	2.9	3.0	3.0	3.0	3.0	3.0
1998 Budget	2.6	2.7	2.7	2.7	2.7	2.7
Unemployment rate[3]:						
CBO January[2]	5.3	5.6	5.8	5.9	6.0	6.0
1998 Budget	5.3	5.5	5.5	5.5	5.5	5.5
Interest rates[3]:						
91–day Treasury bills:						
CBO January[2]	5.0	5.0	4.6	4.2	3.9	3.9
1998 Budget	5.0	4.7	4.4	4.2	4.0	4.0
10–year Treasury notes:						
CBO January[2]	6.2	6.1	5.8	5.5	5.5	5.5
1998 Budget	6.1	5.9	5.5	5.3	5.1	5.1

[1] Percent change, fourth quarter over fourth quarter.
[2] Economic projections assuming balanced budget policy.
[3] Annual averages, percent.

budget has performed better than expected. Some of these are technical shifts; for example, Medicaid spending has fallen short of expectations for technical reasons. In addition, however, the economy has performed as well as or better than the Administration has assumed, and even more in excess of CBO's expectations.

Because of the revisions to GDP adopted in January of 1996 by the Commerce Department, it is impossible to show a consistent history of real growth projections for both last year and the earlier years of the Administration. Looking at the unrevised data through 1995, however, the Administration was more accurate than CBO in its initial forecast of real GDP growth, but still underpredicted the actual performance of the economy by 0.8 percentage point per year on average. In subsequent forecasts, the Administration has also been slightly more accurate in projecting real GDP. Over the last four years, the Administration has been more accurate than CBO in its forecast of unemployment, but still has consistently overestimated the unemployment rate. CBO has also tended to resist the mounting evidence for a significant increase in the GDP share of corporate profits as a result of lower interest rates and the greater competitiveness of U.S. business. The Administration's projections of the profits share were closer to the actual outcome.

The differences in economic assumptions between the Administration and CBO have been small—smaller than they were under previous Administrations, and well within the usual range of error in such projections. However, even small differences in economic assumptions can yield sizable differences in budget projections when extended over several years. Given the positive economic outlook in the United States—strong and steady growth, robust job creation, and low inflation and interest rates with none of the excesses that suggest an economic downturn—there are sound reasons for believing that the Administration's projection is likely to be close to the actual outcome. In that case, the President's budget as presented in the document would continue in force through 2002, with no need to limit spending or suspend tax cuts to achieve a balanced budget.

Can We Do Better?

The Administration's average projected rate of growth for real GDP over the budget period—2.2 percent per year—is about equal to the estimate of potential noninflationary growth held by a broad consensus of the economics profession. It is natural to wonder if the economy is capable of doing better than this. The Administration is optimistic that it can, and has proposed the policies that are most likely to raise potential growth. However, it would not be prudent to base the budget on best-case assumptions, or even on assumptions much above the middle ground. Previous Administrations made that mistake, and one result was a sequence of large, unanticipated deficits.

Statistical problems suggest that growth might already be faster than we think. The possible mismeasurement of GDP on the "output" side (as opposed to Gross Domestic Income, on the "income" side) may have reduced measured average growth over the past six years by as much as ¼ percentage point. The Administration assumes that the true rate of growth over this period was better approximated by the growth of incomes, and that assumption is reflected in the projected 2.3 percent growth rate for potential GDP.

The possibility that the CPI is mismeasured also affects GDP. As indicated above, an overstatement of 1.1 percentage point per year in the measurement of the CPI would have cut measured real GDP growth by between 0.5 and 1.0 percentage point. Correcting for such an error would raise the Administration's projected real growth rate to around 3 percent per year.

Another factor affecting the current measured growth rate of real GDP should not be a cause for concern. The growth of total output is equal to the sum of the growth rate of labor productivity and the growth rate of hours worked. The Administration projects that hours worked will increase by less than in the past. There are two benign reasons for the expected slowdown:

- The working-age population is growing more slowly than it did in earlier decades, purely because of lower historical birth rates. Family incomes and individual well-being should not be affected by such a slowdown.
- Both the rate of labor force participation and the percentage of the population employed are already at record levels, and accordingly are not expected to rise at the rates of recent years. During the past two decades there was a massive inflow of women into the paid labor force. That inflow has slowed, and there are signs that the rate of female labor force participation is stabilizing. This is not necessarily a cause for alarm even though it means slower growth in total hours worked and less real GDP growth. The voluntary decisions of people to enter or leave the labor force ought to be respected by Government, and incomes can rise on a per capita or per family basis whether or not labor force participation is increasing. If unemployment is low and jobs are plentiful, as they are now, then those women (and men) who would like to work have the best opportunity to do so.

Because of these changes, the average growth rate of hours worked is expected to decline from an average of about 1.7 percent per year during the 1970s and 1980s to around 1.2 percent per year for the next six years. This decline will reduce real GDP growth by a corresponding amount.

A further increase in productivity growth would be highly desirable, and Administration initiatives in education, technology, and regulatory reform are intended to improve productivity. But raising the trend rate of productivity growth has proved very difficult, however often policymakers have espoused that goal; therefore, a prudent assumption is to project a continuation in the prevailing productivity trend while working to ex-

Table 1–3. SAVING, INVESTMENT, AND TRADE BALANCE

(Fiscal years; in billions of dollars)

	1996 actual	1998 estimate
Current account	–154	–180 to –140
Merchandise trade balance	–181	–210 to –170
Net foreign investment	–140	–175 to –135
Net domestic saving (excluding Federal saving)[1]	460	440 to 480
Net private domestic investment	393	415 to 455

[1] Defined for purposes of Public Law 100–418 as the sum of private saving and the current surpluses of State and local governments. All series are based on the National Income and Product Accounts (NIPA) measures except for the current account balance.

ceed that conservative forecast. If this course is successful, then inflation will be less than expected and the deficit will be smaller too. These surprises would be welcome.

Omnibus Trade and Competitiveness Act of 1988

As required by the Omnibus Trade and Competitiveness Act of 1988, Table 1–3 shows estimates for economic variables related to saving, investment, and foreign trade consistent with the economic assumptions.

The merchandise trade and current account deficits deteriorated in fiscal year 1996 and are expected to stabilize near current levels through fiscal year 1998. Net private investment in the United States has expanded rapidly during this Administration, and it is expected to continue to increase as the economy expands. The sources for the increased private investment have been the decline in the Federal deficit and higher private saving, plus a larger inflow of foreign capital.

The Act requires information on the amount of borrowing by the Federal Government in private credit markets. This is presented in Chapter 12, "Federal Borrowing and Debt."

It is difficult to gauge with precision the effect of Federal Government borrowing from the public on interest rates and exchange rates, as required by the Act. Both are influenced by many factors besides Government borrowing in a complicated process involving supply and demand for credit and perceptions of fiscal and monetary policy here and abroad.

Impact of Changes in the Economic Assumptions

The economic assumptions underlying this budget are similar to those of last year. Both budgets envisaged that achieving a balanced budget would result in a substantial decline in interest rates that would serve to extend the economic expansion at a moderate pace while helping to maintain low, steady rates of inflation and unemployment. A shift to a balanced budget and the ensuing lower interest rates were also expected to shift income from interest to profits. This would have favorable effects on budget receipts and the deficit, be-

Table 1–4. COMPARISON OF ECONOMIC ASSUMPTIONS IN THE 1997 AND 1998 BUDGETS

(Calendar years; dollar amounts in billions)

	1996	1997	1998	1999	2000	2001	2002
Nominal GDP:							
1997 budget assumptions	7,621	8,008	8,417	8,848	9,295	9,772	10,268
1998 budget assumptions	7,577	7,943	8,313	8,717	9,153	9,610	10,087
Real GDP (percent change):[1]							
1997 budget assumptions	2.2	2.3	2.3	2.3	2.3	2.3	2.3
1998 budget assumptions	2.8	2.0	2.0	2.3	2.3	2.3	2.3
GDP price index (percent change):[1]							
1997 budget assumptions	2.8	2.7	2.7	2.7	2.7	2.7	2.7
1998 budget assumptions	2.3	2.5	2.6	2.6	2.6	2.6	2.6
Consumer Price Index (percent):[2]							
1997 budget assumptions	3.1	2.9	2.8	2.8	2.8	2.8	2.8
1998 budget assumptions	3.1	2.6	2.7	2.7	2.7	2.7	2.7
Civilian unemployment rate (percent):[2]							
1997 budget assumptions	5.7	5.7	5.7	5.7	5.7	5.7	5.7
1998 budget assumptions	5.4	5.3	5.5	5.5	5.5	5.5	5.5
91–day Treasury bill rate (percent):[2]							
1997 budget assumptions	4.9	4.5	4.3	4.2	4.0	4.0	4.0
1998 budget assumptions	5.0	5.0	4.7	4.4	4.2	4.0	4.0
10–year Treasury note rate (percent):[2]							
1997 budget assumptions	5.6	5.3	5.0	5.0	5.0	5.0	5.0
1998 budget assumptions	6.5	6.1	5.9	5.5	5.3	5.1	5.1

[1] Fourth quarter-to-fourth quarter.
[2] Calendar year average.

cause profits face a higher marginal tax rate than interest income.

The changes in the economic outlook since last year's budget have been relatively modest. On the positive side, the differences are primarily the result of more favorable economic experience in 1996 than was anticipated in last year's assumptions; on the negative side, partly because of the failure to enact a balanced budget, interest rates did not decline as was anticipated in last year's assumptions. Indeed, interest rates increased during the first half of the year. Even so, inflation and unemployment continued to improve in 1996. Because of this favorable experience, the forecast average for the unemployment rate has been lowered by 0.2 percentage point, and inflation has been reduced by 0.1 percentage point. Meanwhile, interest rates are again assumed to decline in this budget, but the descent begins a year later than previously assumed, and the decline is smaller in percentage points.

The net effects on the budget of these modifications in the economic outlook are shown in Table 1–5. The last column in the table shows the effect in 2002. The largest effects come from lower receipts due to lower inflation and lower real GDP growth in 1997 and 1998, and from the shift in timing of the expected decline in interest rates. Because the decline starts a year later, interest rates are higher in this budget, which increases the deficit relative to last year's estimates. The budget surplus projected for 2002 would have been about $43 billion larger had last year's economic assumptions been used in place of this year's assumptions.

Structural vs. Cyclical Deficit

When there is slack in the economy, receipts are lower than they would be if resources were fully employed, and outlays for unemployment-sensitive programs (such as unemployment compensation and food stamps) are higher. As a result, the deficit is higher than it would be if unemployment were at NAIRU. The portion of the deficit that can be traced to such factors is called the cyclical deficit. The remainder, the portion that would remain with unemployment at NAIRU (consistent with a 5.5 percent unemployment rate), is called the structural deficit.

Changes in the structural deficit give a better picture of the impact of budget policy on the economy than does the unadjusted deficit. During a recession or the recovery from one, the structural deficit also gives a clearer picture of the deficit problem that fiscal policy must address, because this part of the deficit will persist even when the economy has fully recovered, unless policy changes.

In the early 1990's, large swings in net outlays for deposit insurance (the S&L bailouts) had substantial impacts on deficits, but had little impact on economic performance. It therefore became customary to remove deposit insurance outlays as well as the cyclical component of the deficit from the actual deficit to compute the adjusted structural deficit. This is shown in Table 1–6.

Because the economy is projected to be quite close to full employment over the forecast horizon, the cyclical component of deficits is small. Indeed, for 1996 and 1997, the unemployment rate is slightly below the full employment rate of 5.5 percent, resulting in negative cyclical components of the deficit (cyclical surpluses). Deposit insurance net outlays are relatively small and do not change greatly from year to year. Thus, rather unusually, the adjusted structural deficits in this budget display much the same pattern of year-to-year changes as the actual deficits. The most significant

Table 1–5. EFFECTS ON THE BUDGET OF CHANGES IN ECONOMIC ASSUMPTIONS SINCE LAST YEAR

(In billions of dollars)

	1997	1998	1999	2000	2001	2002
Budget totals under 1997 budget economic assumptions and 1998 budget policies:						
Receipts	1,517.3	1,585.4	1,668.8	1,754.4	1,839.6	1,932.4
Outlays	1,630.3	1,677.9	1,748.4	1,802.9	1,834.8	1,872.1
Surplus or deficit (–)	–113.0	–92.6	–79.7	–48.5	4.9	60.3
Changes due to economic assumptions:						
Receipts	–11.9	–18.5	–25.4	–27.1	–31.3	–35.7
Outlays:						
Inflation	–1.5	–2.2	–3.3	–4.2	–5.4	–6.6
Unemployment	–3.3	–1.8	–1.4	–1.9	–2.0	–2.0
Interest rates	5.1	12.3	14.2	13.4	11.2	8.6
Interest on changes in borrowing	0.3	1.2	2.7	4.2	5.8	7.6
Total, outlay increases (net)	0.7	9.5	12.3	11.5	9.7	7.6
Increase in deficit (–)	–12.6	–28.1	–37.7	–38.6	–41.0	–43.3
Budget totals under 1998 budget economic assumptions and policies:						
Receipts	1,505.4	1,566.8	1,643.3	1,727.3	1,808.3	1,896.7
Outlays	1,631.0	1,687.5	1,760.7	1,814.4	1,844.5	1,879.7
Surplus or deficit (–)	–125.6	–120.6	–117.4	–87.1	–36.1	17.0

point illustrated by this table, is the fact that of the $183 billion reduction in the actual budget deficit between 1992 and 1996 (from $290 billion to $107 billion), 41 percent ($75 billion) resulted from cyclical improvement in the economy. The rest of the reduction stemmed primarily from policy actions—mainly those in the Omnibus Budget Reconciliation Act of 1993, early in President Clinton's first term, which reversed a projected continued steep rise in the deficit.

Sensitivity of the Budget to Economic Assumptions

Both receipts and outlays are affected by changes in economic conditions. This sensitivity seriously complicates budget planning, because errors in economic assumptions lead to errors in the budget projections. It is therefore useful to examine the implications of alternative economic assumptions.

Many of the budgetary effects of changes in economic assumptions are fairly predictable, and a set of rules of thumb embodying these relationships can aid in estimating how changes in the economic assumptions would alter outlays, receipts, and the deficit.

Economic variables that affect the budget do not usually change independently of one another. Output and employment tend to move together in the short run: a higher rate of real GDP growth is generally associated with a declining rate of unemployment, while weak or negative growth is usually accompanied by rising unemployment. In the long run, however, changes in the average rate of growth of real GDP are mainly due to changes in the rates of growth of productivity and labor supply, and are not necessarily associated with changes in the average rate of unemployment. Inflation and interest rates are also closely interrelated: a higher expected rate of inflation increases interest rates, while lower expected inflation reduces rates.

Changes in real GDP growth or inflation have a much greater cumulative effect on the budget over time if they are sustained for several years than if they last for only one year.

Highlights of the budget effects of the above rules of thumb are shown in Table 1–7.

If real GDP growth is lower by one percentage point in calendar year 1997 only and the unemployment rate rises by one-half percentage point, the fiscal 1997 deficit would increase by $8.6 billion; receipts in 1997 would be lower by about $7.1 billion, and outlays would be higher by about $1.5 billion, primarily for unemployment-sensitive programs. In 1998, the receipts shortfall would grow further to about $15.2 billion, and outlays would be increased by about $5.2 billion relative to the base, even though the growth rate in calendar 1998 follows the path originally assumed. This is because the level of real (and nominal) GDP and taxable incomes would be permanently lower and unemployment higher. The budget effects (including growing interest costs associated with the higher deficits) would continue to grow slightly in later years.

The budget effects are much larger if the real growth rate is assumed to be one percentage point less in each year (1997–2002) and the unemployment rate to rise one-half percentage point in each year. With these assumptions, the levels of real and nominal GDP would be below the base case by a growing percentage. The deficit would be $143.0 billion higher than under the base case by 2002.

The effects of slower productivity growth are shown in a third example, where real growth is one percentage point lower per year while the unemployment rate is unchanged. In this case, the estimated budget effects mount steadily over the years, but more slowly, reaching a $120.8 billion deficit add-on by 2002.

Joint changes in interest rates and inflation have a smaller effect on the deficit than equal percentage point changes in real GDP growth because their effects on receipts and outlays are substantially offsetting. An example is the effect of a one percentage point higher rate of inflation and one percentage point higher interest rates during calendar year 1997 only. In subsequent years, the price level and nominal GDP would be one percent higher than in the base case, but interest rates are assumed to return to their base levels. Outlays for 1997 rise by $6.3 billion and receipts by $8.1 billion, for a decrease of $1.8 billion in the 1997 deficit. In 1998, outlays would be above the base by $15.6 billion, due in part to lagged cost-of-living adjustments; receipts would rise $16.5 billion above the base, however, resulting in a $0.9 billion decrease in the deficit. In subsequent years, the amounts added to receipts would continue to be larger than the additions to outlays.

If the rate of inflation and the level of interest rates are higher by one percentage point in all years, the price level and nominal GDP would rise by a cumulatively growing percentage above their base levels. In this case, the effects on receipts and outlays mount

Table 1–6. ADJUSTED STRUCTURAL DEFICIT

(In billions of dollars)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Unadjusted surplus (–)/deficit	290.4	255.0	203.1	163.9	107.3	125.6	120.6	117.4	87.1	36.1	–17.0
Cyclical component	68.7	52.6	24.2	2.3	–6.7	–10.3	–3.7	0.0	0.0	0.0	0.0
Structural deficit	221.7	202.6	178.9	161.6	114.0	135.9	124.4	117.4	87.1	36.1	–17.0
Deposit insurance outlays	–2.4	–28.0	–7.6	–17.8	–8.4	–12.1	–4.0	–2.0	–1.1	–1.6	–1.5
Adjusted structural surplus(–)/deficit	224.1	230.4	186.5	179.5	122.4	148.0	128.4	119.4	88.3	37.7	–15.5

steadily in successive years, adding $75.1 billion to outlays and $101.1 billion to receipts in 2002, for a net reduction in the deficit of $26.0 billion.

The table also shows the interest rate and the inflation effects separately, and rules of thumb for the added interest cost associated with higher or lower deficits (increased or reduced borrowing). The effects of changes in economic assumptions in the opposite direction are approximately symmetric to those shown in the table. The impact of a one percentage point lower rate of inflation or higher real growth would have about the same magnitude as the effects shown in the table, but with the opposite sign.

These rules of thumb are computed while holding the income share composition of GDP constant. Because different income components are subject to different taxes and tax rates, estimates of total receipts can be affected significantly by changing income shares. These relationships, however, have proved too complex to be reduced to simple rules.

Table 1–7. SENSITIVITY OF THE BUDGET TO ECONOMIC ASSUMPTIONS

(In billions of dollars)

Budget effect	1997	1998	1999	2000	2001	2002
Real Growth and Employment						
Budgetary effects of 1 percent lower real GDP growth:						
For calendar year 1997 only:[1]						
Receipts	–7.1	–15.2	–17.4	–17.7	–18.2	–18.8
Outlays	1.5	5.2	6.5	7.7	8.9	10.2
Deficit increase (+)	8.6	20.4	23.9	25.4	27.1	29.0
Sustained during 1997–2002:[1]						
Receipts	–7.1	–22.4	–40.6	–59.8	–80.2	–101.9
Outlays	1.5	6.8	13.3	21.2	30.2	41.1
Deficit increase (+)	8.6	29.2	53.9	81.0	110.4	143.0
Sustained during 1997–2002, with no change in unemployment:						
Receipts	–7.1	–22.7	–41.6	–62.2	–84.2	–108.1
Outlays	0.2	1.0	2.6	5.0	8.3	12.7
Deficit increase (+)	7.3	23.7	44.2	67.1	92.5	120.8
Inflation and Interest Rates						
Budgetary effects of 1 percentage point higher rate of:						
Inflation and interest rates during calendar year 1997 only:						
Receipts	8.1	16.5	16.4	15.3	16.1	16.9
Outlays	6.3	15.6	12.9	11.8	11.3	11.1
Deficit increase (+)	–1.8	–0.9	–3.4	–3.5	–4.8	–5.8
Inflation and interest rates, sustained during 1997–2002:						
Receipts	8.1	25.0	42.6	60.3	79.7	101.1
Outlays	6.3	22.3	36.7	50.1	62.7	75.1
Deficit increase (+)	–1.8	–2.6	–5.9	–10.2	–17.0	–26.0
Interest rates only, sustained during 1997–2002:						
Receipts	1.1	2.8	3.6	3.9	4.2	4.5
Outlays	5.8	17.6	25.4	31.1	35.7	39.3
Deficit increase (+)	4.7	14.8	21.8	27.2	31.5	34.8
Inflation only, sustained during 1997–2002:						
Receipts	7.0	22.1	39.0	56.4	75.5	96.6
Outlays	0.4	4.7	11.3	19.0	27.0	35.8
Deficit increase (+)	–6.6	–17.4	–27.7	–37.4	–48.5	–60.9
Interest Cost of Higher Federal Borrowing						
Effect of $100 billion additional borrowing during 1997	2.9	5.4	5.3	5.3	5.3	5.4

[1] The unemployment rate is assumed to be 0.5 percentage point higher per 1.0 percent shortfall in the level of real GDP.

2. STEWARDSHIP: TOWARD A FEDERAL BALANCE SHEET

Introduction

The Government's financial condition can be examined from several alternative perspectives, and a balanced assessment requires various approaches. This chapter presents an organizing framework for such analysis. The Government is not a business, and it cannot be evaluated simply by applying the usual business accounting techniques. A full evaluation of its finances must consider a broader range of information than is contained in a conventional balance sheet, and none of the tables in this chapter should be treated as if it were "*the* balance sheet" of the Federal Government. Considered as a whole, however, the chapter with all of its tables provides an overview of the Government's financial resources, the current and future claims on them, and some information about what the taxpayer is getting in exchange for this commitment of resources. In this way, the presentation that follows offers the kind of information that a financial analyst would expect to find in a business balance sheet.

Because of major differences between Government and business, and the serious limitations of the available data, this chapter's findings should be interpreted with considerable caution. The conclusions are tentative and subject to future revision as the estimating methods are improved and better data become available.

The presentation consists of three parts:

- The first part reports on what the Federal Government owns and what it owes. Table 2–1 summarizes this information. The assets and liabilities in this table are a useful starting point for a financial analysis of the Federal Government, but they are only a partial reflection of the full range of Government resources and responsibilities. The assets include only the items that are actually owned by the Government; through taxation the Government can rely on a much wider range of resources to meet future obligations. The liabilities in the table are binding Government commitments resulting from prior actions; the Government's financial responsibilities are considerably broader than this.
- The second part presents possible future paths for the Federal budget extending well into the next century, including an extension of the proposals in the 1998 Budget. The information is summarized in Table 2–2 and in the set of charts presented along with it. This is the appropriate context in which to examine the balance between future Federal resources and responsibilities; and the analysis in this part offers the clearest indication of the long-run financial burdens that the Government faces and the resources that will be available to meet them. Some future claims on the Government receive special emphasis because of their importance to individuals' retirement plans. Table 2–3 summarizes the condition of the social security and Medicare trust funds and how that condition has changed since 1995.
- The third part of the presentation features information on broader economic and social conditions that are affected by Government activity. Table 2–4 is a summary of national wealth highlighting the different categories of Federal investment that have contributed to wealth. Table 2–5 is a sample of economic and social indicators. No single statistic, not even GDP, can capture the full ramifications of Federal actions; a comprehensive set of indicators, such as the one presented here, is needed to encompass the full range of Government activities and interests.

Relationship with FASAB Objectives

The framework presented here meets one of the four objectives[1] of Federal financial reporting recommended by the Federal Accounting Standards Advisory Board and adopted for use by the Federal Government in September 1993. This Stewardship Objective says:

> Federal financial reporting should assist report users in assessing the impact on the country of the Government's operations and investments for the period and how, as a result, the Government's and the Nation's financial conditions have changed and may change in the future. Federal financial reporting should provide information that helps the reader to determine:
>
> 3a. Whether the Government's financial position improved or deteriorated over the period.
>
> 3b. Whether future budgetary resources will likely be sufficient to sustain public services and to meet obligations as they come due.
>
> 3c. Whether Government operations have contributed to the Nation's current and future well-being.

The experimental presentation here explores one possible approach for meeting this objective at the Government-wide level.

[1] *Objectives of Federal Financial Reporting,* Statement of Federal Financial Accounting Concepts Number 1, September 2, 1993. The other three Objectives relate to budgetary integrity, operating performance, and systems and controls.

QUESTIONS AND ANSWERS ABOUT THE GOVERNMENT'S "BALANCE SHEET"

1. According to Table 2–1, the Government's liabilities exceed its assets. No business could operate that way. Why can't the Government run like a business?

Because the Federal Government is not a business. It has fundamentally different objectives, and so must operate in different ways.

The primary goal of every business is to earn a profit. But in our free market system, the Federal Government leaves virtually all activities at which a profit could be earned to the private sector. In fact, the vast bulk of the Federal Government's operations are of a nature such that it would be difficult or impossible to charge prices at all—let alone prices that would cover expenses. The Government undertakes these activities not to improve its balance sheet, but for the balance sheet of the Nation—that is, its people and its businesses—including not only monetary but also nonmonetary values. No business would—or should—sacrifice its own balance sheet to bolster that of the rest of the country.

To illustrate, one of the Federal Government's most valuable assets is its holdings of gold. The price of gold generally fluctuates counter to the state of the economy—if inflation is rapid and out of control, the price of gold rises; but when inflation slows and steadies, the price of gold falls. One important source of the deterioration of the Federal Government's balance sheet since the 1980s has been the decline in the price of gold, which reduced the value of the Government's gold holdings. But that price decline—and hence a deterioration of the Government's balance sheet—was a direct consequence of Federal policies to reduce inflation, for the benefit of the people and businesses of the United States. No business would undertake such a policy of worsening its own balance sheet.

Similarly, the Federal Government invests in education and research. The Government earns no return from these investments; but the Nation and its people are made richer. A business, in contrast, undertakes investments that earn a profit for itself, not others.

Because the Federal Government's objectives are different, its balance sheet will behave differently.

2. But doesn't Table 2–1 say that the Government is insolvent?

No. Just as the Federal Government's responsibilities are of a different nature than those of a private business, so are its resources. Its solvency must be evaluated in different terms.

What the table shows is that those Federal obligations that are comparable to the liabilities that a business corporation would show on its balance sheet exceed the estimated value of the assets the Federal Government actually owns. However, the Government has access to other resources—such as through its sovereign powers of taxation and money creation. These powers give the Government the ability to meet its present obligations and those it will incur through future operations.

The financial markets clearly recognize this reality. The Federal Government's implicit credit rating is the best in the United States; lenders are willing to lend it money at interest rates substantially below those charged to private borrowers. This would not be true if the Government were really insolvent. In countries where governments totter on the brink of true insolvency, lenders are either unwilling to lend them money, or do so only in return for a substantial interest premium.

However, the Federal Government's balance sheet was clearly worsened by the budget policies of the 1980s. If the President's policy proposals in this budget are accepted, the excess of the Government's liabilities over its assets could well shrink over the foreseeable future.

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

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

Because the Government is not a business, and its primary goal is not to earn profits and to enhance its own wealth, accounting standards designed to illuminate how much a business earns and how much equity it has would be misleading, and would not provide the most useful information. The appreciation of the need for separate Federal Government accounting standards is comparatively recent. But now the Federal Accounting Standards Advisory Board has developed, and the Federal Government has adopted, an accounting framework that reflects the Government's functions and answers the questions about the responsibilities for which it should be accountable. This framework addresses the Government's budgetary integrity, operating performance, stewardship, and systems and controls. The Board has also developed, and the Government has adopted, a full set of accounting standards. Federal agencies are issuing audited financial reports that follow these standards; a Government-wide consolidated financial report following these standards will be issued for FY 1997.

This chapter viewed in its entirety addresses the "stewardship objective"—assessing the interrelated financial condition of the Federal Government and of the Nation for which the Government is responsible. The data in this chapter are intended to develop a fuller understanding of the trade-offs and connections between making the Federal Government "better off" and making the Nation "better off."

However, there is no single number or "bottom line" for the Government comparable to the net worth of a business corporation. Some analysts find this absence of a bottom line to be frustrating. But pretending that there is such a number—when there clearly is not—does not advance the understanding of Government finances.

4. Why isn't social security shown as a liability in Table 2.1?

Social security benefits are a political and moral responsibility of the Federal Government, but they are not a liability. The Government has unilaterally both increased and decreased benefits in the past; the Social Security Advisory Council has recently suggested further reforms, involving additional changes in benefits. When the amount in question can be changed in such a fashion, it would not ordinarily be considered a liability.

There are a large number of other Federal programs that are similar in many ways to social security, such as Medicare, veterans benefits, and student loans, to name only three. These programs are not counted as liabilities in the balance sheet. Treating social security benefits differently from these other programs would be hard to justify.

Furthermore, if social security benefits were to be treated as liabilities, then logic would suggest that the earmarked social security payroll tax receipts that finance those benefits should be assets. However, no other future tax receipts are counted as assets in the formal sense; and thus again, drawing a line between social security taxes and other taxes would appear questionable.

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

5. It is all very well to balance the budget in 2002, but can this be a permanent solution? When the baby-boom generation retires beginning in 2008, won't the deficit return larger and meaner than ever before?

The aging of the U.S. population, which will become dramatically evident when the baby-boomers retire, poses serious long-term problems for the Federal budget and its major entitlement programs. However, balancing the budget over the next few years would leave the country much better prepared to address these problems.

If the reforms in this budget are enacted, not only would the budget come into balance, but that balance would be preserved for some time to come (under an extension of the economic and technical assumptions used for this budget). Far from being an exercise in futility, balancing the budget now is one of the key steps towards keeping it in balance when the baby-boomers retire. The second part of this chapter and the charts that accompany it show how the budget is likely to fare under various possible alternative assumptions. Absent the budget policy proposals the deficit is likely to begin growing sharply early in the next century.

6. Does Federal investment exceed the deficit? Would it be sensible to permit a deficit so long as it was no larger than the amount spent on Federal investments?

Gross Federal investment in physical capital was $103 billion in 1996. This was about equal to the Federal deficit in that year. However, this does not mean that a deficit of this amount was appropriate.

First of all, the Government consumes capital each year in the process of providing goods and services to the public. The rationale that investment can justify borrowing should apply only to net investment, after depreciation is subtracted, because only net investment augments the assets available to offset the higher liability. For the Federal Government, as discussed in Chapter 6 of this volume, net investment in physical capital owned by the Federal Government is estimated to be negative in 1998. Thus, more deficit reduction would be required by this proposed criterion than would be required to balance the present budget.

The Federal Government also funds substantial amounts of physical capital that it does not own, such as highways and research facilities, and it funds investment in intangible "capital" such as education and training, or the conduct of research and development. A private business would never borrow to spend on assets that would be owned by other people. However, such spending is a principal function of Government. Chapter 6 shows that by this definition net investment is estimated to be positive in 1998, but by only a small amount.

There is another hitch in the logic of borrowing to invest. Businesses expect investments to earn a profit from which they repay the financing costs. In contrast, the Federal Government does not generally expect to receive a direct payoff (in the form of higher tax receipts) from its investments. In this sense, Government investments are no different from other Government expenditures, and the fact that they provide services over a longer period is no justification for excluding them when calculating the deficit.

Finally, the Federal Government has responsibilities for supporting the overall financial and economic well-being of the Nation. In this broader context, it might want to manage its fiscal policy so as to augment private saving and investment by paying for its own investments from current revenues, instead of borrowing in the credit market and crowding out private investment. In other words, there are considerations other than the amount of Federal investment that should govern the appropriate level of the deficit.

What Can Be Learned from a Balance Sheet Approach

The budget is an essential tool for allocating resources within the Federal Government and between the public and private sectors, but the standard budget presentation, with its focus on annual outlays, receipts, and the deficit over a five- or six-year period does not provide all the information that would be needed for a full analysis of the Government's financial and investment decisions. In addition, information about Federal assets and liabilities can be helpful. Long-run budget projections that extend the usual forecast horizon are also important. Finally, it is important to examine the effects on society and the economy of Government policies in order to evaluate how well the Federal Government is performing. A business may ultimately be judged by the bottom line in its income statement or balance sheet, but for the National Government, the ultimate test is how its actions affect the entire country. The data needed to judge its performance go beyond a simple measure of the net assets of the Government alone; indeed, given the Federal Government's much broader responsibilities, looking at its net assets alone can be misleading (see the "Questions and Answers" in the accompanying box).

Consider, for example, Federal investments in education or infrastructure which generate returns that flow mainly to households, private businesses or other levels of government rather than back to the Federal Treasury. Considered in terms of the Federal Government's own "bottom line," these investments are a negative, but they make a real contribution to the Nation as a whole, the economy, and the people. A framework for evaluating Federal finances needs to take the return on such investments into account, even when the return accrues to someone other than the Federal Government.

A good place to start an evaluation of the Government's finances is with a measurement of its assets and liabilities, although this is only a starting point. Such a tabulation is presented below based on data from a variety of public and private sources. It has sometimes been suggested that the Federal Government's assets, if fully accounted for, would exceed its debts, and that a positive balance in such a calculation would mitigate the risks of large Government budget deficits. Table 2–1 clearly shows that this is not correct. The Federal Government's assets are substantially less than its debts mainly because of the steep increase in deficits that occurred in the 1980s.

But that is not the end of the story. The Federal Government has resources that go beyond the conventional assets that normally appear on a balance sheet. These include the Government's sovereign powers to tax, regulate commerce, and set monetary policy. These powers call for special treatment in evaluating the Government's financial position. The Government's sovereign powers give it access to resources that no private individual or business possesses, but these powers would not be considered assets in any normal sense of the word, nor would they be counted on a conventional balance sheet. Yet they need to be considered in a comprehensive review of the Government's financial condition. The best way to do this is to make a long-run projection of the Federal budget. The budget provides a comprehensive measure of the Government's annual cash flows, and projecting it forward shows how the Government's powers are expected to generate cash flows in the future.

On the other side of the ledger are the Government's formal debt obligations, such as Treasury bills or notes, along with the present discounted value of its obligations to pay pension benefits to Federal retirees. Both types of obligations have obvious counterparts in the business world that would appear on a business balance sheet. Accrued obligations for government insurance policies and the estimated present value of future failed loan guarantees and deposit insurance claims should also be added to Government liabilities. These formal liabilities are only a subset of the Government's financial responsibilities. In addition, there are obligations which have no analogues in business accounting, and which would not be included on a conventional balance sheet.

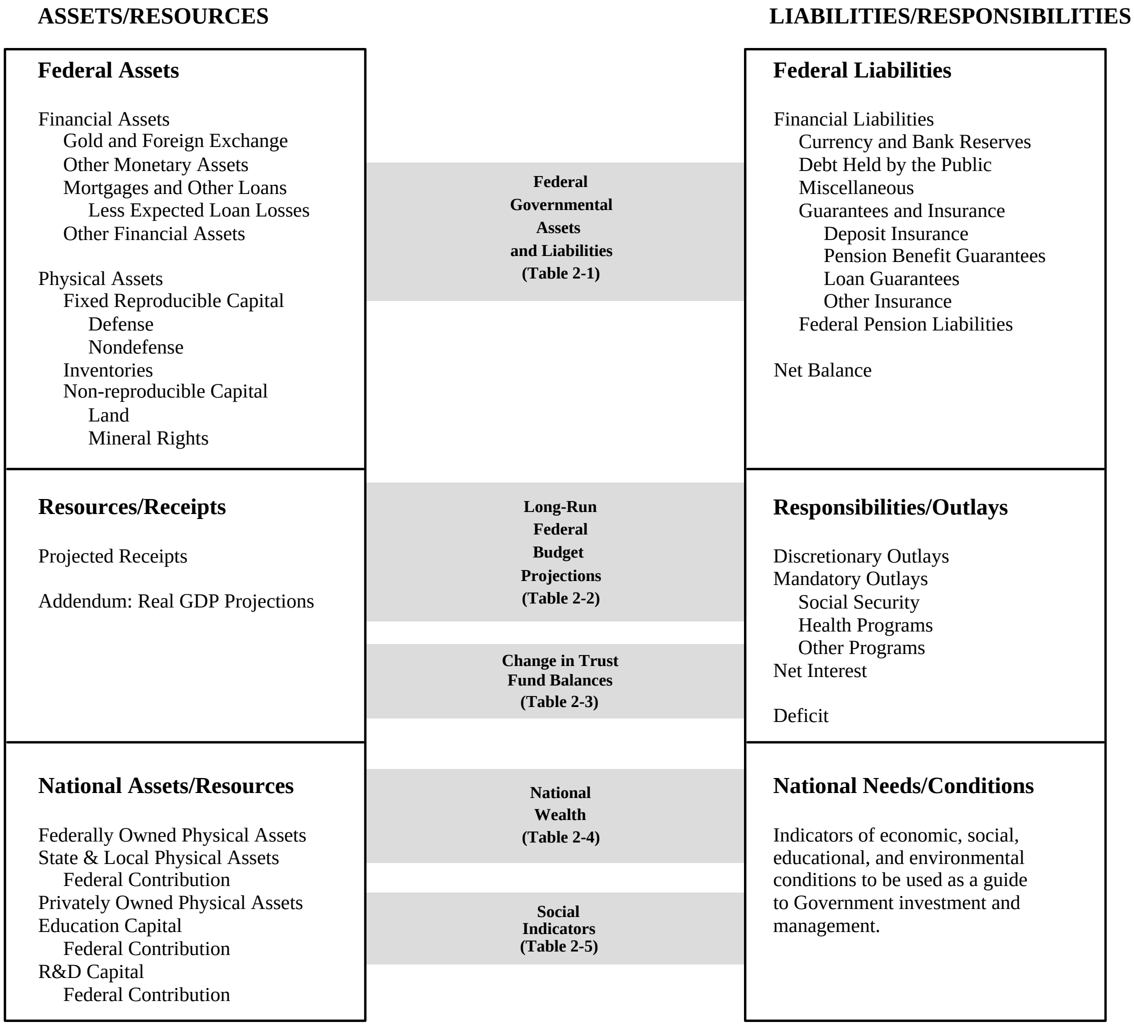
For example, the Government has established a broad range of programs that dispense cash and other benefits to individual recipients. The Government is not constitutionally obligated to continue payments under these programs; the benefits can be modified or even ended at any time, subject to the decisions of the elected representatives in Congress. Last year's welfare reform legislation is only the most recent example of such a change. Allowing for such changes, however, it is likely that many of these programs will remain Federal obligations in some form for the foreseeable future. The present value of the benefits that will be paid out through these programs therefore, can be measured as a claim on future Government resources. Again, the best way to see how future responsibilities line up with future resources is to project the Federal budget forward far enough in time to capture the long-run effects of current and past decisions. Projections of this sort are presented below.

The budget, even when projected far into the future, does not show whether the public is receiving value for its tax dollars. That question requires performance measures for government programs supplemented by appropriate information about conditions in the U.S. economy and society. Some of these data are currently available but much more would need to be developed to obtain a full picture. Examples of what might be done are also shown below.

The presentation that follows consists of a series of tables and charts. No one of these is a "Government balance sheet," but all of them together can serve many of the functions of a balance sheet. The schematic diagram, Chart 2–1, shows how they fit together. The tables and charts should be viewed as an ensemble, the main elements of which can be grouped together in two broad categories—assets/resources and liabilities/responsibilities.

- Reading down the left-hand side of the diagram shows the range of Federal resources, including assets the Government owns, tax receipts it can expect to collect, and national wealth that underpins the Government's revenue raising capacity.
- Reading down the right-hand side reveals the full range of Federal obligations and responsibilities, beginning with Government's acknowledged liabilities based on past actions, such as the debt held by the public, and going on to include future budget outlays.

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



PART I—THE FEDERAL GOVERNMENT'S ASSETS AND LIABILITIES

Table 2–1 summarizes what the Government owes as a result of its past operations along with the value of what it owns, for a number of years beginning in 1960. The values of assets and liabilities are measured in terms of constant FY 1996 dollars. For nearly all of this period, Government liabilities have exceeded the value of assets, but until the early 1980s the disparity was relatively small, and it was only growing slowly (see Chart 2–2).

In the late 1970s, a speculative run-up in the prices of oil, gold, and other real assets temporarily boosted Federal asset values, but since then they have declined. This temporary improvement highlights the importance of the other tables in this presentation. What is good for the Federal Government as an asset holder is not necessarily favorable to the economy. The decline in inflation in the early 1980s reversed the speculative runup in gold and other commodity prices. That reduced the balance of Federal net assets, but it was good for the economy.

The total real value of Federal assets is estimated to be about 18 percent greater than it was in 1960. Meanwhile, Federal liabilities have increased by almost 180 percent in real terms. The sharp decline in the Federal net asset position in the 1980s was principally due to large Federal budget deficits along with a drop in asset values. Currently, the net excess of liabilities over assets is about $3 trillion or $12,000 per capita.

Assets:

The assets in Table 2–1 reflect the most comprehensive possible list of the financial and physical resources

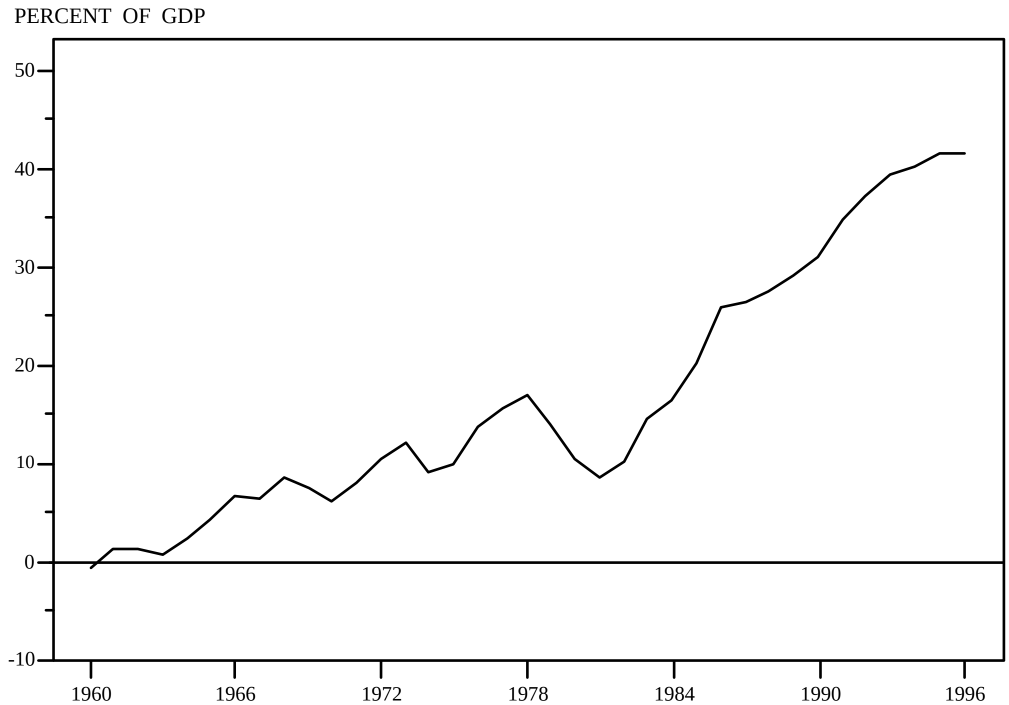
Table 2–1 GOVERNMENT ASSETS AND LIABILITIES*

(As of the end of the fiscal year, in billions of 1996 dollars)

	1960	1965	1970	1975	1980	1985	1990	1994	1995	1996
ASSETS										
Financial Assets:										
Gold and Foreign Exchange	100	71	59	133	328	157	198	174	181	165
Other Monetary Assets	77	112	68	43	82	52	68	69	70	87
Mortgages and Other Loans	124	159	206	206	284	348	282	224	196	171
less Expected Loan Losses.	–1	–3	–4	–9	–16	–16	–18	–26	–22	–22
Other Financial Assets	59	79	65	66	86	110	170	195	195	200
Subtotal	360	419	393	439	763	651	700	635	619	600
Physical Assets:										
Fixed Reproducible Capital:										
Defense	843	841	845	655	541	674	768	786	761	739
Nondefense	149	174	189	196	210	226	244	252	258	261
Inventories	257	222	207	184	225	257	224	174	172	168
Nonreproducible Capital:										
Land	89	123	153	238	302	325	321	242	240	239
Mineral Rights	321	297	245	340	618	696	465	367	342	376
Subtotal	1,659	1,658	1,639	1,613	1,896	2,178	2,022	1,820	1,773	1,783
Total assets	**2,018**	**2,077**	**2,032**	**2,052**	**2,659**	**2,829**	**2,722**	**2,455**	**2,392**	**2,383**
LIABILITIES										
Financial Liabilities:										
Currency and Bank Reserves	224	246	272	277	279	295	352	430	437	446
Debt held by the Public	973	961	815	802	1,039	1,845	2,532	3,219	3,302	3,347
Miscellaneous	25	27	28	41	59	84	126	112	117	120
Subtotal	1,222	1,234	1,115	1,120	1,377	2,224	3,010	3,761	3,856	3,913
Insurance Liabilities:										
Deposit Insurance	....	....	....	....	2	9	68	8	5	2
Pension Benefit Guarantee Corp.	....	....	....	42	30	42	41	31	19	13
Loan Guarantees	....	....	2	6	12	10	15	31	28	31
Other Insurance	30	27	22	20	26	16	19	17	16	16
Subtotal	30	28	24	68	71	77	142	88	68	62
Federal Pension Liabilities	749	949	1,125	1,280	1,740	1,726	1,656	1,570	1,581	1,598
Total liabilities	**2,001**	**2,211**	**2,264**	**2,468**	**3,187**	**4,028**	**4,809**	**5,420**	**5,505**	**5,572**
Balance	**17**	**–134**	**–232**	**–416**	**–528**	**–1,199**	**–2,086**	**–2,965**	**–3,113**	**–3,189**
Per Capita (in 1996 dollars)	**95**	**–689**	**–1,130**	**–1,926**	**–2,313**	**–5,013**	**–8,324**	**–11,344**	**–11,805**	**–11,985**
Ratio to GDP (in percent)	**0.7**	**–4.2**	**–6.2**	**–9.8**	**–10.4**	**–20.2**	**–30.9**	**–40.2**	**–41.6**	**–41.6**

*This table shows assets and liabilites for the Government as a whole, including the Federal Reserve System Therefore, it does not break out separately the assets held in Government accounts, such as social security, that are the obligation of other Government agencies Estimates for FY 1995 are extrapolated in some cases Negative numbers are in parentheses.

Chart 2-2. NET FEDERAL LIABILITIES



owned by the Federal Government. The list corresponds to items that would appear on a typical balance sheet, but it does not constitute an exhaustive catalogue of Federal resources. In particular, the Government's most important financial resource, its ability to tax, is not reflected.

Financial Assets: According to the Federal Reserve Board's Flow-of-Funds accounts, the Federal Government's holdings of financial assets amounted to about $600 billion at the end of 1996. Government-held mortgages and other loans (measured in constant dollars) reached a peak in the mid–1980s. Since then, Federal loans have declined. The holdings of mortgages, in particular, have declined sharply over the last five years as the holdings acquired from failed Savings and Loan institutions have been liquidated.

The face value of mortgages and other loans overstates their economic worth. OMB estimates that the discounted present value of future losses and interest subsidy on these loans is about $22 billion as of 1996. These estimated losses are subtracted from the face value of outstanding loans to obtain a better estimate of their economic worth.

Over time, variations in the price of gold have accounted for major swings in this category. Since the end of Fiscal Year 1980, gold prices have fallen and the real value of U.S. gold and foreign exchange holdings has dropped by about 50 percent. Much of this decline occurred before 1990; since then the decline has continued but at a slower pace.

Reproducible Capital: The Federal Government is a major investor in physical capital. Government-owned stocks of fixed capital amounted to $1.0 trillion in 1996 (OMB estimate). About three-quarters of this capital took the form of defense equipment or structures.

Non-reproducible Capital: The Government owns significant amounts of land and mineral deposits. There are no official estimates of the market value of these holdings. Researchers in the private sector have estimated what they are worth, and these estimates are extrapolated in Table 2–1. Private land values are about 20 percent lower than they were at the end of the 1980s, although they have risen somewhat since 1993. It is assumed here that federal land has shared in this decline. Oil prices have fluctuated but are lower now than they were five years ago. The past year's increase in oil prices, however, has pulled up the value of Federal mineral deposits.

Total Assets: The total real value of Government assets is lower now than at the end of the 1980s, principally because of declines in the real prices of gold, land, and minerals. Even so, the Government's holdings are vast. At the end of 1996, the value of Government assets is estimated to have been about $2.4 trillion.

Liabilities:

Only liabilities analogous to those of a business corporation are shown in Table 2–1. These include the various forms of Federal debt, Federal pension obligations to its workers, and an imputed liability for Federal insurance and loan guarantee programs. Other potential claims on Federal financial resources are not reflected.

Financial Liabilities: The Government's financial liabilities amounted to about $3.9 trillion at the end of 1996. The largest component was Federal debt held by the public, amounting to over $3.3 trillion. This measure of Federal debt is net of the holdings of the Federal Reserve System, about $390 billion in 1996. (Although independent in its policy deliberations, the Federal Reserve is part of the Federal Government, and its assets and liabilities are included here in the Federal totals.) In addition to debt held by the public, the Government's financial liabilities include approximately $450 billion in currency and bank reserves, which are mainly obligations of the Federal Reserve System, and about $120 billion in miscellaneous liabilities.

Guarantees and Insurance Liabilities: The Federal Government has contingent liabilities arising from loan guarantee and insurance programs. When the Government guarantees a loan or offers insurance, initial cash flows may be small or, if a fee is charged, they may even be negative, but the risk of future outlays associated with such commitments can be much larger. In the past, the accruing cost of such risks was not recognized until after a loss was realized. Table 2–1 includes an estimate of the discounted present value of future costs traceable to risks assumed through the end of last year.

Federal Pension Liabilities: The Federal Government owes pension benefits to its retired workers and to current employees who will eventually retire. The amount of these liabilities is large. As of 1996, the discounted present value of the benefits is estimated to have been around $1.6 trillion.[2]

The Balance of Net Liabilities

Because its sovereign powers give it access to other resources, the Government need not maintain a positive balance of net assets, and the rapid in buildup in liabilities since 1980 has not damaged the Federal creditworthiness. However, from 1980 to 1992, the balance between Federal liabilities and Federal assets did deteriorate at a rapid rate. In 1980, the negative balance was 10 percent of GDP. By 1992 it was 37 percent of GDP. Since then it has increased only half as fast. However, because the net liability did deteriorate, albeit slowly, it has reached about 42 percent of GDP.

The Government is able to finance its borrowing, and often does so at quite moderate interest rates, but ever continuing increases in the scale of its net liabilities would be worrisome. Fortunately, the upward trend is being reversed. Since 1992, the budget deficit has declined by about two thirds, and the rate of increase in Federal debt has slowed appreciably. If the budget were balanced, as the Administration proposes, the rate of decline in the net asset position would be reversed, and even before the budget reached surplus, the ratio of net liabilities to GDP would begin to decline.

PART II—THE BALANCE OF RESOURCES AND RESPONSIBILITIES

The data summarized in Table 2–1 are useful in showing the consequences of past Government policies. But Government's continuing commitments to provide public services are not reflected there, nor can the Government's broader resources be displayed in a table that is limited to the assets that it owns. A better way to examine the balance between future Government obligations and resources is by projecting the overall budget. The budget offers the most comprehensive measure of the Government's financial burdens and its resources. By projecting total receipts and outlays, it is possible to examine whether there will be sufficient resources to support all of the Government's ongoing responsibilities.

This part of the presentation shows some alternative long-run projections of the Federal budget that extend into the middle of the next century. Forecasting the economy and the budget over such a long period is highly uncertain. Future budget outcomes depend on a host of unknowns—constantly changing economic conditions, unforeseen international developments, unexpected demographic shifts, the unpredictable forces of technological advance, and unknown future political preferences. Those uncertainties increase the further ahead projections are pushed. Even so, long-run budget projections are needed to assess the full implications of current policy choices, and to sound warnings about future problems that could be avoided by timely action.

The Federal Government's responsibilities extend well beyond the five- or six-year window that has been the focus of recent budget analysis and debate. There is no time limit on Government's constitutional responsibilities, and programs like social security are clearly expected to continue indefinitely.

It is evident even now that there will be mounting challenges to the budget after the turn of the century. The huge baby-boom generation born in the years after World War II is aging and will begin to retire around the year 2005. By 2008, the first baby-boomers will become eligible for social security. In the years that follow there will be serious strains on the budget because of increased expenditures for both social security and Medicare. Long-range projections can help indicate

[2] These pension liabilities are expressed as the actuarial present value of benefits accrued-to-date based on past and projected salaries. The cost of retiree health benefits is not included because estimates are unavailable. The 1996 liability is extrapolated from recent trends.

how serious these strains might become and what is needed to withstand them.

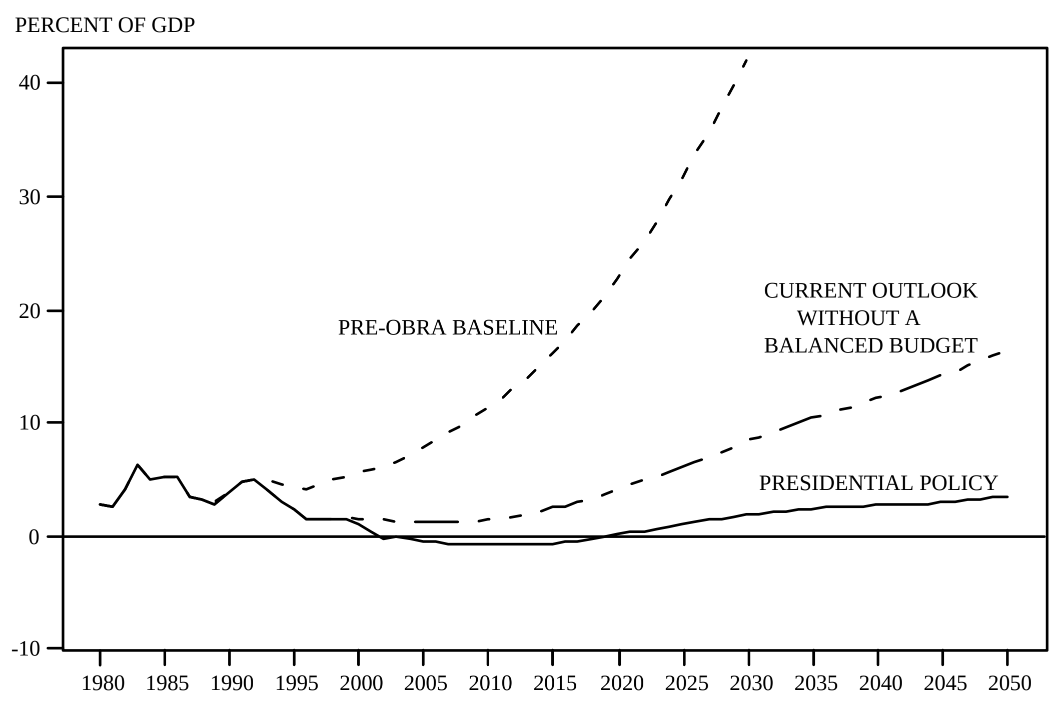
The retirement of the baby-boomers dictates the timing of the problem, but the underlying cause is deeper. The growth of the U.S. population has been slowing down, and because of that, and because people are living longer, a change is coming in the ratio of retirees to workers. That change will speed up dramatically when the baby-boomers begin to retire, but even after they have passed from the scene later in the century, the higher ratio of dependent elderly will persist. There is in short a long-run problem facing the Nation's retirement programs that will continue as long as Americans continue to live longer in retirement and have fewer offspring. The same problem is gripping other developed nations, even those that never experienced a baby boom—and, in fact, for some of those nations the problem has already arrived.

The Long-Range Outlook for the Budget.—Since this Administration first took office there have been major changes in the long-run budget outlook. In January 1993, the deficit was clearly on an unsustainable trajectory. Had the policies then in place continued unchanged, the deficit would have steadily mounted, not only in dollar terms, but relative to the size of the economy.[3] The Omnibus Budget Reconciliation Act of 1993 (OBRA 1993) changed that. Not only did it reduce the near-term deficit, but it also brought down the long-term budget deficit. Subsequent budget action pulled down the deficit even more. It is now expected that current budget policies would be sufficient to maintain the deficit as a relatively stable share of GDP for many years to come (see Chart 2–3).

Despite this improvement, however, the long-run outlook for the budget remains problematic. Without further action, substantial increases in Federal debt and the deficit are likely when the baby-boom generation retires. For example, the 1994 report of the Bipartisan Commission on Entitlement and Tax Reform found that there is a "long-term imbalance between the government's entitlement promises and the funds it will have available to pay for them." Last year, the Congressional Budget Office in *The Economic and Budget Outlook: Fiscal Years 1997–2006* observed in reference to the budgetary threat posed by the retirement of the baby-boomers, "Those fiscal demands could produce unsustainably high levels of federal debt unless additional actions are taken to control federal spending." On a narrower front, the annual Trustees' reports for both the social security and Medicare trust funds have for some time projected a long-run actuarial deficiency for these programs.

[3] Over long periods when the rate of inflation is positive, comparisons of dollar values are meaningless. Even the low rate of inflation assumed in this budget will reduce the value of a 1996 dollar by 60 percent by 2030, and by more than 75 percent by the year 2050. For long-run comparisons, it is much more useful to examine the ratio of the deficit and other budget categories to the overall size of the economy as measured by GDP.

Chart 2-3. LONG RUN DEFICIT PROJECTIONS



Economic and Demographic Projections.—Long-run budget projections must be based on a long-run demographic and economic forecast, even though such forecasts are highly uncertain and sure to be at least partly wrong. Otherwise, it is impossible to form any judgment about future resources or the potential claims on them. The forecast used here extends the Administration's medium-term economic projections described in the first chapter of this volume augmented by the long-run demographic projections from the most recent social security Trustees' Report.

- Inflation, unemployment and interest rates are assumed to hold stable at their values in the last year of the Administration projections, 2007.
- Productivity growth is assumed to continue at a constant rate equal to its average rate in the Administration's projections, approximately 1.1 percent per year.
- In line with the most recent projections of the social security Trustees, population growth is expected to slow over the next several decades. This is consistent with recent trends in the birth rate and an expected decline in the proportion of women in their childbearing years. The slowdown is expected to lower the rate of population growth from about 1 percent per year to half that rate by the year 2030.
- Labor force participation is also expected to decline as the population ages and the proportion of retirees in the population increases. Over the next decade, however, the Administration is projecting a higher rate of labor force participation than in the latest Trustees' Report. That difference is preserved in the long-run projections below.
- The real rate of economic growth is determined by the expected growth of the labor force (assuming a stable unemployment rate) plus labor productivity growth. Because labor force growth is expected to slow, even though productivity growth is assumed to be constant, real GDP growth declines during the period after 2007 from around 2¼ percent to less than 1½ percent per year.

The assumptions just described are consistent with the Administration's policy of balancing the budget. For the long-run projections without a balanced budget, the assumptions are revised slightly to reflect higher interest rates and other changes that would occur if the President's proposals were not adopted. Aside from this revision for the baseline projections, the economic projections are set by assumption and do not automatically change in response to changes in the budget outlook. This is unrealistic, but it simplifies comparisons of alternative policies. It also tends to underestimate the budgetary effects of policies that fail to stabilize the deficit and the Federal debt. Such policies are likely to lower saving, raise interest rates, and reduce economic growth, creating a feedback effect that drives the budget deficit higher and raises the level of debt further. Thus, a more responsive (or dynamic) set of assumptions would serve mainly to strengthen the conclusions based on the current approach.

The Deficit Outlook.— Chart 2–3 shows three alternative deficit projections: a projection based on the policies in place prior to enactment of OBRA 1993; the current baseline projections which incorporate the effects of OBRA 1993 along with subsequent changes in budget policy; and a projection that shows what would happen to the long-run deficit if the proposals in the current budget were adopted. The chart clearly illustrates the dramatic improvement in the deficit that has already been achieved. Despite the improvement in the outlook, serious long-run problems remain to be addressed. Without further changes, the deficit is expected to begin rising again relative to the size of the economy. If unchecked, the growth in the deficit would eventually push the debt to unsustainable levels. However, if the budget were balanced early in the next century, as the President proposes, the task of maintaining fiscal stability when the demographic bulge hits could be substantially reduced.

Table 2–2 shows long-range projections for the major categories of spending under current baseline assumptions and with the policy changes proposed in this year's budget. The table shows that the entitlement programs are the major driving force behind the rise in the deficit in the long run. Social security benefits, driven by the retirement of the baby-boom generation, rise from 4.6 percent of GDP in 2000 to 6.4 percent in 2030. The rise in Federal health care is even greater. Together Medicare and Medicaid reach 4.1 percent of GDP in 2000 along the current baseline, and then continue to rise to over 10 percent by the year 2030.

As this occurs, the deficit begins to soar. Initially, the programmatic spending drives the increase, but then a vicious spiral takes hold in which more borrowing leads to higher Federal interest payments on the growing debt which are financed in turn by yet more borrowing. The spiral is unstable in that if it continued unchecked it would lead to an unbounded increase in the debt and the deficit. At some point, a financial crisis would surely be triggered that would force some type of action on the Federal Government, action that was certain to be drastic and painful.

Because interest on the debt is the uncontrollable consequence of past spending decisions, it is useful to focus on the primary surplus or deficit, which is the balance between revenues and non-interest outlays. This measure is shown in Table 2–2 along with the total, or unified surplus or deficit. The large and rapidly growing deficit in the unified budget is the product of a smaller and slower growing primary deficit. If the imbalance in the primary budget could be controlled over time, the larger imbalance in the unified budget would automatically be resolved. The unsustainable spiral of increasing deficits and debt can be avoided by maintaining a small primary surplus. This is possible even with a modest deficit in the unified budget. How-

Table 2–2. ALTERNATIVE BUDGET PROJECTIONS

(Percent of GDP)

	1995	2000	2005	2010	2020	2030	2040	2050
Current outlook without a balanced budget:								
Receipts	18.9	19.0	18.9	18.9	19.0	19.2	19.4	19.5
Outlays	21.1	20.7	20.2	20.3	23.1	27.6	31.5	35.9
Discretionary	7.6	6.5	5.9	5.4	4.7	4.2	3.7	3.3
Mandatory	10.3	11.3	11.8	12.6	15.7	18.6	19.9	20.7
Social security	4.6	4.6	4.6	4.7	5.6	6.4	6.5	6.5
Medicare and Medicaid	3.4	4.1	4.8	5.7	8.1	10.5	11.9	12.8
Net interest	3.2	2.9	2.5	2.3	2.8	4.8	8.0	12.0
Surplus or deficit (–)	–2.3	–1.6	–1.2	–1.4	–4.1	–8.4	–12.2	–16.5
Primary surplus or deficit (–)	0.9	1.2	1.2	0.9	–1.3	–3.6	–4.2	–4.5
Federal debt held by the public	50.1	48.3	44.9	42.2	52.7	91.9	152.1	227.4
Presidential policy (balanced budget):								
Receipts	18.9	19.1	19.0	18.9	19.0	19.2	19.3	19.4
Outlays	21.1	20.1	18.6	18.1	19.1	21.1	22.1	22.9
Discretionary	7.6	6.2	5.4	4.8	4.2	3.7	3.3	2.9
Mandatory	10.3	11.1	11.3	11.8	14.1	16.3	17.1	17.5
Social security	4.6	4.6	4.6	4.7	5.6	6.4	6.5	6.5
Medicare and Medicaid	3.4	3.8	4.3	4.9	6.6	8.2	9.1	9.6
Net interest	3.2	2.7	2.0	1.4	0.8	1.0	1.7	2.5
Surplus or deficit (–)	–2.3	–1.0	0.4	0.8	–0.1	–1.9	–2.8	–3.5
Primary surplus or deficit (–)	0.9	1.8	2.3	2.2	0.7	–0.9	–1.1	–1.0
Federal debt held by the public	50.1	47.2	37.7	27.5	15.8	21.4	36.0	51.3

ever, the spiral is inevitable with a permanent primary deficit, even a small one.[4]

The long-run deficit outlook would be much improved if current budget proposals were enacted. Eliminating the deficit by 2002 would leave the budget in surplus for nearly two decades thereafter. While deficits would eventually reappear, they would be substantially lower than if the budget were not balanced now. In this sense, the current policy proposals would do much to place the budget on a sounder footing to address the coming fiscal pressures created by the retirement of the baby-boom generation.

The key to these projections is the set of economic assumptions which has already been discussed plus technical assumptions about Medicare, Medicaid and discretionary spending.

- The Medicare savings proposed in the budget are assumed to lower Medicare spending permanently relative to the current baseline. After 2007, the policy projections assume that Medicare resumes the same rate of growth as in the baseline projections, but starting from a much lower level that reflects the impact of the Administration's proposed savings. The baseline rate of growth after 2007 is taken from the latest reports of the Medicare Trustees, who assume a marked slowdown in growth in the long term.
- The projections assume that the Administration's proposed cap for per capita Medicaid payments is maintained indefinitely. Medicaid would continue to be an entitlement, and enrollment in the program would be determined by general eligibility requirements, but increases in the Federal payments on a per person basis would be capped by a formula.
- By convention, the current services estimates of discretionary spending are assumed to rise with the rate of inflation. This assumption, or any other used for discretionary spending, is inherently arbitrary, because discretionary spending is determined annually through the legislative process, and there is no legally binding formula to dictate the pattern of future spending. The assumption that the real value of Federal services is unchanging[5] implies over long periods of time that the size of the Federal establishment shrinks relative to the size of the economy.

Other assumptions are possible, and one reason why other analysts have come to varying conclusions is because of differences with one or more of these assumptions. For example, some assume that discretionary spending will hold to a constant share of GDP in the long run, even though that is not the current services assumption used by OMB and CBO. Under this alternative assumption, discretionary spending would seem neutral with respect to spending as a share of GDP. In contrast, when discretionary spending is held constant in real terms, as normally assumed by OMB, discretionary spending shrinks as a share of GDP, and consequently serves to offset some of the rise in entitlement spending as a share of GDP that occurs for demographic reasons.

[4] The exact relationship between fiscal sustainability and the primary surplus or deficit depends on the relationship among the initial ratio of debt to GDP, interest rates, and GDP growth. The higher the initial debt ratio or interest rates, or the lower GDP growth, the larger the primary surplus necessary to avoid the unsustainable debt spiral.

[5] This is an approximation. The real value of the services in terms of purchasing power would be unchanged, but the quantity of services would depend on the productivity of Federal workers. A significant portion of discretionary spending consists of Federal payroll costs. In a period of moderately rising real wages, as assumed in the budget and in the Trustees' report, these costs would rise somewhat faster than inflation on a per employee basis. Under these circumstances, holding Federal discretionary spending constant over several decades would imply a significant decrease in the Federal work force and, unless offset by productivity gains, in the volume of Federal services.

The Medicaid cap is also a key assumption. Limiting Federal Medicaid spending as a share of GDP would reduce the pressure on the budget by several percentage points of GDP, compared with a long-run projection in which Medicaid continues at its historical rate of growth.

Various alternative economic and technical assumptions are discussed below:

Alternative Scenarios.—Each alternative focuses on one of the key uncertainties in the outlook. Generally, the scenarios highlight negative possibilities rather than positive ones to show where the dangers are in the outlook.

1. *Discretionary Spending:* The projections assume that discretionary spending is held constant in real terms once budget balance is reached. With real economic growth and rising population, the public demand for Government services—more national parks, better transportation, additional Federal support for scientific research—might increase as well. The assumption also implies that the Nation's defense needs will not vary from the levels projected at the turn of the century. Alternative assumptions that allow for these programs to grow with population or overall economic activity are shown in Chart 2–4. These alternative assumptions worsen the deficit outlook.

2. *Health Spending:* Expenditures for Medicare and Medicaid have grown much faster than other entitlements, and even after the reforms in the President's budget, they continue to rise at a rapid rate. The alternative assumptions show what would happen if spending for these programs speeds up or slows down after the budget is balanced. The budget is extremely sensitive to these assumptions, as can be seen in Chart 2–5.

3. *Productivity:* The slowdown in productivity growth in the U.S. economy that began in 1973 is responsible for the slow rise in U.S. real incomes since that time. Productivity can be altered by changes in the budget deficit which affect national saving, but many other factors influence it as well. The alternative scenarios illustrate what would happen to the budget deficit if productivity growth were higher or lower. A higher rate of growth would make the task of preserving a balanced budget dramatically easier; a lower growth rate would have the opposite effect. Chart 2–6 shows how the deficit varies with changes of one-half percentage point of average productivity growth.

4. *Population:* Much of the long-run problem is due to expected demographic shifts. Chart 2–6 illustrates how important these are by showing what happens to the deficit under the alternative demographic assumptions used by the social security Trustees in their most recent report. The projection of Presidential policy relies on the Trustees' intermediate assumptions.

Conclusion.—OBRA 1993 and subsequent policy actions have improved the long-run deficit outlook, but the deficit is still projected to increase if further budget

Chart 2-4. ALTERNATIVE DISCRETIONARY SPENDING ASSUMPTIONS

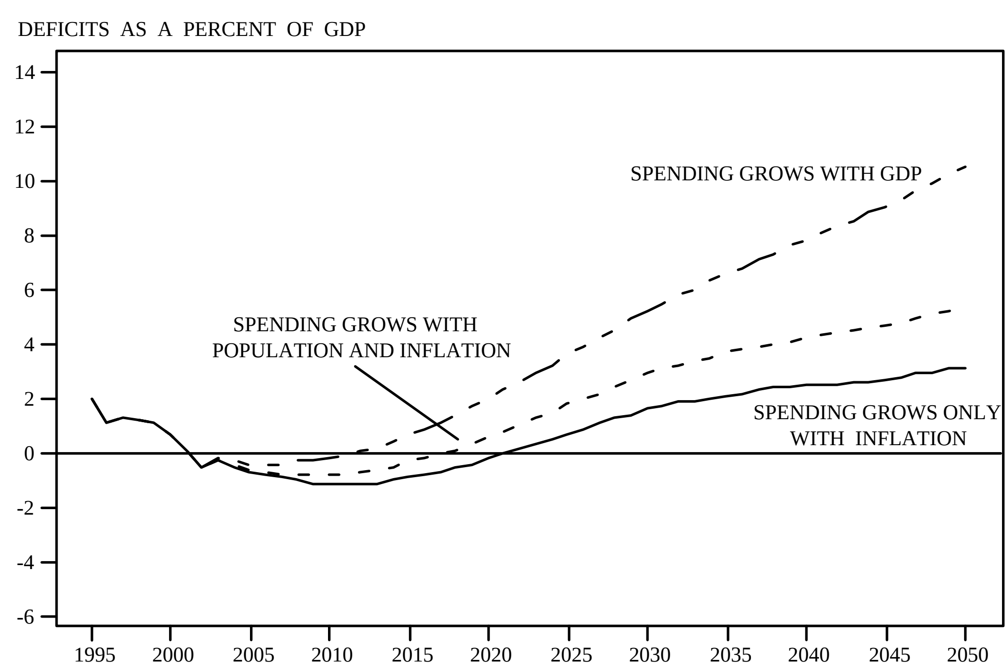


Chart 2-5. ALTERNATIVE HEALTH SPENDING ASSUMPTIONS

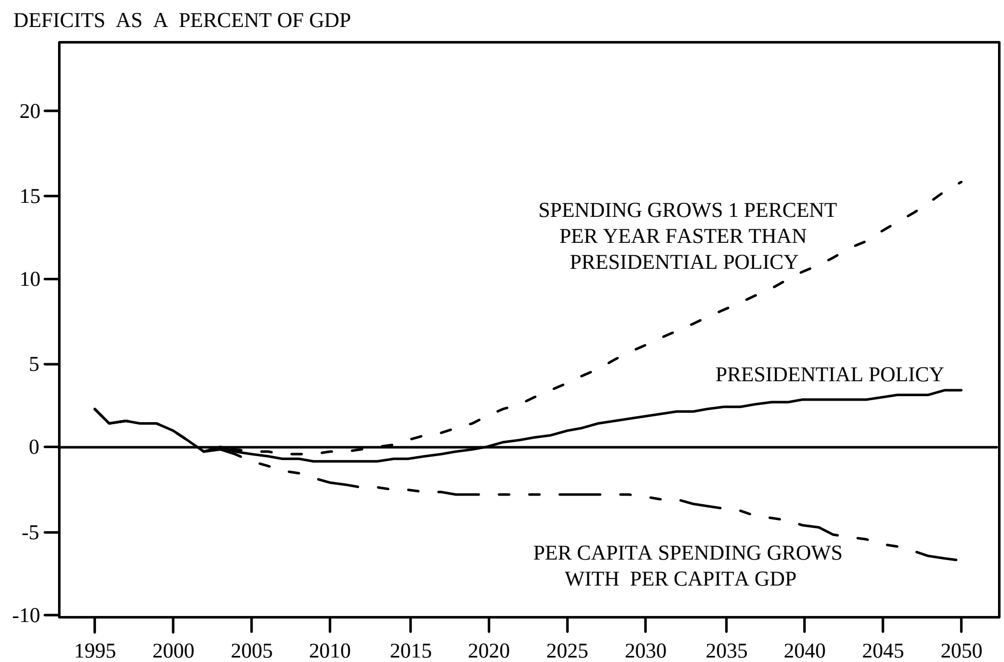


Chart 2-6. ALTERNATIVE PRODUCTIVITIY ASSUMPTIONS

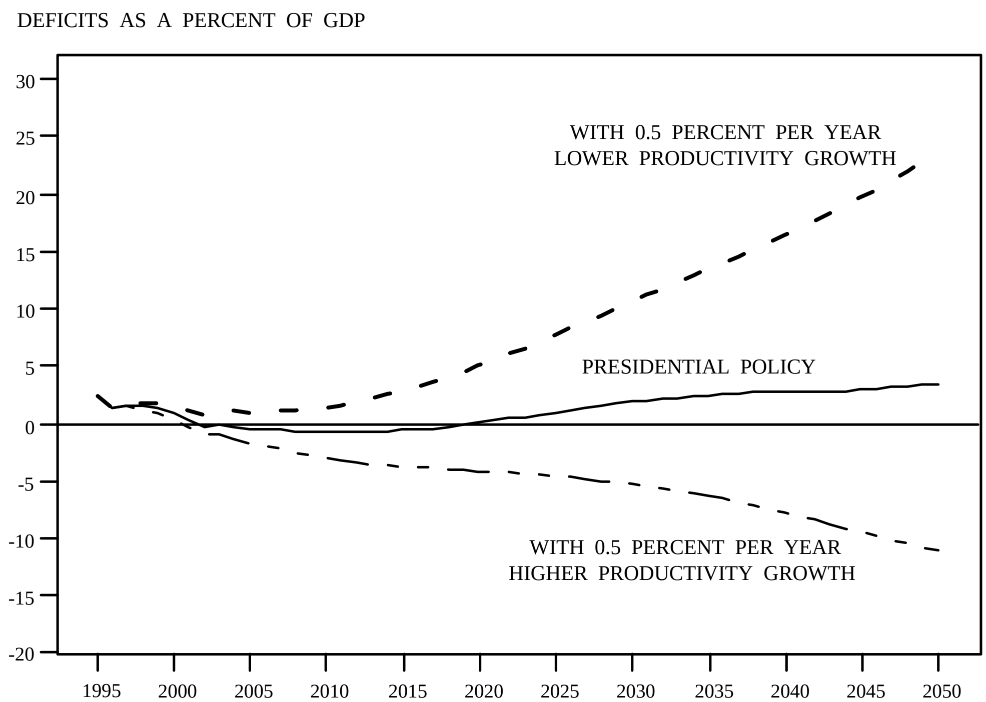
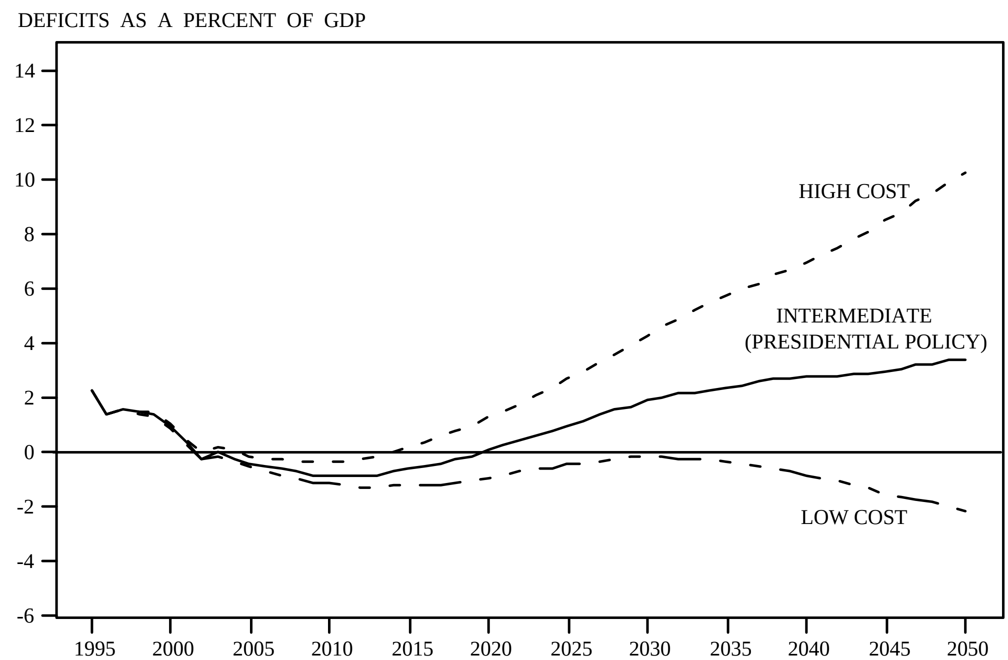


Chart 2-7. ALTERNATIVE DEMOGRAPHIC ASSUMPTIONS



offsets are not made. The President's budget proposals would not only balance the budget by 2002, but go some distance toward resolving the long-run deficit problem as well.

Actuarial Balance in the Social Security and Medicare Trust Funds.—The Trustees for the social security and Hospital Insurance trust funds issue annual reports that include projections of income and outgo for these funds over a 75–year period. These projections are based on different methods and assumptions than the budget projections presented above, but they deliver a similar message: the retirement of the baby boom generation, coupled with high rates of health care cost growth, are expected to place large pressures on social security and Medicare, resulting in spending increases that outstrip the resources of the trust funds under current law.

The Trustees' reports highlight the 75–year actuarial balance of the trust funds as a summary measure of their financial status. This indicator measures the change in payroll taxes or program benefits, expressed as a percent of taxable payroll, that would be needed to leave the fund with a small positive balance at the end of 75 years.

Table 2–3 shows the changes in the 75–year actuarial balances of the social security and Hospital Insurance trust funds since 1995. There was only a small change in the consolidated balance for the combined OASDI fund, which aggregates the separate funds set up for retirement and disability insurance. There was a noticeable deterioration in the Hospital Insurance fund for the Medicare program. In 1996, the Trustees for the Hospital Insurance Trust Fund projected that under their intermediate assumptions, the HI Trust Fund would be insolvent in 2002, one year earlier than projected in 1995. The Trustees are expected to revise the projected exhaustion date for HI later this spring in their 1997 Report. A significant change in the insolvency date is not expected. However, because the Trustees' analysis considers a wide range of uncertain developments, including additional experience in the current fiscal year, new analyses of factors affecting HI benefit growth during fiscal years 1991–1996, updated projections of HI payroll tax income, and possible revisions to interest rate expectations, it is not possible to predict the new exhaustion date prior to the Report's completion exactly. Furthermore, the Trustees' estimates do not take account of the legislative changes in Medicare proposed in this budget that wuuld postpone the date at which the trust fund is expected to be depleted. While the HI fund is projected to be depleted within a few years in the intermediate actuarial projections, the combined OASDI fund would not be depleted for more than three decades.

The 75–year actuarial balance is widely reported, but it does not provide information about trends within the 75–year period. The social security trust fund, for example, is currently running large annual surpluses. Until 2012, the Trustees project that the current payroll tax will be sufficient to cover program benefits. Afterwards, the program must draw down trust fund assets to finance benefits, until the fund is exhausted in 2029. If the payroll tax were raised today by the 2.2 percentage points necessary to eliminate the 75–year imbalance, the higher trust fund income would only cover outlays in the program until 2021, according to the Trustees' intermediate projections. Beyond that point, trust fund assets would once again have to be drawn down to finance benefits. At the end of 75 years, the fund would have only enough assets to finance the following year's benefits, and would face exhaustion shortly thereafter.

Table 2–3. CHANGE IN 75–YEAR ACTUARIAL BALANCE FOR OASDI AND HI TRUST FUNDS (INTERMEDIATE ASSUMPTIONS)

(As a percent of taxable payroll)

	OASI	DI	OASDI	HI
Actuarial balance in 1995 Report	**–1.87**	**–0.31**	**–2.17**	**–3.52**
Changes in balance due to changes in:				
Valuation period	–0.07	–0.01	–0.08	–0.10
Economic and demographic assumptions	–0.06	....	–0.07	–0.10
Disability Assumptions	....	–0.03	–0.03	....
Legislation	0.01	0.02	0.03	....
Methods	0.14	....	0.14	....
Hospital Costs	....	....	....	–0.54
Other	....	....	....	–0.26
Total Changes	0.01	–0.03	–0.02	–1.00
Actuarial balance in 1996 Report	**–1.85**	**–0.34**	**–2.19**	**–4.52**

PART III—NATIONAL WEALTH AND WELFARE

Unlike a private corporation, the Federal Government routinely invests in ways that do not add directly to its assets. For example, Federal grants are frequently used to fund capital projects by State or local governments for highways and other purposes. Such investments are valuable to the public, which pays for them with taxes, but they are not owned by the Federal Government and would not be reported on a conventional balance sheet.

The Federal Government also invests in education and research and development (R&D). These outlays contribute to future productivity and are in that sense analogous to an investment in physical capital. Indeed, economists have computed stocks of human and knowledge capital to reflect the accumulation of such investments. Nonetheless, these capital stocks are not owned by the Federal Government, nor would they usually appear on a balance sheet.

Table 2–4 presents a national balance sheet. It includes estimates of national wealth classified in three categories: physical assets, education capital, and R&D capital. The Federal Government has made contributions to each of these categories, and these contributions are also shown in the table. Data in this table are especially uncertain, and detailed assumptions are needed to prepare the estimates. Furthermore, the principal source of data on physical capital, the Bureau of Economic Analysis, is in the process of making significant revisions to the underlying series. As a result, the estimates for 1995–1996 are quite tentative, and the data shown for earlier years are likely to be revised as well. In broad terms, however, the picture shown in Table 2–4 is not likely to be overturned.

Federal investments are responsible for about 7½ percent of total national wealth. This is a small fraction, but it represents a large volume of investment, $4.3 trillion. The Federal contribution is down from around 8 percent at the end of the 1980s, and from over 12 percent in 1960. Much of this reflects the shrinking size of the defense capital stocks, which have gone down from 12 percent of GDP to 10 percent in the last few years. Chart 2–7 illustrates the relative contributions of different categories of wealth to the national total.

Physical Assets

Physical assets in Table 2–4 include stocks of plant and equipment, office buildings, residential structures, land, and government's physical assets such as military hardware, office buildings, and highways. Automobiles and consumer appliances are also included in this category. The total amount of such capital is vast, amounting to around $27 trillion in 1996; by comparison, GDP was only about $7½ trillion.

The Federal Government's contribution to this stock of capital includes its own physical assets plus $0.6 trillion in accumulated grants to State and local governments for capital projects. The Federal Government has financed about one-quarter of the physical capital held by other levels of government.

Table 2–4 NATIONAL WEALTH

(As of the end of the fiscal year, in trillions of 1996 dollars)

	1960	1965	1970	1975	1980	1985	1990	1994	1995	1996
ASSETS										
Publicly Owned Physical Assets:										
Structures and Equipment	2.0	2.4	2.9	3.4	3.7	3.7	3.9	4.1	4.2	4.2
Federally Owned or Financed	1.1	1.2	1.3	1.2	1.2	1.4	1.6	1.6	1.6	1.6
Federally Owned	1.0	1.0	1.0	0.9	0.8	0.9	1.0	1.0	1.0	1.0
Grants to State & Local Governments	0.1	0.2	0.3	0.4	0.5	0.5	0.6	0.6	0.6	0.6
Funded by State & Local Governments	0.9	1.2	1.6	2.2	2.5	2.3	2.3	2.5	2.6	2.6
Other Federal Assets	0.8	0.7	0.7	0.9	1.5	1.4	1.1	0.9	0.9	0.9
Subtotal	2.8	3.0	3.5	4.3	5.2	5.1	5.1	5.0	5.0	5.1
Privately Owned Physical Assets:										
Reproducible Assets	5.5	6.4	8.0	10.4	13.2	13.9	15.3	16.1	16.6	17.1
Residential Structures	2.0	2.3	2.8	3.7	4.9	5.0	5.5	6.0	6.2	6.4
Nonresidential Plant & Equipment	2.0	2.3	3.0	4.1	5.1	5.7	6.1	6.3	6.4	6.6
Inventories	0.7	0.8	0.9	1.1	1.4	1.3	1.3	1.3	1.3	1.3
Consumer Durables	0.9	1.0	1.3	1.5	1.8	1.9	2.4	2.6	2.7	2.7
Land	2.0	2.3	2.7	3.5	5.2	6.0	6.0	4.5	4.5	4.5
Subtotal	7.5	8.7	10.7	13.8	18.5	19.8	21.3	20.7	21.1	21.6
Education Capital:										
Federally Financed	0.1	0.1	0.2	0.3	0.4	0.6	0.7	0.8	0.9	0.9
Financed from Other Sources	6.2	8.1	10.8	12.5	15.3	18.4	23.4	26.3	27.3	28.2
Subtotal	6.3	8.2	11.0	12.9	15.7	19.0	24.1	27.2	28.1	29.1
Research and Development Capital:										
Federally Financed R&D	0.2	0.3	0.5	0.5	0.6	0.6	0.8	0.8	0.9	0.9
R&D Financed from Other Sources	0.1	0.2	0.3	0.4	0.4	0.6	0.8	1.0	1.0	1.1
Subtotal	0.3	0.5	0.7	0.9	1.0	1.3	1.6	1.8	1.9	1.9
Total Assets	16.8	20.4	25.9	31.8	40.4	45.2	52.1	54.7	56.2	57.7
LIABILITIES										
Net Claims of Foreigners on U.S.	(0.2)	(0.2)	(0.2)	(0.2)	(0.5)	(0.2)	0.3	0.7	0.9	1.1
Balance	17.0	20.7	26.2	32.0	40.9	45.4	51.8	53.9	55.3	56.7
Per Capita (thousands, 1996 dollars)	94.0	106.4	127.7	148.3	179.0	189.8	206.5	206.3	209.6	213.0
ADDENDA:										
Total Federally Funded Capital.	2.1	2.3	2.6	3.0	3.7	4.1	4.2	4.2	4.2	4.3
Percent of National Wealth	12.3	11.2	10.1	9.3	9.0	8.9	8.1	7.8	7.6	7.5

Education Capital

Economists have developed the concept of human capital to reflect the notion that individuals and society invest in people as well as in physical assets. Investment in education is a good example of how human capital is accumulated.

Table 2–4 shows an estimate of the stock of capital formed by the Nation's investment in education. The estimate is based on the cost of replacing the years of schooling embodied in the U.S. population aged 16 and over. The idea is to measure how much it would cost to reeducate the U.S. workforce at today's prices. The replacement value of education (as opposed to its original costs) is more meaningful economically, and is comparable to the measures of physical capital presented earlier.

Although this is a relatively crude measure, it does provide a rough order of magnitude of the current value of the investment in education. According to this measure, the stock of education capital amounted to $29 trillion in 1996 of which about 3 percent was financed by the Federal Government. It exceeds the total value of the Nation's stock of physical capital. The main investors in education capital have been State and local governments, parents, and students themselves who forego earning opportunities to acquire education.

There are even broader concepts of human capital. Not all useful training occurs in a schoolroom or in formal training programs at work. Much informal learning occurs within families or on the job, but measuring its value is very difficult. Labor compensation amounts to about two thirds of national income. Therefore, it is conceivable that the total value of human capital might be two to three times as large as the estimated value of physical capital. The estimates offered here are in a sense conservative, because they reflect only the costs of acquiring formal education and training.

Research and Development Capital

Research and development can also be thought of as an investment, because R&D represents a current expenditure that is made in the expectation of earning a future return. After adjusting for depreciation, the flow of R&D investment can be added up to provide an estimate of the current R&D stock.[6] That stock is estimated to have been about $1.9 trillion in 1996. Although this is a large amount of research, it is a relatively small portion of total National wealth. About half of this stock was funded by the Federal Government.

Liabilities:

When considering how much the United States owes as a Nation, the debts that Americans owe to one another cancel out. They do not belong in Table 2–4; but they are important. An unwise buildup in debt, most of which was owed to other Americans, was partly responsible for the sluggishness of the recovery from the 1990–1991 recession in its early stages. The only debt that appears in Table 2–4 is the debt that Americans owe to foreign investors. America's foreign debt has been increasing rapidly in recent years, because of the continuing imbalance in the U.S. current account; but even so the size of this debt is small compared with the total stock of U.S. assets. It amounted to slightly less than 2 percent of total U.S. wealth in 1996.

Most of the Federal debt held by the public is owned by Americans, so it does not appear in Table 2–4. Only that portion of the Federal debt held by foreigners is reflected. However, comparing the Federal Government's net liabilities with total national wealth gives another indication of the relative magnitude of the imbalance in the Government's accounts. Currently, the Federal net asset imbalance, as estimated in Table 2–1, amounts to less than 6 percent of total U.S. wealth, as shown in Table 2–4.

Trends in National Wealth

The net stock of wealth in the United States at the end of 1996 was about $57 trillion. Since 1980 it has increased in real terms at an annual rate of 2.0 percent per year—less than half the 4.5 percent rate it averaged from 1960 to 1980. Public capital formation slowed down markedly between the two periods. The real value of the net stock of publicly owned physical capital was actually lower in 1996 than in 1980—$5.1 trillion versus $5.2 trillion in the earlier year. Since 1980, Federal grants to State and local governments for capital projects have grown less rapidly, while capital funded directly by State and local governments has grown at an average rate of only 0.4 percent per year.

Private capital formation in physical assets has also grown more slowly since 1980. The net stock of nonresidential plant and equipment grew 1.6 percent per year from 1980 to 1996, compared with 4.9 percent in the 1960s and 1970s, and the stock of business inventories actually declined. Overall, the stock of privately owned physical capital grew at an average rate of just 1.0 percent per year between 1980 and 1996. Economists might discuss whether slower growth in net private business investment is caused by a shift toward investment in more efficient but shorter-lived computers, and whether the decline in inventories really reflects a more efficient use of them.

The accumulation of education capital, as measured here, also slowed down in the 1980s, but not nearly as much. It grew at an average rate of 4.7 percent per year in the 1960s and 1970s, about the same as the average rate of growth in private physical capital during the same period. Since 1980, education capital has grown at a 3.9 percent annual rate. This reflects the extra resources devoted to schooling in this period, and the fact that such resources were rising in relative value. R&D stocks have grown at about the same rate as education capital since 1980.

Other Federal Influences on Economic Growth

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

One important channel of influence is the Federal budget deficit, which determines the size of the Federal Government's borrowing requirements. Smaller deficits in the 1980s would have resulted in a smaller gap between Federal liabilities and assets than is shown in Table 2–1. It is also likely that, had the more than $3 trillion in added Federal debt since 1980 been avoided, a significant share of these funds would have gone into private investment. National wealth might have been 2 to 4 percent larger in 1996 had fiscal policy avoided the buildup in the debt.

Social Indicators

There are certain broad responsibilities that are unique to the Federal Government. Especially important are the Government's role in fostering healthy economic conditions, promoting health and social welfare, and protecting the environment. Table 2–5 offers a rough cut of information that can be useful in assessing how well the Federal Government has been doing in promoting these general objectives.

The indicators shown here are only a limited subset drawn from the vast array of available data on conditions in the United States. In choosing indicators for this table, priority was given to measures that were consistently available over an extended period. Such indicators make it easier to draw valid comparisons and evaluate trends. In some cases, however, this meant choosing indicators with significant limitations.

The individual measures in this table are influenced in varying degrees by many Government policies and programs, as well as by external factors beyond the Government's control. They are not outcome indicators, because they do not measure the direct results of Government activities, but they do provide a quantitative measure of the progress or lack of progress in reaching

[6] R&D depreciates in the sense that the economic value of applied research and development tends to decline with the passage of time which leads to movement in the technological frontier.

Table 2–5. ECONOMIC AND SOCIAL INDICATORS

General categories	Specific measures	1960	1965	1970	1975	1980	1985	1990	1991	1992	1993	1994	1995	1996
Economic:														
Living Standards	Real GDP per person (1992 dollars)	12,512	14,792	16,521	17,896	20,252	22,345	24,559	24,058	24,447	24,738	25,352	25,630	25,998
	Average annual percent change	0.4	3.4	2.2	1.6	2.5	2.0	1.9	–2.0	1.6	1.2	2.5	1.1	1.4
	Median income (1994 dollars):													
	All households	26,598	31,001	36,410	37,202	38,930	39,283	41,223	40,214	39,727	38,980	39,881	40,611	NA
	Married couple families	27,796	32,375	38,805	40,315	42,852	44,049	46,519	45,871	45,503	45,356	46,223	47,062	NA
	Female householder, no husband present	14,047	15,738	18,793	18,559	19,272	19,346	19,742	18,677	18,493	18,397	18,753	19,691	NA
	Income share of middle three quintiles (%)	54.0	53.9	53.6	53.5	53.4	52.0	51.2	51.4	51.0	43.9	49.0	49.1	NA
	Poverty rate (%)[1]	22.2	17.3	12.6	12.3	13.0	14.0	13.5	14.2	14.8	15.1	14.5	13.8	NA
Economic security	Economic security inflation and unemployment:													
	Civilian unemployment (%)	5.5	4.5	4.9	8.5	7.1	7.2	5.5	6.7	7.4	6.8	6.1	5.6	5.4
	CPI-U (year over year % change)	1.7	1.6	5.7	9.1	13.5	3.6	5.4	4.2	3.0	3.0	2.6	2.8	3.0
Employment prospects	Increase in total payroll employment (millions)	–0.5	2.9	–0.5	0.4	0.2	2.5	0.3	–0.8	1.1	2.8	3.8	2.2	2.6
	Managerial or professional jobs (% of civilian employment)	NA	NA	NA	NA	NA	24.1	25.8	26.3	26.2	26.8	27.5	28.3	28.8
Wealth creation	Net national saving rate (% of NNP)	10.1	12.0	8.3	6.0	6.4	5.4	3.7	3.6	2.4	2.5	3.4	4.5	5.4
Innovation	Patents issued to U.S. residents (thous.)	42.0	53.6	50.1	51.4	40.8	43.3	52.8	57.7	58.7	61.1	64.2	64.5	NA
	Multifactor productivity (average annual percent change)	1.1	3.2	1.1	1.3	0.7	0.6	0.3	–1.0	1.5	0.5	0.7	NA	NA
Social:														
Families	Children living with a single parent (% of all children)	9.2	10.2	11.6	16.4	18.6	20.2	21.6	22.4	22.8	23.3	23.1	24.0	NA
Safe communities	Violent crime rate (per 100,000 population)[2]	160	199	364	482	597	557	732	758	758	747	714	685	650
	Murder rate (per 100,000 population)	5	5	8	10	10	8	9	10	9	10	9	8	8
	Juvenile crime (murders per 100,000 persons age 14–17)	NA	NA	NA	NA	9	7	16	18	17	19	19	NA	NA
Health and illness	Infant mortality (per 1,000 live births)	26.0	24.7	20.0	16.1	12.6	10.6	9.2	8.9	8.5	8.4	7.9	7.6	NA
	Low birthweight (<2,500 gms) babies (%)	7.7	8.3	7.9	7.4	6.8	6.8	7.0	7.1	7.1	7.2	7.3	NA	NA
	Life expectancy at birth (years)	69.7	70.2	70.8	72.6	73.7	74.7	75.4	75.5	75.8	75.5	75.7	NA	NA
	Cigarette smokers (% population 18 and oover)	NA	42.4	39.5	36.4	33.2	30.1	25.5	25.6	26.5	25.0	NA	NA	NA
	Bed disability days (average days per person)	6.0	6.2	6.1	6.6	7.0	6.1	6.2	6.5	6.3	6.7	6.2	NA	NA
Learning	High school graduates (% of population 25 and older)	44.6	49.0	55.2	62.5	68.6	73.9	77.6	78.4	79.4	80.2	80.9	81.7	NA
	College graduates (% of population 25 and older)	8.4	9.4	11.0	13.9	17.0	19.4	21.3	21.4	21.4	21.9	22.2	23.0	NA
	National assessment of educational progress[3].													
	Mathematics	NA	NA	NA	304	298	302	305	NA	307	NA	306	NA	NA
	Science	NA	NA	305	296	283	288	290	NA	296	NA	294	NA	NA
Participation	Voting for President (% eligible population)	62.8	NA	NA	NA	52.6	NA	NA	NA	55.2	NA	NA	NA	49
	Voting for Congress (% of eligible population)	58.5	NA	43.5	NA	47.4	NA	33.1	NA	50.8	NA	36.0	NA	NA
	Individual charitable giving per capita (1996 dollars)	205	246	295	313	341	359	438	438	429	426	427	NA	NA
Environment:														
Air quality	Population living in counties with ozone levels exceeding the standard (millions)	NA	NA	NA	NA	NA	76	63	70	43	51	50	71	NA
Water quality	Population served by secondary treatment or better (millions)	NA	NA	NA	NA	NA	134	155	157	159	162	164	166	168

[1] The poverty rate does not reflect noncash government transfers such as Medicaid or food stamps.
[2] Not all crimes are reported, and the fraction that go unreported may have varied over time.
[3] Data shown for the National Education assessment are preliminary.

some of the ultimate values that government policy is intended to promote. Such a table can serve two functions. First, it highlights areas where the Federal Government might need to modify its current practices or consider new approaches; where there are clear signs of deteriorating conditions, corrective action might be appropriate. Second, the table provides a context for evaluating other data on Government activities; for example, Government actions that weaken its own financial position may be appropriate when they promote a broader social objective.

For example, during economic recessions, reductions in tax collections lead to increased government borrowing that adds to Federal liabilities. This decline in Federal net assets, however, provides an automatic stabilizer for the private sector. State and local governments and private budgets are strengthened by allowing the Federal budget to go deeper into deficit. More stringent Federal budgetary controls could be used to hold down Federal borrowing during such periods, but only at the risk of aggravating the downturn and weakening the other sectors.

The Government cannot avoid making such tradeoffs because of its size and the broad ranging effects of its actions. Monitoring these effects and incorporating them in the Government's policy making is a major challenge.

An Interactive Analytical Framework

No single framework can encompass all of the factors that affect the financial condition of the Federal Government. Nor can any framework serve as a substitute for actual analysis. Nevertheless, the framework presented above offers one useful way to examine the financial aspects of Federal policies. Increased Federal support for investment, the reduction in Federal absorption of saving through deficit reduction, and other Administration policies to enhance economic growth are expected to promote national wealth and improve the future financial condition of the Federal Government and the Nation as a whole. As that occurs, the efforts will be clearly revealed in these tables.

TECHNICAL NOTE: SOURCES OF DATA AND METHOD OF ESTIMATING

Federally Owned Assets and Liabilities

Assets

Financial Assets: The source of data is the Federal Reserve Board's Flow-of-Funds Accounts. Two adjustments were made to this data. First, U.S. Government holdings of financial assets were consolidated with the holdings of the monetary authority, i.e., the Federal Reserve System. Second, the gold stock, which is valued in the Flow-of-Funds at a constant historical price, is revalued using the market value for gold.

Physical Assets

Fixed Reproducible Capital: Estimates were developed from the OMB historical data base for physical capital outlays. The data base extends back to 1940 and was supplemented by data from other selected sources for 1915–1939. The source data are in current dollars. To estimate investment flows in constant dollars, it is necessary to deflate the nominal investment series. This was done using price deflators for Federal purchases of durables and structures from the National Income and Product Accounts. These price deflators are available going back as far as 1930. For earlier years, deflators were based on historical statistics for constant price public capital formation. The capital stock series were adjusted for depreciation on a straight-line basis, assuming useful lives of 46 years for water and power projects; 40 years for other direct Federal construction; and 16 years for major nondefense equipment and for defense procurement.

Fixed Nonreproducible Capital: Historical estimates for 1960–1985 were based on estimates in Michael J. Boskin, Marc S. Robinson, and Alan M. Huber, "Government Saving, Capital Formation and Wealth in the United States, 1947–1985," published in The Measurement of Saving, Investment, and Wealth, edited by Robert E. Lipsey and Helen Stone Tice (The University of Chicago Press, 1989).

Estimates were updated using changes in the value of private land from the Flow-of-Funds Balance Sheets and in the Producer Price Index for Crude Energy Materials. The Bureau of Economic Analysis is in the process of preparing satellite accounts to accompany the National Income and Product Accounts that will report on changes in mineral deposits for the Nation as a whole, but this work is not yet completed.

Liabilities

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

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

Pension Liabilities: For 1979–1995, the estimates are the actuarial accrued liabilities as reported in the annual reports for the Civil Service Retirement System, the Federal Employees Retirement System, and the Military Retirement System (adjusted for inflation). Estimates for the years before 1979 are not actuarial; they are extrapolations. The estimate for 1996 is a projection.

Long-Run Budget Projections

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

Demographic and Economic Projections: For the years 1997–2007, the assumptions are identical to those used in the budget. As always, these budget assumptions reflect the President's policy proposals, in this case that the budget be balanced. The long-run projections extend these budget assumptions by holding constant inflation, interest rates, and unemployment at the levels assumed in the final year of the budget. Population growth and labor force participation are extended using the intermediate assumptions from the 1996 social security Trustees' report. The projected rate of growth for real GDP is built up from the labor force assumptions and an assumed rate of productivity growth. The assumed rate of productivity growth is held constant at the average rate of growth implied by the budget's economic assumptions. The economic assumptions used for the current services projections subtract the "fiscal dividend" from interest rates, profits, and dividends.

Budget Projections: For the budget period, the projections follow the budget. Beyond the budget horizon, receipts are projected using simple rules of thumb linking income taxes, payroll taxes, excise taxes, and other receipts to projected tax bases derived from the economic forecast. Outlays are computed in different ways. Discretionary spending grows at the rate of inflation. Social security, Medicare, and Federal pensions are projected using the most recent actuarial forecasts available at the time the budget was prepared (June 1996 for social security). These projections are repriced using Administration inflation and wage growth assumptions. Other entitlement programs are projected based on rules of thumb linking program spending to elements of the economic and demographic forecast such as the poverty rate.

National Balance Sheet Data

Publicly Owned Physical Assets: Basic sources of data for the federally owned or financed stocks of capital are the investment flows described in Chapter 6 of this volume. Federal grants for State and local government capital were added together with adjustments for inflation and depreciation in the same way as described above for direct Federal investment. Data for total State and local government capital come from the unrevised capital stock data prepared by the Bureau of Economic Analysis.

Privately Owned Physical Assets: Data are from the Flow-of-Funds national balance sheet. Estimates for 1995–1996 were based on investment data from the National Income and Product Accounts.

Education Capital: The stock of education capital is computed by valuing the cost of replacing the total years of education embodied in the U.S. population 16 years of age and older at the current cost of providing schooling. The estimated cost includes both direct expenditures in the private and public sectors and an estimate of students' foregone earnings, i.e., it reflects the opportunity cost of education.

For this presentation, Federal investment in education capital is a portion of the Federal outlays included in the conduct of education and training. This portion includes direct Federal outlays and grants for elementary, secondary, and vocational education and for higher education. The data exclude Federal outlays for physical capital at educational institutions and for research and development conducted at colleges and universities because these outlays are classified elsewhere as investment in physical capital and investment in R&D capital. The data also exclude outlays under the GI Bill; outlays for graduate and post-graduate education spending in HHS, Defense and Agriculture; and most outlays for vocational training.

Data on investment in education financed from other sources come from educational institution reports on the sources of their funds, published in U.S. Department of Education, *Digest of Education Statistics.* Nominal expenditures were deflated by the implicit price deflator for GDP to convert them to constant dollar values. Education capital is assumed not to depreciate, but to be retired when a person dies. An education capital stock computed using this method with different source data can be found in Walter McMahon, "Relative Returns To Human and Physical Capital in the U.S. and Efficient Investment Strategies," Economics of Education Review, Vol. 10, No. 4, 1991. The method is described in detail in Walter McMahon, *Investment in Higher Education,* 1974.

Research and Development Capital: The stock of R&D capital financed by the Federal Government was developed from a data base that measures the conduct of R&D. The data exclude Federal outlays for physical capital used in R&D because such outlays are classified elsewhere as investment in federally financed physical capital. Nominal outlays were deflated using the GDP deflator to convert them to constant dollar values.

Federally funded capital stock estimates were prepared using the perpetual inventory method in which annual investment flows are cumulated to arrive at a capital stock. This stock was adjusted for depreciation by assuming an annual rate of depreciation of 10 percent on the outstanding balance for applied research and development. Basic research is assumed not to depreciate. Chapter 6 of this volume contains additional details on the estimates of the total federally financed R&D stock, as well as its national defense and nondefense components.

A similar method was used to estimate the stock of R&D capital financed from sources other than the Federal Government. The component financed by universities, colleges, and other nonprofit organizations is based on data from the National Science Foundation, *Surveys of Science Resources.* The industry-financed R&D stock component is from that source and from the U.S. Department of Labor, *The Impact of Research and Development on Productivity Growth,* Bulletin 2331, September 1989.

Experimental estimates of R&D capital stocks have recently been prepared by BEA. The results are described in "a Satellite Account for Research and Development," *Survey of Current Business,* November 1994. These BEA estimates are lower than those presented here primarily because BEA assumes that the stock of basic research depreciates, while the estimates in Table 2–3 assume that basic research does not depreciate. BEA also assumes a slightly higher rate of depreciation for applied research and development, 11 percent, compared with the 10 percent rate used here.

Social Indicators

The main sources for the data in this table are the Government statistical agencies. Generally, the data are publicly available in the President's annual *Economic Report* and the *Statistical Abstract of the United States.*

FEDERAL RECEIPTS AND COLLECTIONS

3. FEDERAL RECEIPTS

Receipts (budget and off-budget) are taxes and other collections from the public that result from the exercise of the Government's sovereign or governmental powers. The difference between receipts and outlays determines the surplus or deficit.

Growth in receipts.—Total receipts in 1998 are estimated to be $1,566.8 billion, an increase of $61.4 billion or 4.1 percent relative to 1997. This increase is largely due to assumed increases in incomes resulting from both real economic growth and inflation. Receipts are projected to grow at an average annual rate of 4.9 percent between 1998 and 2002, rising to $1896.7 billion.

As a share of GDP, receipts are projected to remain fairly constant, declining from 19.1 percent in 1998 to 19.0 percent in 2002.

Table 3–1. RECEIPTS BY SOURCE—SUMMARY

(In billions of dollars)

Source	1996 actual	Estimate					
		1997	1998	1999	2000	2001	2002
Individual income taxes	656.4	672.7	691.2	721.6	755.6	795.2	839.8
Corporation income taxes	171.8	176.2	189.7	199.6	212.0	220.5	227.8
Social insurance taxes and contributions	509.4	535.8	557.8	585.2	614.4	642.2	673.1
(On-budget)	(141.9)	(146.9)	(152.8)	(160.0)	(167.5)	(174.5)	(183.2)
(Off-budget)	(367.5)	(388.9)	(404.9)	(425.2)	(446.9)	(467.6)	(489.9)
Excise taxes	54.0	57.2	61.2	64.5	64.9	66.2	67.4
Estate and gift taxes	17.2	17.6	18.8	20.0	21.4	22.9	24.6
Customs duties	18.7	17.3	18.3	18.5	19.6	20.5	22.0
Miscellaneous receipts	25.5	28.6	29.8	34.0	39.4	40.8	42.0
Total receipts	**1,453.1**	**1,505.4**	**1,566.8**	**1,643.3**	**1,727.3**	**1,808.3**	**1,896.7**
(On-budget)	*(1,085.6)*	*(1,116.5)*	*(1,161.9)*	*(1,218.1)*	*(1,280.4)*	*(1,340.7)*	*(1,406.8)*
(Off-budget)	*(367.5)*	*(388.9)*	*(404.9)*	*(425.2)*	*(446.9)*	*(467.6)*	*(489.9)*

Table 3–2. CHANGES IN RECEIPTS

(In billions of dollars)

	Estimate					
	1997	1998	1999	2000	2001	2002
Receipts under tax rates and structure in effect January 1, 1997 [1]	1,503.8	1,572.4	1,639.7	1,722.5	1,801.4	1,884.7
Social security (OASDI) taxable earnings base increases:.						
$65,400 to $68,700 on Jan. 1, 1998	....	1.4	3.8	4.2	4.6	5.1
$68,700 to $71,400 on Jan. 1, 1999	....	....	1.1	3.1	3.4	3.8
$71,400 to $74,100 on Jan. 1, 2000	....	....	....	1.2	3.1	3.4
$74,100 to $76,800 on Jan. 1, 2001	....	....	....	....	1.2	3.2
$76,800 to $79,800 on Jan. 1, 2002	....	....	....	....	....	1.3
Proposals [2]	1.6	–7.0	–1.4	–3.7	–5.5	–4.9
Total, receipts under existing and proposed legislation	**1,505.4**	**1,566.8**	**1,643.3**	**1,727.3**	**1,808.3**	**1,896.7**

[1] These estimates assume a social security taxable earnings base of $65,400 through 2002.
[2] Net of income offsets.

ENACTED LEGISLATION

Several laws were enacted in 1996 that have an effect on governmental receipts. The major legislative changes affecting receipts are described below.

Tax Benefits for Members of the Armed Forces Performing Peacekeeping Services in Bosnia and Hercegovina, Croatia, and Macedonia.—Current law provides various forms of tax relief to military personnel serving in combat zones. Under this Act that relief is extended to military personnel serving in and around the former republic of Yugoslavia. Such tax relief includes the exclusion from income of all of the military pay of enlisted personnel and part of the pay of officers serving in the former republic of Yugoslavia, and the extension of filing and payment deadlines. The Act also extends for three years, through September 30, 2003, the Internal Revenue Service's (IRS') authority to charge fees for written responses to questions from individuals, corporations, and organizations relating to their tax status or the effects of particular transactions for tax purposes. These fees were scheduled to expire effective with requests made after September 30, 2000.

Taxpayer Bill of Rights 2.—This Act contains a number of provisions that provide taxpayers with increased protection in their dealings with the IRS. Taxpayer protection provisions include the establishment of a taxpayer advocate within IRS; modification of installment agreement provisions when agreements are terminated; expansion of IRS' authority to abate interest, and to award costs and certain fees in taxpayer disputes; and relief from retroactive regulations. To offset the receipt losses associated with these provisions, changes are provided in the "failure to pay" penalty assessed against taxpayers who fail to file a tax return and penalties are imposed on tax-exempt organizations under certain circumstances.

Personal Responsibility and Work Opportunity Reconciliation Act.—This Act provides an historic opportunity to transform our broken welfare system in a manner that promotes work, responsibility, and dignity. The major provisions of the Act that affect receipts include changes designed to improve earned income tax credit (EITC) compliance and to target EITC benefits to needy working families. These provisions, which are generally effective for taxable years beginning after December 31, 1995, are described below.

Deny EITC to individuals not authorized to be employed in the United States.—Individuals who do not have proper documentation for employment purposes are not eligible to claim the EITC.

Allow the IRS to use mathematical error procedures for certain EITC-related errors.—The IRS is permitted to use mathematical error procedures to deny claims for the EITC if a correct taxpayer identification number is not provided. The IRS can also use mathematical error procedures to impose the proper amount of self-employment tax if it is not paid on net self-employment earnings used to claim the credit.

Modify the definition of adjusted gross income (AGI) for phasing out the EITC.—The definition of AGI used for phasing out the credit is modified by disregarding net capital losses, net losses from trusts and estates, net losses from royalties, and 50 percent of net losses from businesses and rents.

Expand the definition of disqualified income for purposes of determining eligibility for the EITC.—Under prior law, taxpayers with more than $2,350 in taxable investment income were disqualifed from claiming the EITC. This Act lowers the limit to $2,200 and expands the definition of investment income to include capital gain net income and net passive income. The threshold is indexed for inflation beginning in 1997.

Health Insurance Portability and Accountability Act.—This Act, which represents an important step toward strengthening the health security of the American people, improves the portability of health insurance and makes a number of changes designed to simplify the administration of health insurance and to reduce waste, fraud, and abuse in health insurance and health care delivery. A number of tax incentives, which are offset by revenue increases, are also provided. The major changes that affect receipts are described below.

Increase deductibility of health insurance premiums for self-employed individuals.—The 30-percent deduction for health insurance expenses of self-employed individuals and their dependents is increased to 40 percent in 1997, 45 percent in 1998, 50 percent in 2003, 60 percent in 2004, 70 percent in 2005 and 80 percent in 2006 and later years.

Establish a four-year medical savings account (MSA) demonstration project.—Beginning January 1, 1997, MSAs are available to individuals who are covered by a high deductible health plan and who either are self-employed or are employed in a firm with 50 or fewer employees. The four-year demonstration project is limited to 750,000 policies for individuals who had health insurance and who work for a small employer or are self-employed. Contributions to an MSA (whether made by an employer, employee or self-employed individual) generally are deductible, up to a maximum of 65 percent of the deductible for high-deductible individual coverage and 75 percent of the deductible for high-deductible family coverage. Contributions to an MSA made by an employer on behalf of an employee up to the same limits are excluded from the employee's wages for income and payroll tax purposes. Earnings on amounts in an MSA and distributions from an MSA for medical expenses are generally excluded from gross income. Distributions for non-medical expenses are taxed and are subject to a 15-percent additional tax unless made after age 65, or for reasons of death or disability. Unless Congress votes to expand the program, no new contributions may be made to MSAs after

December 31, 2000 except by or on behalf of individuals who previously had MSA contributions and individuals employed by certain participating employers. Self-employed individuals who made contributions prior to December 31, 2000 also may continue to make contributions after that date.

Clarify taxation of qualified long-term care insurance premiums, expenses and benefits.—Effective with respect to contracts issued after December 31, 1996, a qualified long-term care insurance contract generally is treated as an accident and health insurance contract. Provisions include the following: (1) Amounts (other than policyholder dividends or premium refunds) received under a qualified long-term care insurance contract generally are excluded from gross income, subject to a cap of $175 per day, or $63,875 annually in the case of a per diem policy. Beginning in 1998, the per diem cap is indexed annually for inflation based on the medical care cost component of the consumer price index. (2) The cost of employer-provided qualified long-term care insurance generally is deductible for the employer and excluded from the employee's gross income. (3) Unreimbursed expenses for qualified long-term care services are deductible as medical expenses, subject to the present-law floor of 7.5 percent of adjusted gross income (AGI). (4) Qualified long-term care insurance premiums (subject to specified dollar limits) are deductible as medical expenses, subject to the present-law floor of 7.5 percent of AGI. Beginning in 1998, the dollar limits are indexed annually for inflation based on the medical care cost component of the consumer price index. (5) Self-employed individuals are able to deduct the cost of qualified long-term care insurance premiums up to the limit for health insurance.

Modify taxation of accelerated death benefits under life insurance contracts.—An exclusion from gross income is provided to an insured individual who is terminally or chronically ill for (1) amounts received under a life insurance contract and (2) amounts received for the sale or assignment of a life insurance contract to a qualified viatical settlement provider. For chronically ill individuals, the exclusion is limited to $175 per day or $63,875 annually, or the individual's costs for qualified long-term care services. The exclusion is effective with respect to amounts received after December 31, 1996.

Modify taxation of State-sponsored organizations providing health coverage for high-risk individuals and workers' compensation reinsurance.—An exemption from income tax is provided to any membership organization that is established by a State exclusively to provide coverage for medical care on a nonprofit basis to certain high-risk individuals, provided certain criteria are satisfied. The provision applies to taxable years beginning after December 31, 1996. In addition, tax-exempt status is provided to any membership organization that is establised by a State before June 1, 1996 exclusively to reimburse its members for workers' compensation insurance losses, and that satisfies certain other conditions. The provision applies to taxable years ending after August 21, 1996.

Extend special tax rules provided under Section 833 to certain health insurance organizations.—Under prior law a special deduction equal to 25 percent of the claims and expenses incurred during the year, less the adjusted surplus at the beginning of the year, was provided to certain eligible health organizations. Eligible organizations included: (1) Blue Cross or Blue Shield organizations existing on August 16, 1986, which had not experienced a material change in structure or operation since that date. (2) Other organizations that met certain community-service-related requirements and substantially all of whose activities involved the provision of health insurance. Effective for taxable years ending after December 31, 1996, these special rules are applied to any organization that (1) is not a Blue Cross or Blue Shield organization existing on August 16, 1986 and (2) otherwise meets the requirements of Section 833, including the requirement of no material change in operations or structure since August 16, 1986. An organization qualifies for this treatment only if it is not a health maintenance organization and it is organized under and governed by State laws specifically and exclusively applicable to not-for-profit health insurance or health service type organizations.

Allow penalty-free withdrawals from individual retirement accounts (IRAs) for medical expenses.—Effective for taxable years beginning after December 31, 1996, penalty-free withdrawals are permitted from IRAs for medical expenses in excess of 7.5 percent of AGI. Penalty-free withdrawals generally are also permitted for medical insurance premiums (without regard to the 7.5 percent floor) of individuals unemployed for at least 12 consecutive weeks.

Expand penalties provided under the Consolidated Omnibus Budget Reconciliation Act of 1995 (COBRA) to enforce group health plan portability, access, and renewability requirements.—Under COBRA, most employer-sponsored group health plans must offer qualified beneficiaries the opportunity to continue to participate for a specified period of time after the occurrence of certain events (such as termination of employment) that otherwise would have terminated such participation. A tax is imposed on the failure of a plan to satisfy these health care continuation rules. Effective for taxable years beginning after December 31, 1996, the tax for failure to satisfy health continuation rules is extended to apply to failure to satisfy the expanded coverage provisions provided in this Act.

Disallow the deductibility of interest on corporate owned life insurance (COLI) policy loans.—Generally, for interest paid or accrued after December 31, 1995, no deduction is allowed for interest on any COLI policy loan, except for "key person policies" that cover up to 20 key persons. Interest with respect to key person policies is deductible only to the extent the rate of interest does not exceed Moody's Corporate Bond Yield Average-Monthly Average Corporates for each month interest is paid or accrued. Special phase-in rules are provided with respect to any otherwise deductible interest paid or accrued after October 13, 1995 and before January 1, 1999 with respect to debt incurred before January 1 1996. An exception from the general disallowance is also provided to interest on debt with respect to contracts purchased on or before June 20, 1986.

Eliminate the interest allocation exception for certain nonfinancial corporations.—For foreign tax credit purposes, taxpayers generally are required to allocate and apportion interest expenses between U.S. and foreign source income based on the proportion of the taxpayer's total assets in each location. Such allocation and apportionment is required to be made for affiliated groups as a whole rather than on a subsidiary-by-subsidiary basis. However, certain types of financial institutions that are members of an affiliated group are treated as members of a separate affiliated group for purposes of the allocation and apportionment of interest expense. The Tax Reform Act of 1986 included a targeted rule that treated certain nonfinancial corporations as financial institutions for this purpose. The targeted exception for certain nonfinancial corporations is repealed, generally effective for taxable years beginning after the date of enactment.

Modify expatriation tax.—Under prior law, citizens who relinquished their citizenship for tax avoidance purposes were subject to special tax provisions for ten years after such loss of citizenship. This Act expands the prior law provisions in several ways, generally with respect to individuals who expatriate on or after February 6, 1995: (1) The provision subjecting U.S. citizens to tax for ten years following expatriation is extended to apply to certain long-term residents whose residency is terminated. A long-term resident generally is any individual who was a lawful permanent resident of the United States for at least eight out of the 15 taxable years ending with the year in which termination occurs. (2) Certain individuals are subject to the expatriation tax without inquiry as to their motive for losing U.S. citizenship or residency, but certain categories of citizens are allowed to show an absence of tax-avoidance motive if they request a ruling from the IRS as to whether the loss of citizenship had a principal purpose of tax avoidance. (3) The categories of income and gain that are treated as U.S. source (and, therefore, subject to tax) is expanded and the ability to engage in transactions that partially or completely circumvent the ten-year reach of the law is curtailed. (4) Relief from double taxation is provided in circumstances where another country imposes tax on items that would be subject to U.S. tax under the expatriation tax provisions. (5) Information reporting requirements are applied to U.S. citizens and long-term residents whose citizenship or residency is terminated.

Small Business Job Protection Act of 1996.—This Act increases the minimum wage and makes numerous changes in the tax code to provide relief to small businesses, simplify pension plans, and extend certain expiring provisions. The reduction in receipts associated with these changes is offset by a number of revenue increases. The major provisions of the Act affecting receipts are described below.

Increase expensing for small business.—The amount of depreciable tangible personal property that a small business can elect to expense each year is increased from $17,500 in 1996 to $18,000 in 1997, $18,500 in 1998, $19,000 in 1999, $20,000 in 2000, $24,000 in 2001, and to $25,000 in 2003 and later years. The amount that a small business may elect to expense is reduced by the amount by which the cost of qualifying property exceeds $200,000.

Simplify and expand pension plans.—The major provisions affecting pension plans include the following: (1) Effective for taxable years beginning after December 31, 1999, lump-sum distributions from qualified plans are no longer eligible for special five-year forward averaging. (2) The $5,000 exclusion provided employer-provided death benefits is repealed, effective with respect to decedents dying after the date of enactment. (3) The method for determining the taxable portion of qualified annuity payments is simplified, effective with respect to annuity starting dates beginning 90 days after the date of enactment. (4) Employees (other than 5 percent owners) who continue working after age 70½ can delay beginning their pensions until they actually retire. (5) A simplified retirement plan for small business, called the savings incentive match plan for employees (SIMPLE) is created. A SIMPLE plan can either provide an individual retirement account (IRA) for each employee or be part of a qualified cash or deferred arrangement (401(k) plan). SIMPLE plans use lower contribution limits than regular 401(k) plans and Salary Reduction Simplified Employee Pensions (SARSEPs), and specify employer contribution levels in lieu of the nondiscrimination and top-heavy rules that normally apply to employer retirement plans. All contributions to the plan are fully vested. Contributions to a SIMPLE plan generally are deductible by the employer and excluded from the employee's income. The rules regarding the availability and taxation of distributions from a SIMPLE IRA or SIMPLE 401(k) plan are the same as the rules that apply to distributions from regular IRAs or 401(k) plans, respectively, except that during the first two years after the individual first participates in any SIMPLE IRA maintained by the individual's employer, rollovers to regular IRAs are not available and the additional tax on early distributions is increased from 10 percent to 25 percent. SIMPLE IRA plans are subject to simplified reporting requirements. SIMPLE plans are available for plan years beginning after December 31, 1996. (6) Effective for plan years beginning after December 31, 1996, tax-exempt organizations (including Indian tribal governments) are permitted to establish qualified cash or deferred arrangements. (7) The availability of spousal IRAs is increased by permitting deductible IRA contributions of up to $2,000 on behalf of each spouse if the combined compensation of both spouses is at least equal to the contributed amount. This provision is effective for taxable years beginning after December 31, 1996. (8) Nondiscrimination rules are modified by simplifying the definitions of highly compensated employees, compensation and retirement age; changing the minimum participation rule; and modifying the nondiscrimination tests applicable to qualified cash or deferred arrangements and matching contributions. (9) Effective for plan years beginning after December 31, 1998, instead of applying nondiscrimination tests, employers may use simple safe harbors for certain 401(k) plans under which the employer contributes at least a stated minimum to each employee account. (10) The rules that apply to nonqualified plans for tax-exempt and governmental employers have been simplified and, in the case of governmental employers, the assets under those plans must be kept in trust. (11) The vesting period for multiemployer plans is reduced from ten to five years for plan years beginning after December 31, 1996. (12) The combined plan limit is repealed, effective with respect to limitation years beginning after December 31, 1998, and the excise tax on large distributions is suspended for the years 1997 through 1999. (13) The excise tax applicable to prohibited transactions is increased from five percent to ten percent. (14) Alternative nondiscrimination tests are provided to certain plans that allow employees to participate before they complete one year of service or reach age 21. These tests promote pension portability by encouraging employers to offer pensions to new hires.

Simplify tax laws affecting Subchapter S (closely-held) corporations.—A number of changes in the tax laws affecting Subchapter S corporations are provided. The major changes increase the maximum number of shareholders in an S corporation from 35 to 75, permit S corporations to hold subsidiaries, allow financial institutions to qualify as S corporations, and permit certain tax-exempt organizations to be S corporation shareholders.

Provide adoption assistance.—Effective for taxable years beginning after December 31, 1996, the following adoption assistance is provided: (1) A maximum nonrefundable tax credit of $5,000 per child ($6,000 per child in the case of domestic special needs adoptions) is provided for qualified adoption expenses paid or incurred by the taxpayer. The credit for adoptions other than domestic special needs adoptions expires with respect to expenses paid or incurred after December 31, 2001. (2) A maximum exclusion from income of $5,000 per child ($6,000 per child in the case of domestic special needs adoptions) is provided for certain employer-paid adoption expenses. The exclusion is repealed with respect to employer-paid adoption expenses provided after December 31, 2001. Both the credit and exclusion are phased out ratably for taxpayers with modified adjusted gross income above $75,000 and are fully phased out at $115,000 of modified adjusted gross income.

Replace targeted jobs tax credit with a temporary work opportunity tax credit.—Prior to January 1, 1995, the targeted jobs tax credit was available on an elective basis for employers hiring individuals from one or more of nine targeted groups. The credit generally was equal to 40 percent of up to $6,000 in qualified first-year wages, for a maximum credit of $2,400 per employee. The targeted jobs tax credit of prior law is replaced with the work opportunity tax credit effective for wages incurred or paid to a qualified individual who begins work after September 30, 1996 and before October 1, 1997. The new credit is available on an elective basis for employers hiring individuals from one or more of seven targeted groups and is generally equal to 35 percent of the first $6,000 in qualified first-year wages. No credit is allowed for wages paid unless the eligible individual is employed by the employer for at least 180 days (20 days in the case of a qualified summer youth employee) or 400 hours (120 hours in the case of a qualified summer youth employee).

Extend exclusion for employer-provided educational assistance.—For taxable years beginning before January 1, 1995, certain amounts paid by an employer for educational assistance provided to an employee were excluded from the employee's gross income for income and payroll tax purposes. The exclusion was limited to $5,250 of educational assistance with respect to an individual during a calendar year and applied whether or not the education was job related. The exclusion is extended to apply to undergraduate courses beginning after December 31, 1994 and before mid-1997; for graduate courses, the exclusion applies to courses beginning after December 31, 1994 and before mid-1996.

Extend research and experimentation tax credit with modifications.—Under prior law, a 20 percent tax credit was provided for certain research and experimentation expenditures made before July 1, 1995. This credit is extended, with modifications, to apply to expenditures paid or incurred during the 11-month period July 1, 1996 through May 31, 1997.

Extend orphan drug tax credit.—Prior to January 1, 1995, a 50-percent nonrefundable tax credit was provided for qualified clinical testing expenses paid or incurred in the testing of certain drugs for rare diseases or conditions (generally known as "orphan drugs"). The credit is extended for 11 months to apply to qualified expenses paid or incurred from July 1, 1996 through May 31, 1997.

Extend deduction for contributions of stock to private foundations.—The deduction for a contribution to a private foundation is generally limited to the adjusted basis of the contributed property. However, under prior law, a taxpayer who contributed qualified appreciated stock to a private foundation before January 1, 1995 was allowed to deduct the full fair market value of the stock, rather than the adjusted basis of the contributed stock. The special rule for contributions of qualified appreciated stock to private foundations is extended to apply to contributions made during the period July 1, 1996 through May 31, 1997.

Extend tax credit for producing fuel from a nonconventional source.—Certain fuels produced from nonconventional sources and sold to unrelated parties are eligible for an income tax credit equal to $3 per barrel or BTU oil barrel equivalent. Qualified fuels must be produced within the United States and include: (1) oil produced from shale and tar sands; (2) gas produced from geopressured brine, Devonian shale, coal seams, tight formations, or biomass; and (3) liquid, gaseous, or solid synthethic fuels produced from coal (including lignite). The credit generally is availabe only with respect to qualified fuels produced and sold before January 1, 2003 from wells drilled or facilities placed in service after December 31, 1979 and before January 1, 1993. Under prior law, an exception allowed the credit to be claimed for gas from biomass and synthetic fuel from coal produced or sold before January 1, 2008 from facilities placed in service before January 1, 1997, pursuant to a binding contract entered into before January 1, 1996. This Act extends both the binding contract date and the placed in service date for facilities producing synthetic fuels from coal and gas from biomass. Specifically, synthetic fuels from coal and gas from biomass produced or sold before January 1, 2008 are eligible for the credit if produced from facilities placed in service before July 1, 1998, pursuant to a binding contract entered into before January 1, 1997.

Suspend imposition of excise tax on diesel fuel used in recreational motorboats.—The 24.4-cents-per-gallon excise tax on diesel fuel used in recreational motorboats is suspended during the period beginning on August 27, 1996 through December 31, 1997.

Permanently extend the Federal Unemployment Tax (FUTA) exemption for alien agricultural workers.—Generally, the Federal unemployment tax is imposed on farm operators who (1) employ 10 or more agricultural workers for some portion of 20 different days, each being in a different calendar week or (2) have a quarterly payroll for agricultural services of at least $20,000. Under prior law, effective for labor performed before January 1, 1995, an exclusion from FUTA was provided for labor performed by an alien admitted to the United States to perform agricultural labor under the Immigration and Nationality Act. The exemption from FUTA for alien agricultural workers is permanently extended, effective with respect to labor performed on or after January 1, 1995.

Extend Generalized System of Preferences (GSP).—Under GSP, duty-free access is provided to over 4,000 items from eligible developing countries that meet certain worker rights, intellectual property protection, and other criteria. This program, which had expired after July 31, 1995, is temporarily extended for the period August 1, 1995 through May 31, 1997.

Extend airport and airway excise taxes.—The excise taxes levied on domestic air passenger tickets, international departures, domestic air cargo and noncommercial aviation fuels, which had expired after December 31, 1995 under prior law, are reinstated effective August 27, 1996 through December 31, 1996.

Extend and phase out the excise tax on luxury automobiles.—Under prior law, the ten-percent luxury excise tax levied on the retail price of a passenger vehicle in excess of an inflation-adjusted threshold ($34,000 in 1996) was scheduled to expire after December 31, 1999. The tax is extended through December 31, 2002, at the following rates: 1996 (effective August 28, 1996), nine percent; 1997, eight percent; 1998, seven percent; 1999, six percent; 2000, five percent; 2001, four percent; and 2002, three percent.

Modify Puerto Rico and possessions tax credit.—Under prior law, domestic corporations with business operations in U.S. possessions were allowed to elect the Section 936 credit, which generally eliminated the U.S. tax on certain income related to their possession-based operations. Income exempt from U.S. tax under this provision fell into two broad categories: (1) possession business income derived from the active conduct of a trade or business within a possession or from the sale or exchange of substantially all of the assets used in such a trade or business; and (2) possession source investment income (QPSII) attributable to investment in the possession or in certain Caribbean Basin countries. The credit attributable to QPSII is repealed, effective for QPSII earned after June 30, 1996. The credit with respect to possession business income also generally is repealed, effective with respect to taxable years beginning after December 31, 1995. However, grandfather rules are provided under which a corporation that elected the credit by October 13, 1995 is eligible to claim credits with respect to possession business income during a transition period effective for taxable years beginning after December 31, 1995 and before January 1, 2006. The credit is eliminated for taxable years beginning after December 31, 2005.

Repeal 50-percent interest exclusion for financial institution loans to employee stock option plans (ESOPs).—Under prior law a bank, insurance company, regulated investment company, or a corporation actively engaged in the business of lending money was generally allowed to exclude from gross income 50 percent of interest received on an ESOP loan. The 50-percent exclusion generally is repealed, effective with respect to loans made after the date of enactment, other than loans made pursuant to a written binding contract in effect before June 10, 1996.

Reform depreciation under the income forecast method.—All estimated income from the use of property or the sale of merchandise is to be taken into account in determining depreciation under the income forecast method. In applying this rule, income expected to be generated after the close of the tenth taxable year after the year the propery is placed in service generally need not be taken into account. In the case of a film, television show or similar property, such income includes, but is not necessarily limited to, income from foreign and domestic theatrical, television, and other releases and syndications; and video tape releases, sales, rentals, and syndications. In the case of television and motion picture films, the income from the property shall include income from the financial exploitation of characters, designs, scripts, scores, and other incidental income associated with such films, but only to the extent income is earned in connection with the ultimate use of such items by, or the ultimate sale of merchandise to, persons who are not related to the taxpayer. These changes generally are effective for property placed in service after September 13, 1995.

Modify exclusion of damages received on account of personal injury or sickness.—The Act specifies that the exclusion from gross income of damages received on account of personal injury or sickness does not apply to compensatory damages received on account of non-physical personal injury or sickness or to punitive damages received in connection with a personal injury or sickness. This change generally applies with respect to amounts received after August 20, 1996.

Modify basis adjustment rules under Section 1033.—When a taxpayer acquires a controlling interest in the stock of a corporation as replacement property after an involuntary conversion, the corporation generally will reduce its adjusted bases in its assets by the same amount as the taxpayer is required to reduce its basis in the acquired stock. The corporation's adjusted bases in its assets will not be reduced, in the aggregate, below the taxpayer's basis in its stock. In addition, the basis of any individual asset will not be reduced below zero. This provision, which allows deferral of gain recognition, but not the avoidance of that gain, is generally effective with respect to involuntary conversions occurring after August 20, 1996.

Allow the IRS to use mathematical error procedures to deny dependency exemptions.—If an individual fails to provide a correct taxpayer identification number (TIN) for a dependent, the IRS is allowed to use mathematical error procedures to deny the dependency exemption. This change generally is effective for tax returns for which the due date (without regard to extensions) is 30 days or more after August 20, 1996.

Modify rules for taxing foreign trusts.—This Act strengthens information reporting and penalties related to foreign trusts, and tightens tax planning rules involving foreign trusts, their beneficiaries, and grantors.

Repeal bad debt reserve deduction for thrift institutions.—Under prior law, certain thrift insitutions were allowed deductions for bad debts under rules more favorable than those granted to commercial banks. Generally effective for taxable years beginning after December 31, 1995, thrifts must account for bad debts in the same manner as banks.

ADMINISTRATION PROPOSALS

Provide Tax Relief and Extend Expiring Provisions

The President's plan targets tax relief to middle-income Americans through his Middle Class Bill of Rights. His plan also includes a targeted home-ownership tax cut, a new welfare-to-work incentive, a District of Columbia tax incentive program, estate tax relief for small businesses and family farms, initiatives for economically distressed areas, and the extension of certain expiring tax provisions.

Middle Class Bill of Rights.—The Administration is again proposing, with certain modifications and enhancements, the three features of its Middle Class Bill of Rights designed to give middle-income families the tax relief they need to help them raise their children, save for the future and pay for postsecondary education.

Provide tax credit for dependent children.—A nonrefundable credit would be allowed for each dependent child under the age of 13. The credit would equal $300 for 1997, 1998 and 1999, and would rise to $500 for 2000 and subsequent years. The credit would be phased out for taxpayers with adjusted gross income (AGI) between $60,000 and $75,000. Both the credit amount and the phase-out range would be indexed for inflation beginning in 2001. The credit would be applied before the earned income tax credit but could not be used to offset alternative minimum tax liability.

Expand Individual Retirement Accounts (IRAs).—Under present law, eligibility for deductible IRAs is phased out for single taxpayers with AGI between $25,000 and $35,000 and for couples filing a joint return with AGI between $40,000 and $50,000, if the individual (or the individual's spouse) is an active participant in an employer-sponsored retirement plan. Under the Administration's proposal, the AGI thresholds and phase-out ranges would be doubled over time. For 1997 through 1999, eligibility would be phased out for single taxpayers with AGI between $45,000 and $65,000, and for couples filing a joint return with AGI between $70,000 and $90,000. For 2000 and later years, eligibility would be phased out for single taxpayers with AGI between $50,000 and $70,000 and for couples filing a joint return with AGI between $80,000 and $100,000. These thresholds and the present law annual contribution limit of $2,000 would be indexed for inflation. Withdrawals from IRAs would not be subject to the ten percent early withdrawal tax if the proceeds were used to pay post-secondary education costs, to buy or build a first home, or to cover living expenses if unemployed for at least 12 consecutive weeks. (Prior versions of the Administration's proposal would also have permitted early withdrawal to pay catastrophic medical expenses (including nursing home or other costs associated with caring for an incapacitated parent or grandparent); this provision was enacted in the Health Insurance Portability and Accountability Act, effective for distributions after 1996.) In addition, each individual eligible for a deductible IRA would have the option of contributing an amount up to the contribution limit to a traditional deductible IRA or to a new back-loaded special IRA. Contributions to this special IRA would not be tax deductible, but distributions of the contributions would be tax-free. If the contributions remained in the account for at least five years, earnings on the contributions also would be tax-free when withdrawn. Withdrawals of account balances from special IRAs during the five-year period would be subject to ordinary income tax and a ten-percent early withdrawal tax. However, withdrawals during the five-year period for the purposes described above (or upon death or disability of the taxpayer) would not be subject to the early withdrawal tax. Individuals whose AGI for a year fell within the eligibility thresholds would be allowed to convert an existing IRA into a special IRA, and for conversions before 1999, income inclusion would be spread over four years.

Provide tax incentive for education and training.— The Administration's proposed HOPE scholarship plan would make 14 years of education—at least two years of college—the standard for all Americans. A taxpayer could claim a $1,500 per-student nonrefundable tax credit for tuition and required fees for enrollment of the taxpayer, the taxpayer's spouse or the taxpayer's dependent in a post-secondary degree or certificate program. The credit would be available for payments made during 1997 and thereafter for education commencing on or after July 1, 1997. The amount of the credit would be reduced by any other non-taxable Federal educational grants received by the student. The credit could be claimed twice (i.e., in two different years) for a student, provided the credit was claimed in a year in which the student was enrolled at least half-time in the thirteenth or fourteenth year of post-secondary education. The credit would be available for a second year, however, only if the student had obtained a B-average for all prior post-secondary course work. No credit would be available for a student who had been convicted of a drug-related felony. A deduction would be permitted for up to $5,000 per family in annual tuition and required fees for post-secondary education and job training for the taxpayer, the taxpayer's spouse and dependents. The maximum allowable deduction would increase to $10,000 effective January 1, 1999. A taxpayer could claim either the credit or the deduction for a student's expenses, but not both in the same taxable year. In addition, both the credit and deduction would be phased out for taxpayers filing a joint return with AGI (before the proposed deduction) between $80,000 and $100,000. For taxpayers filing a head-of-household or single return, the credit and deduction would be phased out for those with AGI between $50,000 and $70,000. The phase-out ranges would be indexed for inflation beginning in 2000. Education expenses qualifying for the credit and deduction include tuition and fees paid to institutions and programs eligible to participate in Federal student aid programs. No deduction or credit would be available for expenses for meals, lodging, books or transportation. In addition, to provide assistance with education-related debt to graduates entering public service, the current exclusion from income for the discharge of certain student loans would be expanded to cover discharge of certain direct loans made by the Federal government and certain loans made by charitable and educational institutions.

Provide targeted welfare-to-work tax credit.— The Administration proposes a targeted welfare-to-work credit designed to create new job opportunities for long-term welfare recipients. The credit would enable employers to claim a 50-percent credit on the first $10,000 of annual wages paid to long-term welfare recipients. The credit could be claimed for up to two years and employers would be able to treat education and training assistance, health care, and dependent care expenses as eligible wages. The credit would be available for wages paid or incurred effective the date of enactment through September 30, 2000. The Administration also proposes to expand the existing Work Opportunity Tax Credit to include adults age 18 to 50 who are subject to more rigorous work requirements for food stamps under the Administration's proposal to amend last year's welfare reform law.

Provide capital gains exclusion on sale of principal residence.—Under current law gains on the sale of a taxpayer's principal residence are subject to the capital gains tax; however, taxes on the gain can be deferred through the purchase of a new home of equal or greater value within a specified period of time. Taxpayers over 55 may elect to take a one-time exclusion of up to $125,000 of gain from the sale of their home. The Administration proposes to exclude up to $500,000 of gain from the sale of a taxpayer's principal residence ($250,000 for a single taxpayer) effective for sales on or after January 1, 1997. The proposal would repeal the current-law exclusion for taxpayers over age 55 and the section 1034 deferral for purchasing a more expensive home, with transition relief. Gain recognition would be required on the sale of a principal residence to the extent of any depreciation allowable after December 31, 1996. The proposal would exempt over 99 percent of home sales from the capital gains tax and would dramatically simplify taxes and record keeping for over 60 million homeowners.

Establish District of Columbia (DC) tax incentive program.—To encourage employment of disadvantaged DC residents and to revitalize those DC areas where development has been inadequate, tax incentives are proposed.

Provide estate tax relief for small business.—Estate tax attributable to certain interests in closely held businesses may be paid in installments over a period of up to 14 years. A special four percent interest rate is provided for the tax deferred on the first $1 million of value. The $1 million cap has been in effect since 1976. To address the liquidity problems that may arise upon the death of a farmer or small business owner, and to adjust for inflation, the Administration proposes to increase the amount of property eligible for the special interest rate from $1 million to $2.5 million. The proposal also simplifies current law by eliminating distinctions based on the form of ownership, providing alternatives to the estate tax lien, and reducing the interest rate by 50 percent or more in exchange for making the interest payments nondeductible. The proposal would be effective for decedents who die after December 31, 1997.

Provide tax incentives for distressed areas.—The Administration is proposing tax incentives for the cleanup of polluted urban and rural areas and is proposing an expansion of the empowerment zone and enterprise community program, as described below.

Provide tax incentives to clean up environmentally contaminated areas known as brownfields in distressed communities.—To encourage the cleanup of polluted urban and rural areas known as brownfields, the Administration proposes to allow a current deduction for certain costs incurred by businesses to remediate environmentally contaminated land in certain areas. Qualified sites generally would be limited to those properties located in or next to high-poverty areas, Federal empowerment zones and enterprise communities, and areas subject to certain Environmental Protection Agency (EPA) Brownfields Pilots. To claim this incentive, taxpayers would be required to obtain from the appropriate State or local agency, or the EPA in certain circumstances, verification that the site satisfies the geographic and contamination requirements. The proposal would be effective for qualified expenses incurred after the date of enactment.

Expand Empowerment Zone and Enterprise Community program.—Under the Omnibus Budget Reconciliation Act of 1993 (OBRA 93), certain tax incentives were provided for nine empowerment zones and 95 enterprise communities. The tax incentives were a 20-percent employer wage credit, increased Section 179 expensing, and a new category of tax-exempt financing. Qualifying businesses in empowerment zones were eligible for all three incentives, while businesses in enterprise communities were eligible for the tax-exempt financing. Over 500 communities submitted applications for these 104 designations that were announced in December 1994. The Administration proposes a three-part expansion of this program. First, the designation of two additional urban empowerment zones would be authorized, to be made within 180 days of enactment. Second, the restrictions on the tax-exempt financing would be loosened to make this incentive more accessible. Third, the designation of 20 additional empowerment zones (15 urban, 5 rural) and 80 additional enterprise communities (50 urban, 30 rural) would be authorized. Businesses in the new enterprise communities would be eligible for the current-law tax-exempt financing, as revised, as well as the brownfields tax incentive described above (including an additional 1,000 acres). Businesses in the new empowerment zones would be eligible for the OBRA 93 increased section 179 expensing, the brownfields tax incentive (including an additional 2,000 acres), and tax-exempt financing that would not be subject to the current-law State volume caps, but rather would only be subject to zone-by-zone volume caps. The current-law wage credit would not be applicable in these 100 new zones and communities. The designations of these new zones and communities would be required to occur before 1999, and the designations would generally be effective for ten years.

Provide tax credit for investment in community development financial institutions (CDFI).—The Community Development Banking and Financial Institutions Act of 1994 created a Federal Community Development Financial Institution (CDFI) Fund to provide grants, loans, and technical assistance to qualifying lenders. As part of its comprehensive strategy to increase investment in distressed communities, the Administration proposes to provide $100 million in non-refundable tax credits to the CDFI Fund to be allocated among equity investors in community development banks. The allocation of credits would be determined by the CDFI Fund using a competitive process similar to the one used to allocate grants. The maximum amount of credit allocable to a particular investment would be 25 percent of the amount invested, though a lower percentage could be negotiated. The full credit would be available the year the investment is made. In order to ensure long-term investment, the credit would be recaptured if the investment were sold or redeemed within five years.

Toll statute of limitations for incapacitated taxpayers.—The time limit within which claims for refund must be made would be extended for the period of time a taxpayer was subject to disability, in effect extending the stututory time by the period of disability. "Disability" would be defined to include judicial determinations of incompetency, commitment to mental institutions or hospitals, or other debilitating physical, mental, or psychological conditions that prevent the taxpayer from managing his or her financial affairs. The proposal would be effective for tax years ending after the date of enactment.

Allow Foreign Sales Corporation (FSC) benefits for computer software licenses.—The Administration proposes to extend FSC benefits to licenses of computer software for reproduction abroad. The FSC provisions, which provide a limited exemption from U.S. tax for income arising in certain export transactions, currently are not available for most exports of intangible property, including computer software copyrights. Because FSC benefits are currently available for copyrights to "films, tapes, records, and similar reproductions," the Administration proposes to extend benefits to a category of nearly indistinguishable property.

Extend the income exclusion for employer-provided educational assistance and provide credit for small business.—The Administration proposes to extend the exclusion for employer-provided educational assistance from its expiration in mid-1997 through December 31, 2000. The proposal would also reinstate and extend through December 31, 2000 the expired exclusion for employer-provided graduate education. In addition, for taxable years after December 31, 1997, small businesses would be allowed a ten-percent income tax credit with respect to amounts paid under an employer-provided educational assistance program. The credit would be available to employers with average annual gross receipts of $10 million or less for the prior three years.

Extend for one year the R&E tax credit.—The tax credit provided for certain research and experimentation expenditures, which is scheduled to expire after May 31, 1997, is proposed to be extended for one year through May 31, 1998.

Extend for one year the orphan drug tax credit.—The 50-percent nonrefundable tax credit provided for qualified clinical testing expenses paid or incurred in the testing of certain drugs for rare diseases or conditions is proposed to be extended for one year through May 31, 1998.

Extend for one year the work opportunity tax credit.—The work opportunity tax credit, generally equal to 35 percent of up to $6,000 in qualified first-year wages, is proposed to be extended for one year beyond its expiration date of September 30, 1997.

Extend for one year the deduction provided for contributions of appreciated stock to private foundations.—The special rule that allows a taxpayer to deduct the full fair market value of qualified stock donated to a private foundation is proposed to be extended to apply to contributions made during the period June 1, 1997 through May 31, 1998. The current law deduction expires with respect to contributions made after May 31, 1997.

Extend and modify Puerto Rico economic-activity tax credit (Section 30A).—Although the Puerto Rico and possession tax credit generally was repealed in 1996, both the income-based option and the economic-activity option under the credit remain available for existing business operations through 2005, subject to base-period caps. To provide a more efficient and effective tax incentive for the economic development of Puerto Rico and to continue the shift from an income-based credit to an economic-activity credit that was begun in OBRA 93, the Administration proposes to modify the economic-activity credit for Puerto Rico by (1) extending it indefinitely, (2) opening it to newly established business operations, effective for taxable years beginning after December 31, 1997, and (3) removing the base-period cap.

Eliminate Unwarranted Benefits and Adopt Other Revenue Measures

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

Deny interest deduction on certain debt instruments.—If an instrument qualifies as equity, the issuer generally does not receive a deduction for dividends paid. If an instrument qualifies as debt, the issuer may receive a deduction for accrued interest and the holder generally includes interest in income, subject to certain limitations. The line between debt and equity is uncertain and it has proven difficult to formulate general rules of classification. Taxpayers have exploited this lack of guidance by issuing instruments that have substantial equity features, but for which they claim interest deductions. Effective for instruments issued on or after the date of first committee action, the Administration proposes that no deduction be allowed for interest or original issue discount (OID) on an instrument issued by a corporation that has a maximum term of more than 40 years, or is payable in stock of the issuer or a related party. The proposal also modifies the rules for certain indebtedness that is reflected as equity on the issuer's financial statements.

Defer original issue discount deduction on convertible debt.—If a debt instrument is convertible into stock of the issuer or a related party and provides no payment of, or adjustment for, accrued interest on conversion, no deduction is allowed for accrued but unpaid stated interest. In contrast, the accrued but unpaid discount on a convertible debt instrument with OID generally is deductible, even if the instrument is converted before the issuer pays any OID. The Administration proposal would defer the deduction for all interest, including OID, on convertible debt until payment and would be effective for convertible debt issued on or after the date of first committee action.

Reduce dividends-received deduction to 50 percent and eliminate dividends-received deduction for certain preferred stock.—A corporate holder of stock generally is entitled to a deduction for dividends received on stock in the following amounts: 70 percent if the recipient owns less than 20 percent of the stock of the payor, 80 percent if the recipient owns 20 percent or more of the stock, and 100 percent if the recipient owns 80 percent or more of the stock. The Administration proposes to replace the 70- and 80-percent dividends-received deduction with a 50-percent deduction for dividends on common stock and most preferred stock, effective for dividends paid or accrued more than 30 days after the date of enactment. In addition, the Administration proposes to eliminate the 70- and 80-percent dividends-received deduction for dividends on certain limited-term preferred stock, effective for stock issued after the date of enactment.

Modify holding period for dividends-received deduction.—The dividends-received deduction is allowed to a corporate shareholder only if the shareholder satisfies a 46-day holding period for the dividend-paying stock or a 91-day period for certain dividends on preferred stock. The 46- or 91-day holding period generally does not include any time in which the shareholder is protected from the risk of loss otherwise inherent in the ownership of an equity interest. However, the holding period requirement does not have to be proximate to the time the dividend distribution is made. Effective for dividends paid or accrued more than 30 days after the date of enactment, the Administration proposes that for a dividend to be eligible for the dividends-received deduction, the holding period requirement must be satisfied with respect to that dividend over a period immediately before or immediately after the taxpayer becomes entitled to receive the dividend.

Extend pro rata disallowance of tax-exempt interest expense to all corporations.—No income tax deduction is allowed for interest on debt used directly or indirectly to acquire or hold investments the income on which is tax-exempt. The determination of whether debt is used to acquire or hold tax-exempt investments depends on the holder of the instrument. For financial institutions and dealers in tax-exempt investments, debt generally is treated as financing all of the taxpayer's assets proportionately. For corporations, other than financial institutions and dealers, and for individuals, deductions are disallowed only when indebtedness is incurred or continued for the purpose of purchasing or carrying tax-exempt investments. These corporations are therefore able to reduce their tax liabilities inappropriately through the double Federal tax benefits of interest expense deductions and tax-exempt interest income. Effective for taxable years beginning after the date of enactment, with respect to obligations acquired on or after the date of first committee action, the Administration proposes that all corporations other than insurance companies be treated the same as financial institutions are treated under current law with regard to deductions for interest on debt used directly or indirectly to acquire or hold tax-exempt obligations. The proposal also would expressly apply these rules to related parties, by treating all members of a consolidated group (other than members that are insurance companies) as a single entity and by tracing debt and tax-exempt holdings among other related parties.

Require average-cost basis for stocks, securities, etc.—A taxpayer who sells stock or other securities is allowed to account for the transaction by specifically identifying the stock or securities or by using an accounting system such as first-in, first-out or last-in, first-out. The Administration proposes to require taxpayers to determine their basis in substantially identical securities using the average of all their holdings in the securities. Holding period would be determined on a first-in, first-out basis. The method of determining basis and holding period would apply to all securities, including stocks, notes, bonds, and derivative financial instruments. The proposal would be effective 30 days after the date of enactment.

Require recognition of gain on certain stocks, indebtedness and partnership interests.—Gain and loss are generally taken into account for tax purposes when realized. Gain or loss is usually realized with respect to a capital asset at the time the asset is sold or exchanged. Many transactions designed to reduce or eliminate risk of loss and opportunity for gain on financial assets generally do not cause realization. For example, taxpayers may lock in gain on securities by entering into a "short sale against the box," that is, the taxpayer owns securities that are the same as or substantially identical to the securities borrowed and sold short. It is inappropriate for taxpayers to be able to dispose of the economic risks and rewards of owning appreciated property without realizing income for tax purposes. Therefore, the Administration proposes to require a taxpayer to recognize gain (but not loss) upon entering into a constructive sale of any appreciated position in stock, a debt instrument, or a partnership interest. A taxpayer would be treated as making a constructive sale of an appreciated position when the taxpayer (or in certain limited circumstances, a person related to the taxpayer) substantially eliminates risk of loss and opportunity for gain by entering into one or more positions with respect to the same or substantially identical property. The proposal would generally be effective for constructive sales entered into after the date of enactment.

Change the treatment of gains and losses on extinguishment.—The tax law distinguishes between the sale of a right or obligation to a third party and the extinguishment or retirement of the right or obligation. A sale to a third party can give rise to capital treatment while an extinguishment is ordinary. Extinguishment treatment has been eliminated for all debt instruments except those issued by natural persons and for most options and other positions in actively traded property. The application of the extinguishment doctrine in other contexts is unclear. The extinguishment doctrine allows taxpayers to control whether gain or loss is capital or ordinary by deciding whether to sell or extinguish a contract. The Administration proposes to eliminate the remaining portions of the extinguishment doctrine so that gain or loss attributable to the cancellation, lapse, expiration, or other termination of any right or obligation with respect to property that is or would be a capital asset in the hands of the taxpayer would be treated as gain or loss from the sale or exchange of a capital asset. In addition, the proposal would repeal the natural person exception for debt instruments. The proposal would be effective 30 days after the date of enactment.

Require reasonable payment assumptions for interest accruals on certain debt instruments.—The original issue discount (OID) rules do not measure income appropriately for certain debt instruments that are prepayable without interest or at reduced interest rates. If the instruments are held in large pools, it can be statistically predicted that a certain portion will prepay. Prepayment assumptions are used to account for certain debt instruments with payments based on mortgages, but the OID rules otherwise ignore these probabilities. The proposal would require taxpayers that hold prepayable debt instruments in large pools to use prepayment assumptions similar to the rules that apply for debt instruments with payments based on mortgages. The proposal would be effective for taxable years beginning after the date of enactment.

Require gain recognition for certain extraordinary dividends.—A corporate shareholder is generally allowed to deduct a percentage of dividends received from another domestic corporation. Certain dividends and dividend equivalent transactions are treated as "extraordinary" dividends. If a corporate shareholder receives an extraordinary dividend, the corporate shareholder must reduce the basis of the stock to which the distribution relates by the amount of the nontaxed portion of the dividend (generally the amount of the dividend that was deducted). If the nontaxed portion of the dividend exceeds the basis of the stock, the excess is deferred and recognized on a later disposition of the stock. If a shareholder's stock is redeemed, the redemption may be treated as a dividend if the shareholder's interest in the corporation has not been meaningfully reduced. In determining if a shareholder's interest has been meaningfully reduced, the ownership of options to purchase stock may be treated as actual stock ownership. The exclusion of a substantial portion of the amount received by a corporate shareholder on the redemption of its stock is inappropriate in certain cases when options are used to create stock ownership. Also, it is inappropriate to defer gain recognition when the portion of the distribution that is excluded due to the dividends received deduction exceeds the basis of the stock with respect to which the extraordinary dividend is received. The Administration proposes that corporate shareholders will recognize gain on redemptions of stock that are treated as dividends because of options when the nontaxed portion of the dividend exceeds the basis of the shares surrendered. In addition, immediate gain recognition would be required whenever the basis of stock with respect to which any extraordinary dividend was received was reduced below zero. The proposed change generally would be effective for distributions after May 3, 1995.

Repeal percentage depletion for non-fuel minerals mined on Federal and formerly Federal lands.—Taxpayers are allowed to deduct a reasonable allowance for depletion relating to certain mineral deposits. The depletion deduction for any taxable year is calculated under either the cost depletion method or the percentage depletion method, whichever results in the greater allowance for depletion for the year. The percentage depletion method is viewed as an incentive for mineral production rather than as a normative rule for recovering the taxpayer's investment in the property. This incentive is excessive with respect to minerals mined on Federal and formerly Federal lands under the 1872 mining act, in light of the minimal costs of acquiring the mining rights ($5.00 or less per acre). Effective for taxable years beginning after the date of enactment, the Administration proposes to repeal percentage depletion for non-fuel minerals mined both on Federal lands where the mining rights were originally acquired under the 1872 law, and on private lands acquired under the 1872 law.

Modify loss carryback and carryforward rules.—Net operating losses (NOLs) generally can be used to offset taxable income from the prior three taxable years (carrybacks) and the succeeding 15 taxable years (carryforwards). Because of the increased complexity and administrative burden associated with carrybacks, the carryback period should be shortened. The carryforward period could be lengthened, however, to allow taxpayers more time to utilize their NOLs without increasing either complexity or administrative burdens. The Administration proposes to limit carrybacks of NOLs to one year and to extend carryforwards to 20 years, effective for NOLs arising in taxable years beginning after the date of enactment.

Treat certain preferred stock as "boot."—In reorganization transactions, no gain or loss is recognized except to the extent "other property" (boot) is received; that is, property other than certain stock, including preferred stock. Upon the receipt of "other property," gain but not loss can be recognized. Because preferred stock has an enhanced likelihood of recovery of principal or of maintaining a dividend or both, such tax-free treatment is inappropriate. The Administration therefore proposes to treat certain preferred stock as "other property," subject to certain exceptions. The proposal would be effective for transactions on or after the date of first committee action.

Repeal tax-free conversions of large C corporations to S corporations (Section 1374).—A corporation can avoid the existing two-tier tax by electing to be treated as an S corporation or by converting to a partnership. Converting to a partnership is a taxable event that generally requires the corporation to recognize any built-in gain on its assets and requires the shareholders to recognize any built-in gain on their stock. By contrast, the conversion to an S corporation is generally tax-free, except that the S corporation generally must recognize the built-in gain on assets held at the time of conversion if the assets are sold within ten years. Under the Administration's proposal, the conversion of a C corporation with a value of more than $5 million into an S corporation would be treated as a liquidation of the C corporation followed by a contribution of the assets to an S corporation by the recipient shareholders. Thus, the proposal would require immediate gain recognition by both the corporation (with respect to its appreciated assets) and its shareholders (with respect to their stock). This proposal makes the tax treatment of conversions to an S corporation generally consistent with conversions to a partnership. The proposal would apply to elections that are first effective for a taxable year beginning on or after January 1, 1998 and to acquisitions of a C corporation by an S corporation made after December 31, 1997.

Require gain recognition on certain distributions of controlled corporation stock.—A corporation is generally required to recognize gain on a distribution of property (including stock of a controlled corporation) unless the distribution meets certain requirements. If various requirements are met, including restrictions relating to acquisitions and dispositions of stock of the distributing corporation or the controlled corporation, a distribution of the stock of a controlled corporation will be tax-free to the distributing corporation. Certain distributions may effectively be dispositions of a business, in which case tax-free treatment for the distributing corporation is inappropriate. Accordingly, the Administration proposes to adopt additional restrictions on acquisitions and dispositions of the stock of a distributing corporation or controlled corporation that are related to the distribution. Under this proposal, the distributing corporation would recognize gain on the distribution of the stock of the controlled corporation if the shareholders of the distributing corporation do not retain a sufficient stock interest (generally 50 percent) in the distributing and controlled corporations during the four-year period commencing two years prior to the distribution. For this purpose, unrelated transactions (such as public trading on the stock market) would be disregarded. This proposal would be effective for distributions occurring on or after the date of first committee action.

Reform the treatment of certain stock transfers.—Certain sales of stock to a related corporation are treated as the payment of a dividend by the purchaser. In cases where the seller is a corporation that does not actually own stock in the purchaser, taxpayers may take the position that the transaction produces tax benefits that would be unavailable if the purchaser distributed a dividend to its actual shareholders. For example, if a foreign-controlled domestic corporation sells the stock of a subsidiary to a foreign sister corporation, the domestic corporation may take the position that it is entitled to credit foreign taxes that were paid by the foreign sister corporation. In such cases, the Administration proposes to limit the amount treated as a dividend (and the associated foreign tax credits) from the purchaser to the amount of the purchaser's earnings and profits attributable to stock owned by U.S. persons related to the seller. If the purchaser is a domestic corporation, taxpayers may take the position that stock basis need not be reduced by the nontaxed portion of the dividend. The proposal would also clarify that a deemed dividend from a purchaser that is a domestic corporation should generally be treated as an extraordinary dividend requiring a basis reduction. The proposal would further require gain recognition to the extent that the nontaxed portion exceeds the basis of the shares transferred. The proposal would be effective for transactions on or after the date of first committee action.

Expand Subpart F provisions regarding income from notional principal contracts and stock lending transactions.—Subpart F income includes income from notional principal contracts referenced to foreign currency, commodities, or interest rates, or to indices based thereon. It also includes income with respect to the lending of debt securities. Subpart F income does not include income from equity swaps or other types of notional principal contracts or income from transfers of equities. Subpart F income should include income from all types of notional principal contracts and from stock-lending transactions, because such income is indistinguishable on policy grounds from other types of highly mobile income already targeted by Subpart F. The Administration is proposing to include in Subpart F income the net income from equity swaps and certain categories of notional principal contracts that are not reached by current law, as well as income from stock lending transactions. An ordinary-course-of-business exception would be provided for regular dealers in property, forwards, options, notional principal contracts, and similar financial instruments. The proposal would be effective for taxable years beginning after the date of enactment.

Modify taxation of captive "insurance" companies.—For tax purposes, "insurance" has been defined by the courts to require "risk shifting" or "risk distribution." In the case of a "captive" insurance company, one court has held that risk-shifting and risk-distribution requirements are satisfied even if the captive's "related person insurance income" accounts for nearly 70 percent of its total business. The Administration proposes that an insurance arrangement between a captive insurer and a large shareholder of the captive generally would not be respected as a valid insurance arrangement if more than 50 percent of the captive's net written premiums were attributable to the insurance or reinsurance of large-shareholder risks. In addition, such a captive would not be considered an insurance company for tax purposes. The proposal would be effective for taxable years beginning after the date of enactment.

Modify foreign tax credit carryback and carryforward rules.—The United States permits taxpayers to credit income taxes paid to a foreign government against U.S. tax on foreign source income. Through the foreign tax credit limitations, the Code prevents the use of foreign tax credits to reduce U.S. tax on U.S. source income. Under the foreign tax credit mechanism, current foreign income taxes in excess of the relevant current-year foreign tax credit limitation are not creditable against current U.S. tax liabilities. However, such excess foreign tax credits generally may be carried back for two years and carried forward for five years, and used as a credit to the extent there is excess foreign tax credit limitation (that is, an excess of the foreign tax credit limitation over creditable foreign taxes) in any of those years. Experience over the years has shown, however, that carrybacks are associated with increased complexity and administrative burdens as compared to carryforwards. Therefore, to reduce such complexity and burdens, the proposal would limit foreign tax credit carrybacks to one year and extend foreign tax credit carryforwards to seven years. The proposal would be effective for foreign taxes paid or accrued or deemed paid or accrued in taxable years beginning on or after January 1, 1998.

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

Modify rules relating to foreign oil and gas extraction income.—To be eligible for the U.S. foreign tax credit, a foreign levy must be the substantial equivalent of an income tax in the U.S. sense, regardless of the label the foreign government attaches to it. Under regulations, a foreign levy is a tax if it is a compulsory payment under the authority of a foreign government to levy taxes and is not compensation for a specific economic benefit provided by the foreign country. Taxpayers that are subject to a foreign levy and that also receive (directly or indirectly) a specific economic benefit from the levying country are referred to as "dual capacity" taxpayers and may not claim a credit for that portion of the foreign levy paid as compensation for the specific economic benefit received. The proposal would treat as taxes payments by a dual-capacity taxpayer to a foreign country that would otherwise qualify as income taxes or "in lieu of" taxes, only if there is a "generally applicable income tax" in that country. For this purpose, a generally applicable income tax is an income tax (or a series of income taxes) that applies to trade or business income from sources in that country, so long as the levy has substantial application both to non-dual-capacity taxpayers and to persons who are citizens or residents of that country. Where the foreign country does generally impose an income tax, as under present law, credits would be allowed up to the level of taxation that would be imposed under that general tax, so long as the tax satisfies the new statutory definition of a "generally applicable income tax." The proposal would treat foreign oil and gas income as Subpart F income. It also would create a new foreign tax credit basket within Section 904 for foreign oil and gas income. The proposal would be effective for taxable years beginning after the date of enactment. The proposal would yield to U.S. treaty obligations that allow a credit for taxes paid or accrued on certain oil or gas income.

Phase out preferential tax deferral for certain large farm corporations required to use accrual accounting.—Under the Revenue Act of 1987, family farm corporations were required to change to the accrual method of accounting if their gross receipts exceeded $25 million in any taxable year beginning after 1985. However, in lieu of including in gross income the entire amount of the adjustment attributable to the change in accounting method, a family farm corporation could establish a suspense account. The amount of the suspense account was to be included in gross income if the corporation ceased to be a family corporation or to the extent the gross receipts of the corporation from farming declined. To eliminate the potential indefinite deferral of the adjustment, the Administration proposes to repeal the ability of family farm corporations to establish such suspense accounts. Any taxpayer subsequently required to change to the accrual method of accounting would be required to take the adjustment into account generally over a ten-year period. Any existing suspense accounts would be restored to income ratably over a ten-year period, or sooner to the extent provided under existing law. This provision would be effective for taxable years beginning after September 13, 1995.

Repeal lower of cost or market inventory accounting method.—Taxpayers required to maintain inventories are permitted to use a variety of methods to determine the cost of their ending inventories, including the last-in, first-out (LIFO) method, the first-in, first-out (FIFO) method, and the retail method. Taxpayers not using a LIFO method may determine the carrying values of their inventories by applying the lower of cost or market (LCM) method and by writing down the cost of goods that are unsalable at normal prices or unusable in the normal way because of damage, imperfection or other causes (subnormal goods method). The allowance of write-downs under the LCM and subnormal goods methods is essentially a one-way mark-to-market method that understates taxable income. The Administration proposes to repeal the LCM and subnormal goods methods, effective for taxable years beginning after the date of enactment.

Repeal components of cost inventory accounting method.—Taxpayers that use the LIFO method to determine the cost of their ending inventories may use a variety of dollar-value methods, including double extension, link-chain and other index methods, in order to determine whether an increment has occurred and the cost of that increment. Certain taxpayers are permitted to use simplified LIFO methods based on externally developed price indexes. Some taxpayers that use a dollar-value, double-extension method make their computations with respect to the three components of cost (materials, labor and overhead) of their finished goods and work-in-process inventories (the COC method), rather than the aggregate cost of these goods (the total product cost method). The COC method, in many cases, does not adequately account for technological efficiencies in which skilled labor is substituted for less-skilled labor or where overhead costs replace direct labor costs. The Administration is proposing to repeal the COC method effective for taxable years beginning after the date of enactment.

Expand requirement that involuntarily converted property be replaced with property acquired from an unrelated party.—Gain realized by taxpayers from certain involuntary conversions is deferred to the extent the taxpayer purchases property similar or related in service or use to the converted property within a specified period of time. C corporations (and partnerships with one or more corporate partners that own more than 50 percent of the capital or profits interest in the partnership) generally are not entitled to defer gain if the replacement property is purchased from a related person. The Administration proposes to extend this rule to any other taxpayer, including an individual, that acquires replacement property from a related person, unless the taxpayer has an aggregate realized gain of $100,000 or less during the year as a result of involuntary conversions. In the case of a partnership or S corporation, the $100,000 annual limitation would apply to the entity and each partner or shareholder. The proposal would generally be effective for involuntary conversions occurring after September 13, 1995.

Place further restrictions on like-kind exchanges involving personal property.—An exchange of property, like a sale, is generally a taxable transaction. However, no gain or loss is recognized if property held for productive use in a trade or business or for investment is exchanged for property of a like kind that is to be held for productive use in a trade or business or for investment. In general, any kind of real estate is treated as of a like kind with other real property; however real property located in the United States and real property located outside the United States are not of a like kind. For personal property, property of a "like class" is treated as being of a like kind; no restrictions apply with regard to location in or outside the United States. To conform the limitations on exchanges of personal property to the limitations on exchanges of real property, the Administration proposes that effective for exchanges on or after the date of first committee action, personal property located in the United States and personal property located outside the United States would not be treated as like kind.

Require registration of certain confidential corporate tax shelters.—Many corporate tax shelters are not registered with the Internal Revenue Service (IRS). Requiring registration of corporate tax shelters would allow the IRS to make better informed judgments regarding the audit of corporate tax returns and to monitor whether legislation or administrative action is necessary regarding the type of transactions being registered. The Administration is therefore proposing the registration of any investment, plan, arrangement or transaction: (1) a significant purpose of the structure of which is tax avoidance or evasion by a corporate participant, (2) that is offered to any potential participant under conditions of confidentiality, and (3) for which the tax shelter promoter may receive total fees in excess of $100,000. The proposal would be effective for any tax shelter offered to potential participants after the date the Secretary of the Treasury prescribes guidance regarding the filing requirements.

Require reporting of payments to corporations rendering services to Federal agencies.—All persons engaged in a trade or business and making payments of $600 or more to another person in remuneration for services generally must report those payments to the IRS and to the recipient. No reporting is required if the recipient is a corporation, permitting significant amounts of income to escape the tax system. To ensure that corporations that do business with the Federal Government appropriately report as income their payments from the Federal Government, the Administration proposes to require executive agencies to report payments of $600 or more made to corporations for services rendered. The proposal would be effective for returns the due date of which is more than 90 days after the date of enactment.

Increase penalties for failure to file correct information returns.—Any person who fails to file required information returns in a timely manner or incorrectly reports such information is subject to penalties. For taxpayers filing large volumes of information returns or reporting significant payments, existing penalties ($15 per return, not to exceed $75,000 if corrected within 30 days; $30 per return, not to exceed $150,000 if corrected by August 1; and $50 per return, not to exceed $250,000 if not corrected at all) may not be sufficient to encourage timely and accurate reporting. The Administration proposes to increase the general penalty amount, subject to the overall dollar limitations, to the greater of $50 per return or 5 percent of the total amount required to be reported. The increased penalty would not apply if the aggregate amount actually reported by the taxpayer on all returns filed for that calendar year was at least 97 percent of the amount required to be reported. The increased penalty would be effective for returns the due date for which is more than 90 days after the date of enactment.

Tighten the substantial understatement penalty for large corporations.—Currently taxpayers may be penalized for erroneous, but non-negligent, return positions if the amount of the understatement is "substantial" and the taxpayer did not disclose the position in a statement with the return. "Substantial" is defined as ten percent of the taxpayer's total current tax liability, but this can be a very large amount. This has led some large corporations to take aggressive reporting positions where huge amounts of potential tax liability are at stake—in effect playng the audit lottery—without any downside risk of penalties if they are caught, because the potential tax still would not exceed ten percent of the company's total tax liability. To discourage such aggressive tax planning, the proposal considers any deficiency greater than $10 million to be "substantial" for purposes of the substantial understatement penalty, whether or not it exceeds ten percent of the taxpayer's liability. The proposal, which would be effective for taxable years beginning after the date of enactment, affects only taxpayers that have tax liabilities greater than or equal to $100 million.

Repeal exemption for withholding on gambling winnings from bingo and keno in excess of $5,000.—Proceeds of most wagers with odds of less than 300 to 1 are exempt from withholding, as are all bingo and keno winnings. The proposal would impose withholding on proceeds of bingo or keno in excess of $5,000 at a rate of 28 percent, regardless of the odds of the wager, effective for payments made after the date of enactment.

Require tax reporting for payments to attorneys.—Tax information reporting is required for persons engaged in a trade or business making payments of rent, salaries, wages, or other fixed or determinable income in the course of the trade or business. Treasury regulations require a payor to report payments of attorney's fees if the payments are made in the course of a trade or business, although generally a payor is not required to report payments made to corporations. If a payment to an attorney is a gross amount, and it cannot be determined what portion is the attorney's fee (as in the case of lump-sum judgments or settlements made jointly payable to a lawyer and a plaintiff), then no reporting is required. The Administration proposes requiring that any person making a payment in the course of a trade or business to a lawyer or a law firm, whether as sole or joint payee, report the payment to the IRS. When the portion that constitutes fees cannot be determined, the amount paid would be reported as gross proceeds. A lawyer receiving a payment would be required to provide his or her taxpayer identification number to the payor or be subject to backup withholding and applicable penalties. The exception for payments to corporations would not apply to payments of attorney's fees. The proposal would be effective for payments made after December 31, 1997.

Extend oil spill excise tax.—Before January 1, 1995, a five-cents-per-barrel excise tax was imposed on domestic crude oil and imported oil and petroleum products. The tax was dedicated to the Oil Spill Liability Trust Fund to finance the cleanup of oil spills and was not imposed for a calendar quarter if the unobligated balance in the Trust Fund exceeded $1 billion at the close of the preceding quarter. The Administration proposes to reinstate this tax for the period after the date of enactment and before October 1, 2007. The tax would be suspended for a given calendar quarter if the unobligated Trust Fund balance at the end of the preceding quarter exceeded $2.5 billion.

Impose excise taxes on kerosene as diesel fuel.—A 24.3-cents-per-gallon excise tax is imposed on diesel fuel upon removal from a registered terminal facility unless the fuel is indelibly dyed and is destined for a nontaxable use. Treasury regulations provide that kerosene is not treated as a diesel fuel for this purpose; thus, undyed kerosene is not subject to the diesel fuel excise tax when it is removed from a terminal. Undyed kerosene is subject to tax, however, when it is blended with previously taxed diesel fuel. Some producers of this blended fuel may not be paying the tax, thereby placing complying taxpayers at a competitive disadvantage and resulting in revenue losses to the Federal government. Effective July 1, 1998, the Administration proposes to tax kerosene as diesel fuel when it is removed from a terminal. Exceptions would be provided for aviation fuel and, to the extent provided in regulations, for feedstock uses. In addition, special refund rules would apply in certain cases of kerosene used for heating purposes.

Limit extension of tax credit for producing fuel from a nonconventional source.—The Small Business Job Protection Act extended the $3 per barrel synthetic fuels tax credit to apply to synthetic fuels from coal and gas from biomass sold before January 1, 2008, if produced from facilities placed in service before July 1, 1998, pursuant to a binding contract entered into before January 1, 1997. The prior law placed in service and binding contract dates had been January 1, 1997 and January 1, 1996, respectively. The Administration proposes to modify the extension of the placed-in-service date by moving it to July 1, 1997; the binding contract date would not be modified.

Extend and modify Federal Unemployment Act (FUTA) provisions.—The temporary unemployment surtax of 0.2 percent imposed on employers, which is scheduled to expire with respect to wages paid after December 31, 1998, is proposed to be extended through December 31, 2007. Beginning in 2002, the Administration proposes to require an employer to pay Federal and State unemployment taxes monthly (instead of quarterly) in a given year, if the employer's FUTA tax liability in the immediately prior year was $1,100 or more.

Other Provisions That Affect Receipts

Extend environmental tax on corporate taxable income deposited in the Hazardous Substance

Superfund Trust Fund.—A tax equal to 0.12 percent of alternative minimum taxable income (with certain modifications) in excess of $2 million is levied on all corporations and deposited in the Hazardous Substance Superfund Trust Fund. The Administration proposes to reinstate this tax, which expired on December 31, 1995, for taxable years beginning after December 31, 1996 and before January 1, 2008.

Extend excise taxes deposited in the Hazardous Substance Superfund Trust Fund.—The excise taxes that are levied on petroleum, chemicals, and imported substances and deposited in the Hazardous Substance Superfund Trust Fund, are proposed to be reinstated for the period after the date of enactment and before October 1, 2007. These taxes expired on December 31, 1995.

Extend excise taxes deposited in the Leaking Underground Storage Tank (LUST) Trust Fund.—The excise taxes that are levied on gasoline, other motor fuels, methanol and ethanol fuels, aviation fuel, and on fuels used in inland waterways and deposited in the LUST Trust Fund, expired on December 31, 1995. The Administration proposes to reinstate these taxes for the period after the date of enactment and before October 1, 2007.

Extend excise taxes deposited in the Airport and Airway Trust Fund/assess fees for Federal Aviation Administration (FAA) services.—The excise taxes that are levied on domestic air passenger tickets, international departures, domestic air cargo and non-commercial aviation fuels and deposited in the Airport and Airway Trust Fund, are proposed to be reinstated for the period April 1, 1997 through September 30, 2007. These taxes expired on December 31, 1996. The Administration will propose legislation to completely replace these taxes, effective October 1, 1998, with cost-based user fees, as part of the Administration's effort to create a more business-like Federal Aviation Administration.

Extend the Generalized System of Preferences (GSP) and modify other trade provisions.—Under GSP duty-free access is provided to over 4,000 items from eligible developing countries that meet certain worker rights, intellectual property protection, and other criteria. The Administration proposes to extend the program, which expires May 31, 1997. The Administration also proposes to provide expanded trade benefits mainly on textiles and apparel to Caribbean Basin countries that meet new eligibility criteria to prepare for a future free trade agreement with the U.S. The program is proposed to expire on September 30, 2005. The Administration also proposes to implement the OECD Shipbuilding Agreement.

Assess fees for examination of FDIC-insured banks and bank holding companies (receipt effect).—The Administration proposes to require the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve to assess fees for examination of FDIC-insured banks and bank holding companies. The Federal Reserve currently funds the costs of such examinations from earnings; therefore, deposits of earnings by the Federal Reserve, which are classified as governmental receipts, will increase by the amount of the fees.

Modify method of reimbursing Federal Reserve Banks.—Beginning in fiscal year 1998 and thereafter, the Administration proposes to appropriate such sums as may be necessary to reimburse Federal Reserve Banks in their capacity as depositaries and fiscal agents for the United States for all services required or directed by the Secretary of the Treasury to be performed by such banks on behalf of the Treasury or other fiscal agencies. These payments to the Federal Reserve Banks would be deficit neutral because they would result in corresponding increases in deposits of earnings by the Federal Reserve.

Establish IRS continuous levy.—The Administration seeks to strengthen the enforcement tools available to the IRS to recover delinquent tax debt. New authority is proposed for the IRS to effect a continuous levy on non-means tested Federal payments, such as Federal salaries and pensions, received by individuals who owe delinquent tax debt.

Assess fees for National Transportation Safety Board (NTSB) aviation accident investigation activities.—Beginning in 1998, the Administration proposes to charge a fee on commercial air carrier operations to offset a portion of the NTSB's growing cost of commercial aviation accident investigations.

Establish alien labor certification fee.—To protect U.S. workers, the Employment and Training Administration of the Department of Labor administers the Alien Labor Certification program. This program determines the admissibility of aliens to work in the United States. Consistent with a recommendation by the National Performance Review, the Administration proposes to charge employers who benefit from the program a fee for alien labor certification services.

Exempt Federal vaccine purchases from the payment of the vaccine excise tax.—The Administration proposes to exempt vaccine purchases paid through grants from the Centers for Disease Control and Prevention and the Health Care Financing Administration from payment of the vaccine excise tax. The proposal is effective for purchases after September 30, 1997 and before September 30, 1998.

Extend and increase Food and Drug Administration (FDA) user fees.—To finance FDA activities, the Administration proposes to reauthorize the Prescription Drug User Fee Act (PDUFA) of 1992 and the Mammography Quality Standards Act (MQSA), which are currently authorized through fiscal year 1997. PDUFA authorizes the collection of fees paid by the pharmaceutical industry to expedite FDA's review of human drug applications and MQSA authorizes the collection of fees for the inspection of mammography facilities. Along with the continued collection of these fees, the Administration proposes new fees effective October 1, 1997 for medical device reviews, animal drug approvals, import inspections, food additive petition reviews, generic/over-the-counter drug applications, and the postmarket surveillance of products.

Initiate Health Care Financing Administration (HCFA) Medicare survey and certification fee.—In order to participate in the Medicare program (or the Medicaid program for dually-participating providers), providers must demonstrate that they comply with Federal health and safety standards. Program certification allows them to provide services to Medicare and Medicaid beneficiaries. Beginning in fiscal year 1998, the Administration would require State survey agencies to impose fees on health care providers for initial surveys required as a condition of participation in the Medicare program. The proposal would allow State survey agencies to collect and retain fees from health care providers to cover the cost of conducting initial surveys.

Increase employee contributions to the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS).—The Administration proposes to increase employee contributions to CSRS and FERS by 0.5 percent of base pay in three steps. Contributions would increase by 0.25 percent of base pay on January 1, 1999, another 0.15 percent on January 1, 2000 and a final 0.10 percent on January 1, 2001. These higher contribution rates would be effective through 2002; on January 1, 2003, contribution rates would return to the levels in effect on December 31, 1998.

Modify Federal pay raise (receipt effect).—The Administration is proposing a pay raise of 2.8 percent for 1998, less than the raise that would take effect under normal operation of the law. This raise would cover both the national schedule and the locality pay adjustments. The lower proposed pay raise affects Federal employees' contributions to CSRS and FERS.

Tax Simplification and Taxpayers' Rights

The Administration continues to support revenue-neutral initiatives designed to promote sensible and equitable administration of the tax laws. These include simplification, technical corrections, and taxpayer compliance measures. The Administration will propose to Congress in the near future a package of measures to simplify the tax laws and enhance taxpayers' rights. In addition to legislative initiatives, the Administration is committed to taking appropriate administrative action to simplify tax laws and enhance procedural safeguards for taxpayers.

Table 3–3. EFFECT OF PROPOSALS ON RECEIPTS

(In billions of dollars)

	Estimate						
	1997	1998	1999	2000	2001	2002	1998–2002
Provide tax relief and extend expiring provisions:							
Middle Class Bill of Rights:							
Provide tax credit for dependent children	–0.7	–9.9	–6.8	–8.6	–10.4	–10.4	–46.0
Expand Individual Retirement Accounts (IRAs)	....	–1.5	–0.5	–0.8	–1.2	–1.7	–5.5
Provide tax incentive for education and training	–0.1	–4.0	–6.2	–7.8	–8.6	–9.4	–36.1
Subtotal, Middle Class Bill of Rights	–0.8	–15.4	–13.5	–17.2	–20.2	–21.4	–87.6
Provide targeted welfare-to-work tax credit	....	–0.1	–0.1	–0.2	–0.1	–0.1	–0.6
Provide capital gains exclusion on sale of principal residence	–0.1	–0.3	–0.3	–0.3	–0.3	–0.2	–1.4
Establish DC tax incentive program	....	–*	–*	–0.1	–0.1	–0.1	–0.3
Provide estate tax relief for small business	....	–*	–0.2	–0.2	–0.2	–0.2	–0.7
Provide tax incentives for distressed areas	–*	–0.4	–0.5	–0.5	–0.5	–0.4	–2.3
Provide tax credit for investment in community development financial institutions (CDFI)	....	–*	–*	–*	–*	–*	–*
Toll statute of limitations for incapacitated taxpayers	....	....	....	....	–*	–*	–0.1
Allow Foreign Sales Corporation (FSC) benefits for computer software licenses	–*	–0.1	–0.1	–0.1	–0.1	–0.1	–0.6
Extend exclusion for employer-provided educational assistance	–0.1	–0.6	–0.7	–0.8	–0.2	....	–2.3
Extend R&E tax credit	–0.4	–0.8	–0.5	–0.2	–0.1	–*	–1.7
Extend orphan drug tax credit	–*	–*	–*	–*	–*	–*	–*
Extend work opportunity tax credit	....	–0.1	–0.2	–0.1	–*	–*	–0.4
Extend deduction for contributions of appreciated stock	....	–*	–*	....	....	....	–0.1
Extend and modify Puerto Rico economic-activity tax credit	....	–*	–0.1	–0.1	–0.1	–0.1	–0.4
Subtotal, Provide tax relief and extend expiring provisions	–1.4	–17.9	–16.2	–19.6	–21.9	–22.8	–98.4
Eliminate unwarranted benefits and adopt other revenue measures:							
Deny interest deduction on certain debt instruments	*	0.1	0.1	0.2	0.2	0.3	0.8
Defer original issue discount deduction on convertible debt	....	*	*	*	*	0.1	0.2

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

(In billions of dollars)

	Estimate						
	1997	1998	1999	2000	2001	2002	1998–2002
Limit dividends-received deduction (DRD):							
Reduce DRD to 50 percent	....	0.3	0.3	0.4	0.4	0.4	1.7
Eliminate DRD for certain stock	....	*	*	*	*	0.1	0.2
Modify holding period for DRD	....	*	*	*	*	*	0.1
Interaction	....	–*	–*	–*	–*	–*	–*
Extend pro-rata disallowance of tax-exempt interest expense to all corporations	....	*	*	*	0.1	0.1	0.2
Require average-cost basis for stocks, securities, etc.	....	0.6	0.6	0.6	0.6	0.6	3.0
Require recognition of gain on certain stocks, indebtedness and partnership interests	....	*	0.1	0.1	0.1	0.1	0.3
Change the treatment of gains and losses on extinguishment	....	*	*	*	*	*	*
Require reasonable payment assumptions for interest accruals on certain debt instruments	....	0.1	0.2	0.3	0.3	0.2	1.1
Require gain recognition for certain extraordinary dividends	0.4	0.6	*	*	*	*	0.6
Repeal percentage depletion for non-fuel minerals mined on Federal and formerly Federal lands	*	0.1	0.1	0.1	0.1	0.1	0.5
Modify loss carryback and carryforward rules	*	0.1	0.6	0.8	0.7	0.6	2.9
Treat certain preferred stock as ‘‘boot’’	*	0.1	0.2	0.2	0.2	0.1	0.8
Repeal tax-free conversions of large C corporations to S corporations	....	*	*	*	*	*	0.1
Require gain recognition in certain distributions of controlled corporation stock	*	0.1	0.1	0.1	0.1	0.1	0.3
Reform treatment of certain stock transfers	*	0.1	0.1	0.1	0.1	0.2	0.7
Expand Subpart F provisions regarding certain income	....	*	*	*	*	*	0.2
Modify taxation of captive ‘‘insurance’’ companies	....	*	*	*	*	*	0.1
Modify foreign tax credit carryback and carryforward rules	....	*	0.3	0.3	0.3	0.3	1.2
Replace sales source rules with activity-based rules	....	0.9	1.5	1.6	1.8	1.9	7.5
Modify rules relating to foreign oil and gas extraction income	....	*	0.1	0.1	0.1	0.1	0.4
Phase out preferential tax deferral for certain large farm corporations required to use accrual accounting	*	0.1	0.1	0.1	0.1	0.1	0.6
Initiate inventory reform:							
Repeal lower of cost or market method	*	0.2	0.4	0.4	0.4	0.2	1.5
Repeal components of cost method	*	0.1	0.2	0.2	0.2	0.2	0.9
Expand requirement that involuntarily converted property be replaced with property acquired from an unrelated party	....	*	*	*	*	*	*
Place further restrictions on like-kind exchanges involving personal property	*	*	*	*	*	*	0.1
Require registration of certain corporate tax shelters	....	*	*	*	*	*	*
Require reporting of payments to corporations rendering services to Federal agencies	....	*	*	*	*	0.1	0.2
Increase penalties for failure to file correct information returns	....	*	*	*	*	*	0.1
Tighten substantial understatement penalty for large corporations	....	*	*	*	*	*	0.2
Repeal exemption for withholding on gambling winnings from bingo and keno in excess of $5,000	*	*	*	*	*	*	*
Require tax reporting for payments to attorneys	....	....	*	*	*	*	*
Extend oil spill excise tax [1]	*	0.2	0.2	0.2	0.2	0.2	1.1
Impose excise taxes on kerosene as diesel fuel [1]	*	*	*	*	*	*	0.2
Limit extension of tax credit for producing fuel from a nonconventional source	*	0.1	0.1	0.1	0.1	0.1	0.5
Extend and modify FUTA provisions:							
Extend FUTA surtax [1]	....	....	0.9	1.2	1.3	1.3	4.7
Accelerate deposit of unemployment insurance taxes	....	....	....	....	....	1.3	1.3
Subtotal, Eliminate unwarranted benefits	0.6	4.1	6.3	7.3	7.6	8.9	34.3
Other provisions that affect receipts:							
Extend corporate environmental tax [2]	....	1.1	0.7	0.8	0.8	0.8	4.2
Extend Superfund excise taxes [1]	0.1	0.7	0.7	0.7	0.7	0.7	3.4
Extend LUST excise taxes [1]	*	0.1	0.1	0.1	0.1	0.1	0.6
Extend aviation excise taxes/new user fees [1, 3]	2.3	5.0	6.7	6.6	6.8	7.0	32.2
Extend GSP and modify other trade provisions [1]	....	–0.7	–0.5	–0.6	–0.7	–0.8	–3.3
Assess fees for examination of FDIC-insured banks and bank holding companies (receipt effect) [1]	....	0.1	0.1	0.1	0.1	0.1	0.4
Modify method of reimbursing Federal Reserve Banks (receipt effect)	....	0.1	0.1	0.1	0.1	0.1	0.6
Establish IRS continuous levy	....	0.4	0.4	0.4	0.3	0.2	1.6
Assess fees for NTSB aviation accident investigation activities [1]	....	*	*	*	*	*	*
Establish alien labor certification fee [1]	....	*	*	*	*	*	0.2
Exempt Federal vaccine purchases from the payment of vaccine excise taxes [1]	....	–0.1	....	....	....	....	–0.1
Extend and increase FDA user fees [1]	....	0.2	0.2	0.2	0.2	0.2	1.0
Initiate HCFA Medicare survey and certification fee [1]	....	*	*	*	*	*	*
Increase employee contributions to CSRS and FERS	....	....	0.2	0.4	0.6	0.6	1.8
Modify Federal pay raise (receipt effect)	....	–0.2	–0.2	–0.2	–0.2	–0.2	–1.0
Subtotal, Other	2.4	6.8	8.5	8.6	8.8	9.0	41.7
Subtotal, Eliminate unwarranted benefits and other provisions that affect receipts	3.0	10.9	14.9	15.9	16.4	17.9	76.0

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

(In billions of dollars)

	Estimate						
	1997	1998	1999	2000	2001	2002	1998–2002
Total effect of proposals [1]	**1.6**	**–7.0**	**–1.4**	**–3.7**	**–5.5**	**–4.9**	**–22.4**

* $50 million or less.
[1] Net of income offsets.
[2] Net of deductibility for income tax purposes.
[3] The aviation excise taxes are proposed to be reinstated effective April 1, 1997. In addition, the Administration proposes that aviation excise taxes be repealed effective October 1, 1998 and replaced with cost-based user fees.

Table 3–4. RECEIPTS BY SOURCE

(In millions of dollars)

Source	1996 actual	1997 estimate	1998 estimate
Individual income taxes (federal funds):			
Existing law	656,417	674,342	708,356
Proposal (PAYGO)		-1,659	-17,178
Proposal (non-PAYGO)			21
Total individual income taxes	**656,417**	**672,683**	**691,199**
Corporation income taxes:			
Federal funds:			
Existing law	171,501	176,196	187,009
Proposal (PAYGO)		-1	1,280
Proposal (non-PAYGO)			4
Total Federal funds corporation income taxes	171,501	176,195	188,293
Trust funds:			
Hazardous substance superfund	323	4	
Proposal (PAYGO)			1,369
Total corporation income taxes	**171,824**	**176,199**	**189,662**
Social insurance taxes and contributions (trust funds):			
Employment taxes and contributions:			
Old-age and survivors insurance (Off-budget)	311,869	334,139	349,435
Disability insurance (Off-budget)	55,623	54,764	55,509
Hospital insurance	104,997	109,180	114,167
Railroad retirement:			
Social Security equivalent account	1,510	1,496	1,486
Rail pension and supplemental annuity	2,362	2,384	2,375
Total employment taxes and contributions	476,361	501,963	522,972
On-budget	108,869	113,060	118,028
Off-budget	367,492	388,903	404,944
Unemployment insurance:			
State taxes deposited in Treasury [1]	22,706	23,517	24,496
Federal unemployment tax receipts [1]	5,854	5,920	5,976
Railroad unemployment tax receipts [1]	24	28	67
Total unemployment insurance	28,584	29,465	30,539
Other retirement contributions:			
Federal employees' retirement—employee contributions	4,389	4,266	4,370
Proposal (non-PAYGO)			-164
Contributions for non-Federal employees [2]	80	72	66
Total other retirement contributions	4,469	4,338	4,272
Total social insurance taxes and contributions	**509,414**	**535,766**	**557,783**
On-budget	141,922	146,863	152,839
Off-budget	367,492	388,903	404,944
Excise taxes:			
Federal funds:			
Alcohol taxes	7,220	7,171	7,119
Tobacco taxes	5,795	5,694	5,661
Transportation fuels tax	7,468	7,669	7,835
Telephone and teletype services	4,234	4,485	4,746
Ozone depleting chemicals and products	320	113	47
Other Federal fund excise taxes	410	1,363	1,341
Proposal (PAYGO)		-327	952
Proposal (non-PAYGO)			-24
Total Federal fund excise taxes	25,447	26,168	27,677
Trust funds:			
Highway	24,651	24,880	25,332
Proposal (PAYGO)		2	-617
Airport and airway	2,369	1,439	
Proposal (PAYGO)		3,384	6,391
Aquatic resources	315	324	331
Black lung disability insurance	614	604	613
Inland waterway	108	117	121
Hazardous substance superfund	313		
Proposal (PAYGO)		147	881
Oil spill liability	34		
Proposal (PAYGO)		34	296
Vaccine injury compensation	115	125	125
Proposal (non-PAYGO)			-73
Leaking underground storage tank	48		
Proposal (PAYGO)		23	162
Total trust funds excise taxes	28,567	31,079	33,562
Total excise taxes	**54,014**	**57,247**	**61,239**
Estate and gift taxes:			
Existing law	17,189	17,588	18,818
Proposal (PAYGO)			-1
Total estate and gift taxes	**17,189**	**17,588**	**18,817**
Customs duties:			
Federal funds	17,910	16,545	18,271
Proposal (PAYGO)			-799
Trust funds	760	783	835
Total customs duties	**18,670**	**17,328**	**18,307**
MISCELLANEOUS RECEIPTS: [3]			
Miscellaneous taxes	110	123	127
United Mine Workers of America combined benefit fund	304	311	280
Deposit of earnings, Federal Reserve System	20,477	23,184	22,788
Proposal (PAYGO)			96
Proposal (non-PAYGO)			122
Fees for permits and regulatory and judicial services	2,896	3,456	4,533
Proposal (PAYGO)			278
Fines, penalties, and forfeitures	1,744	1,412	1,435
Gifts and contributions	122	139	187
Refunds and recoveries	-119	-11	-11
Total miscellaneous receipts	**25,534**	**28,614**	**29,835**
Total budget receipts	**1,453,062**	**1,505,425**	**1,566,842**
On-budget	1,085,570	1,116,522	1,161,898
Off-budget	367,492	388,903	404,944
MEMORANDUM			
Federal funds	916,802	938,126	973,677
Trust funds	353,105	366,155	396,764
Interfund transactions	-184,337	-187,759	-208,543
Total on-budget	**1,085,570**	**1,116,522**	**1,161,898**
Off-budget (trust funds)	**367,492**	**388,903**	**404,944**

Table 3–4. RECEIPTS BY SOURCE—Continued

(In millions of dollars)

Source	1996 actual	1997 estimate	1998 estimate
Total	**1,453,062**	**1,505,425**	**1,566,842**

[1] Deposits by States are State payroll taxes that cover benefit part of the program. Federal unemployment tax receipts cover administrative costs at both the Federal and State level. Railroad unemployment tax receipts cover both the benefits and adminstrative costs of the program for the railroads.

[2] Represents employer and employee contributions to the civil service retirement and disability fund for covered employees of Government-sponsored, privately owned enterprises and the District of Columbia municipal government.

[3] Includes both Federal and trust funds. Trust fund amounts in miscellaneous receipts are 1996: $557 million; 1997: $663 million; and 1998: $687 million.

4. USER FEES AND OTHER COLLECTIONS

In addition to collecting taxes and other governmental receipts by the exercise of its sovereign powers, the Federal Government earns income from its various business-type activities. Examples of this income include the sale of postage stamps and electricity, the collection of fees for admittance to national parks, premiums for deposit insurance, and rents and royalties for the right to extract oil from the Outer Continental shelf. Because these collections stem from business-type activities, as opposed to exercise of sovereign powers, they are subtracted from gross outlays rather than added to the taxes and other governmental receipts discussed in the previous chapter. Because these collections reduce outlays, they are called "offsetting collections." The purpose of this treatment is to produce budget totals for receipts, outlays, and budget authority in terms of the amount of resources allocated governmentally, through collective political choice rather than through the market.

Offsetting collections are classified into two major categories: offsetting receipts, which are deposited in receipt accounts; and offsetting collections credited to appropriations (expenditure) accounts, which are deposited directly in these accounts and usually can be spent without further action by the Congress. Both categories include collections from other accounts within the Government as well as the public. Chapter 24, "Budget System and Concepts," explains the budgetary treatment of these collections more fully.

The term "user fee" is not a separate budget category for collections. It is a general term referring to fees charged to users directly availing themselves of, or subject to, a government service, program, or activity, in order to cover the government's costs. Depending primarily on whether the user charge is based on the Government's sovereign power or business-type activity, it may be classified as a governmental receipt or an offsetting collection.

As shown in Table 4–1, total offsetting collections from the public (including those proposed in this budget) are estimated to be $209.1 billion 1998. This is only 13 percent as large as the governmental receipts discussed in the previous chapter. Table 4–1 divides this total between offsetting receipts and offsetting collections credited to appropriations accounts and shows major subcategories of each. Table 4–3 provides more detail for offsetting receipts collected from the public and offsetting receipts collected from other accounts within the Government.

The budget contains a variety of user fee and other collections proposals that would yield $1.6 billion in 1998 and $47.3 billion from 1998 through 2002. In addition, the Administration proposes dedicating $1.1 billion of existing collections in 1998, and $5.0 billion from 1998 through 2002 to discretionary spending. These proposals establish, increase, or extend fees in order to recover more of the costs of providing government services. Table 4–2 splits the proposals between discretionary and mandatory categories for the appropriate

Table 4–1. OFFSETTING COLLECTIONS FROM THE PUBLIC

(In millions of dollars)

Type	1996 actual	Estimate 1997	Estimate 1998
Collections deposited in receipt accounts:			
Medicare premiums	20,038	20,293	21,772
Military assistance trust fund property sales	14,747	13,760	13,400
Outer Continental Shelf payments, naval petroleum reserve lease and other undistributed offsetting receipts	3,742	4,152	9,817
Spectrum auction proceeds, undistributed	342	7,961	11,459
Sale of property and services, interest income and all other collections deposited in receipt accounts	20,139	23,401	26,194
Subtotal, collections from the public deposited in receipt accounts	59,008	69,567	82,642
Collections credited to appropriations accounts:			
Postal Service Stamp sales and other collections	55,477	56,801	58,533
Deposit insurance funds	10,320	12,363	4,524
Tennessee Valley Authority and Power Administration collections	9,440	8,096	9,284
Commodity Credit Corporation loan repayments and other collections	7,360	7,056	8,154
Other loan repayments	7,867	7,195	6,296
Loan guaranty and other insurance premiums, interest income and all other collections credited to appropriations accounts	46,927	43,529	39,661
Subtotal, collections from the public credited to appropriation accounts	137,391	135,040	126,452
Offsetting collections from the public	196,399	204,607	209,094
Offsetting collections from the public excluding off-budget Postal Service collections	140,922	147,806	150,561

scoring under the Budget Enforcement Act of 1990 (BEA). It includes user fees classified as offsetting collections and governmental receipts. The budget includes several specific proposals to fund discretionary spending with existing or new user fees that are governmental or offsetting receipts. Legislation will be proposed to authorize the fees and, upon enactment of the authorization, a budget amendment to the current appropriations language will be proposed to make the fees available for expenditure. Because the current requirements of the Budget Enforcement Act of 1990 make it difficult to fund discretionary programs with receipts not authorized in appropriations acts, the Administration is proposing a change in the requirements to facilitate enactment of such proposals.

Table 4–2. PROPOSED USER FEES AND OTHER COLLECTIONS

(In millions of dollars)

	1998	1999	2000	2001	2002	1998–2002
User fees:						
Discretionary fee proposals:						
New and increased fees:						
Department of Agriculture:						
Food Safety and Inspection Service—New meat, poultry, and eggs inspection fees	390	390	390	390	390	1,950
Animal and Plant Health Inspection Service—Establish new fees	10	10	10	10	10	50
Grain Inspection, Packers and Stockyards Administration— New standardization and licensing fees	16	19	19	19	19	92
Department of Transportation:						
Federal Railroad Administration—Extend railroad safety inspection fees	60	60	60	60	60	300
Surface Transportation Board—New fees to offset expenses	13	14	14	14	14	69
Department of Veterans Affairs—Veterans Health Administration:						
Medical care collections—extend expiring provisions	123	362	394	421	451	1,751
Social Security Administration:						
Increase user fees for SSA to administer State supplementation of SSI benefits to $7.25	40	70	80	80	90	360
Army Corps of Engineers:						
Increase wetlands dredging permit application fees	7	14	14	14	14	63
Federal Emergency Management Agency:						
Extend fee to cover 100% of radiological emergency preparedness program	12	12	12	12	12	60
National Capital Planning Commission:						
Establish Geographic Information System fees	*	*	*	*	*	*
Nuclear Regulatory Commission:						
Extend nuclear facility fees	—	310	310	310	310	1,240
Subtotal, new and increased discretionary user fees	671	1,261	1,303	1,330	1,370	5,935
Existing mandatory fees reclassified as discretionary:						
Department of Veterans Affairs—Veterans Health Administration:.						
Medical care current law collections	468	308	355	404	452	1,987
Governmental receipts dedicated to discretionary spending:						
New and increased fees:						
Department of Health and Human Services—Food and Drug Administration:						
Extend prescription drug user fees; establish new fees for medical device reviews, import inspections, and other FDA activities	237	252	267	282	297	1,335
Department of Labor—Employment and Training Administration:						
New alien labor certification user fee charged to employers	25	50	50	50	50	225
Department of Transportation:						
Federal Aviation Administration—establish cost-based fee system	300	8,734	8,862	9,099	9,342	36,337
National Transportation Safety Board:						
New accident investigation user fees	6	6	6	6	6	30
Subtotal, new and increased governmental receipts dedicated to discretionary spending	568	9,042	9,185	9,437	9,695	37,927
Existing governmental receipts dedicated to discretionary spending:						
Department of State:						
Immigration, passport and other fees	455	455	455	455	455	2,275
Machine readable visa fee	140	140	140	140	140	700
Subtotal, current law amounts dedicated to discretionary	595	595	595	595	595	2,975
Mandatory fee proposals:						
New and increased fees:						
Department of Agriculture—Agricultural Marketing Service:						
Recover costs for oversight of marketing agreements and orders	10	11	11	11	11	54
Department of Commerce:						
Patent and Trademark Office—Extend patent surcharge	—	119	119	119	119	476
Department of Health and Human Services:						
Health Care Financing Administration—New Medicare initial survey and certification fees (governmental receipt)	10	10	10	10	10	50

Table 4–2. PROPOSED USER FEES AND OTHER COLLECTIONS—Continued

(In millions of dollars)

	1998	1999	2000	2001	2002	1998–2002
Department of the Interior:						
Bureau of Land Management:						
Extend and index hardrock mining holding fees on public lands	1	32	33	34	35	135
Establish hardrock mining royalties on public lands (5% on net-smelter return)	—	42	63	35	35	175
National Park Service:						
Increase Hetch Hetchy Dam rental payments	1	1	1	1	1	5
Extend demonstration authority to collect recreation and related fees—(also affects Fish and Wildlife Service, Bureau of Land Management and Forest Service)	—	—	77	79	87	243
Establish Everglades sugar assessment	35	35	35	35	35	175
Department of Justice/Federal Trade Commission:						
Increase Hart-Scott-Rodino merger filing fees	70	70	70	70	70	350
Department of Transportation—Coast Guard:						
Extend vessel tonnage fees	—	62	62	62	62	248
Department of the Treasury—Financial Management Service:						
Establish fee on vendors for cost of payments by paper check	15	10	5	5	5	40
Department of Veterans Affairs—Veterans Benefits Administration:						
Conform fees for non-veterans in the home loan program to match Federal Housing Administration fees	26	26	26	26	27	131
Extend provisions that maintain higher loan fees and reduce resale losses on foreclosed properties	—	204	198	197	192	791
Federal Deposit Insurance Corporation/Federal Reserve:						
New examination fees for FDIC-insured banks and bank holding companies:						
Bank Insurance Fund—Collections net of premium reduction	79	82	-161	—	—	—
Federal Reserve—Collections (governmental receipt)	96	100	104	109	114	523
Subtotal, new and increased mandatory user fees	343	804	653	793	803	3,396
Total, existing user fees reclassified as, or dedicated to, discretionary spending	**1,063**	**903**	**950**	**999**	**1,047**	**4,962**
New and increased user fees:						
Federal Aviation Administration fees	300	8,734	8,862	9,099	9,342	36,337
All other new and increased user fees	1,282	2,373	2,279	2,461	2,526	10,921
Total, new and increased user fees	**1,582**	**11,107**	**11,141**	**11,560**	**11,868**	**47,258**

* $500,000 or less

Discretionary: The following proposed fees are classified as discretionary because the Appropriations Committees are being requested to authorize the fees and make them available for expenditure. In two cases—VA medical care third party collections and SSA State Administrative fees—the fees would be included in authorizing legislation but classified as discretionary under the Administration's proposed new rule.

Department of Agriculture

Food Safety and Inspection Service.—The 1998 Budget proposes a new user fee for USDA's Food Safety and Inspection Service (FSIS). Under the proposed fee, the meat, poultry and egg industries would be required to reimburse the Federal government for the cost of the salaries and benefits and other direct costs for all in-plant inspection. This new fee is estimated to generate approximately $390 million in new, annual revenues or approximately 70 percent of the current cost of the inspection system. Although presented in the budget as discretionary offsetting collections requiring Appropriations Committee action, the Administration will propose authorizing legislation to authorize the fees and, upon enactment, a budget amendment to the current appropriations language to make the fees available for expenditure. The treatment will be consistent with that proposed for FDA user fees.

Animal and Plant Health Inspection Service (APHIS).—The budget proposes to establish five APHIS fees for certain activities:

- Fees to cover cost of providing animal welfare inspections would be charged to recipients of APHIS services such as animal research centers, humane societies, and kennels.
- Fees to cover cost of issuance of biotechnology certificates would be charged to firms that manufacture biotechnologically-derived products.
- Fees to cover cost of veterinary biologics licensing, inspection, and testing activities of medications would be paid by veterinary biologic companies.
- Fees to cover inspections to ensure that garbage fed to swine is properly cooked to avoid contamination would be charged to establishments regulated under the Swine Health Protection Act.
- Fees would be charged to users to cover the costs of the pink bollworm eradication program.

Grain Inspection, Packers and Stockyards Administration (GIPSA) licensing fees.—GIPSA will pass on to the grain industry the costs to develop, review and maintain standards used by the grain industry. In addition, an annual licensing fee would be proposed to cover costs associated with administration of the Packers and Stockyards Act. In 1998 only, annual collections would be offset by $3 million in start-up costs.

Department of Transportation

Federal Railroad Administration railroad safety inspection fee.—Legislation will be proposed to permanently extend the railroad safety inspection fees that were enacted in the Omnibus Budget Reconciliation Act of 1990. The fee would be expanded to cover hours of service and hazardous materials inspections. This fee offsets the costs incurred by the Federal Railroad Administration for inspection, enforcement, and related activities to ensure the safe operation of passenger and freight railroads. The fee expired at the end of 1995.

Surface Transportation Board fees.—The Administration proposes to create a fee mechanism to completely offset the expenses of the Surface Transportation Board (STB), the successor to the Interstate Commerce Commission (ICC). The fees would be collected from those who benefit from the continuation of the ICC functions transferred to the STB, i.e. railroads and shippers.

Department of Veterans Affairs (VA)—Veterans Health Administration

Extend medical care collections.—The Administration proposes to extend three provisions in current law that expire on September 30, 1998. VA will have the authority to: 1) charge third party insurers for service-connected veterans who are treated for their non-service connected conditions, 2) charge copayments and per diems for lower-priority veterans, and 3) extend income verification for first and third party payments. These fees are in conjunction with the Administration's proposal to allow all medical care collections to be used for medical care to improve the health care of veterans. Currently, the mandatory collections are deposited in the Treasury's general fund. Under the Administration's proposal, these offsetting collections would be classified as discretionary and would be available to the extent appropriated.

Social Security Administration (SSA)

State administrative fees.—As part of the Supplemental Security Income Program (SSI), SSA administers State supplemental payments at the State's option. For those states that choose to have SSA administer these payments, the Omnibus Budget Reconciliation Act of 1993 put in place a per payment fee for SSA's services. These offsetting receipts are deposited in the general fund of the Treasury. The current fee is $5.00 per month per payment. The Administration proposes to increase the $5.00 charge to $6.12 in 1998 and to $7.25 in 1999. The fee would be indexed to the CPI thereafter. The additional revenue would be subject to appropriation and will be used to help cover SSA's administrative costs. Under the Administration's proposed new rule, these offsetting collections would be classified as discretionary.

Army Corps of Engineers

Wetlands permit fees.—Legislation will be proposed to increase fees for the issuance of wetlands regulatory permits for commercial activities. The fees would be deposited in a special Treasury account and would be available to be used for the regulatory program to the extent provided in appropriations acts.

Federal Emergency Management Agency (FEMA)

Radiological emergency preparedness fee.—The budget includes a proposal to reauthorize FEMA's assessments on Nuclear Regulatory Commission (NRC) licensees to cover 100 percent of the cost of providing site-specific services that directly contribute to the fulfillment of emergency preparedness requirements needed for NRC licensing. The proposal would extend the authority for 1998.

National Capital Planning Commission (NCPC)

Washington Geographic Information System fees.—Legislation will be proposed to allow the National Capital Planning Commission to charge fees to cover the full costs of providing Washington Geographic Information System (WGIS) products and services to all interested public and private parties beginning in 1998. The WGIS project is a cooperative effort in the National Capital Region to capture, display and analyze geographically-based data. The fees will be credited as offsetting collections to the NCPC discretionary Salaries and Expenses account, and remain available until expended.

Nuclear Regulatory Commission (NRC)

Nuclear Regulatory Commission fees.—Under current law, the NRC must recover 100 percent of its costs from licensing, inspection and annual fees charged to its applicants and licensees through 1998. Unless the law is extended, the fee coverage requirement will revert to 33 percent of NRC costs. The Administration proposes to extend the fees at 100 percent of NRC's cost of operations through 2002. The fees are credited to the NRC expenditure accounts, and spending of the collections is subject to appropriations.

Governmental receipts dedicated to discretionary spending: The following are new or increased fees.

Department of Health and Human Services

Food and Drug Administration (FDA) activities.—The proposal seeks $237 million in reauthorized/new fees including continued collection of Prescription Drug User Fee Act fees and Mammography Quality Standards Act fees, as well as new fees for medical device reviews, animal drug approvals, import inspections, food additive petition reviews, generic/over-the-counter drug applications, and fees for postmarket surveillance of products. These fees will be governmental receipts made available in appropriations acts to fund discretionary spending under the Administration's proposed new rule.

Department of Labor—Employment and Training Administration

Alien labor certification fees.—The proposal would establish a new fee, charged to businesses, for processing of alien labor certification and attestation applications by the Labor Department. The fee proceeds would be used to offset the costs of administering the alien labor program. However, in both 1998 and 1999, regular appropriations of $41 million are required in addition to user fees to work off a large backlog of applications already in the pipeline and created primarily by appropriations cuts in 1996. These fees will be governmental receipts made available in appropriations acts to fund discretionary spending under the Administration's proposed new rule.

Department of Transportation

Coast Guard icebreaking fee.—Legislation will be proposed to establish a user fee, effective in fiscal year 1999, to recover the Coast Guard's costs of providing icebreaking services to commercial maritime carriers in the Great Lakes and the Northeast. Fishing and recreational vessels would be exempt. The fees are estimated to result in collections of approximately $25 million annually. These fees will be governmental receipts made available in appropriations acts to fund discretionary spending under the Administration's proposed new rule.

Federal Aviation Administration (FAA) fees.—In 1998, the budget proposes to collect $300 million in new aviation user fees that will recover from users of FAA's services costs that they do not currently pay under the existing system of aviation excise taxes. This proposal is an interim measure until comprehensive financial reform, based on the work of the White House Commission on Aviation Safety and Security and the National Civil Aviation Review Commission, can be achieved over the next 18 months. Beginning in 1999, the Budget assumes that the existing system of aviation excise taxes will be replaced by cost-based user fees which will be available to meet the FAA's needs. Such user fees are an important element of the Administration's effort to create a more business-like FAA. These fees will be governmental receipts made available in appropriations acts to fund discretionary spending under the Administration's proposed new rule.

National Transportation Safety Board (NTSB)

Accident investigation fees.—To offset a portion of the NTSB's growing cost of commercial aviation accident investigations, a new aviation accident recovery and investigation fee is proposed. This fee, which would be paid by commercial air carriers based on revenue flight hours of operation, would collect an estimated $6 million in 1998. These fees will be governmental receipts made available in appropriations acts to fund discretionary spending under the Administration's proposed new rule.

Existing governmental receipts proposed to fund discretionary spending:

Department of State

Immigration, passport, and other fees.—The Budget proposes to dedicate existing governmental receipts generated by consular activities toward support and improvement of State Department operations.

Machine readable visa fees.—The Budget proposes to correct the classification of existing receipts used to support the State Department's border security program. These fees were previously classified as offsetting collections; they will now be classified as governmental receipts.

Both of these fees will be governmental receipts made available in appropriations acts to fund discretionary spending under the Administration's proposed new rule.

Mandatory: The following new and increased fees are classified as mandatory because they will be included in authorizing legislation.

Department of Agriculture—Agricultural Marketing Service (AMS)

Marketing order fees.—The Administration proposes to authorize local marketing administrators to collect fees to recover AMS' cost of administering commodity marketing orders and agreements. Marketing orders help stabilize market prices for milk, fruit, and other specialty crops by prescribing certain sale, quality, and quantity guidelines. Currently, costs at the local level are financed by assessments on commodity producers and handlers, while costs of these orders at the national level are funded through appropriations. The proposal would increase the existing assessments.

Department of Commerce—Patent and Trademark Office

Extend surcharge on patent fees.—The budget proposes to extend the Patent and Trademark Office's authority to collect the patent surcharge fee through 2002. The current authority expires in 1998. The surcharge fee is paid entirely by patent applicants and holders.

Department of Health and Human Services—Health Care Financing Administration

Medicare survey and certification fee.—Legislation will be proposed to require state survey agencies to impose fees on health care providers for initial surveys required as a condition of participation in the Medicare program. The proposal will authorize states to collect and retain fees from health care providers to cover the cost of the initial surveys. The proceeds are automatically available.

Department of the Interior

Bureau of Land Management

Hardrock mining holding fees.— The proposal would extend beyond 1998, the $100 claim maintenance fee and the $25 location fee established in the 1993 Omnibus Budget Reconciliation Act. As under current law, the fees would also be adjusted annually based on the Consumer Price Index.

Hardrock mining royalty and Abandoned Hardrock Mine Reclamation Fund.— Legislation will be proposed to charge a 5 percent royalty on the net-smelter return from the production of hardrock minerals produced on Federal lands. The royalties collected will be deposited into a new reclamation fund for the environmental restoration of abandoned mine sites on Federal lands.

National Park Service

Hetch Hetchy Dam rental payments.—Legislation will be proposed to raise the annual rental payment for the use of land within Yosemite National Park by the City of San Francisco for a dam and reservoir that supplies drinking water to the City. Receipts (estimated at $600 thousand for 1998) would be available, subject to appropriation, for the annual operations of Yosemite and other national parks in California.

Parks and recreation fees.—Legislation will be proposed to authorize the National Park Service, Fish and Wildlife Service, Bureau of Land Management, and Forest Service to collect additional admission, recreation, and commercial user fees. New receipts will remain available for improvements to facilities and services. This authority would take effect when the existing demonstration fee authority expires at the end of 1999.

Everglades sugar assessment.—Legislation will be proposed to establish a marketing assessment of one cent per pound on processed cane sugar produced in Florida's Everglades Agricultural Area. Receipts will remain available for land acquisition and other activities contributing to Everglades restoration.

Department of Justice/Federal Trade Commission (FTC)

Merger filing fees.—The Administration proposes authorizing legislation to restructure the Hart-Scott-Rodino fee, which is charged to acquiring firms in mergers. The fee partially funds both the Federal Trade Commission and the Justice Department's Antitrust Division, subject to appropriation.

Department of Transportation—Coast Guard

Vessel tonnage fees.—The budget proposes to extend fees collected by the Customs Service based on the cargo-carrying capacity of a vessel entering a U.S. port. These fees were set to expire at the end of 1998. The collections are credited to the Department of Transportation to offset costs incurred by the Coast Guard for services provided to the Merchant Marine industry.

Department of the Treasury—Financial Management Service

Charge to vendors for payment by paper check.—The Administration proposes to authorize the Department of the Treasury to charge for the cost of payments to vendors by paper check. Paper checks are costly to print, mail and replace when lost or stolen. The Federal Government makes over 25 million check payments to vendors annually, or over 80 percent of all payments made for goods and services. The Debt Collection Improvement Act of 1996 mandates phase-in of electronic payments for all Federal payments by 1999, with the exception of tax refunds. This proposal institutes a fee of $1.00 for the cost of providing the service to vendors as determined in regulation by the Secretary of the Treasury. Electronic payment through commercial electronic funds transfer/direct deposit or through the use of payment cards is cheaper, faster, and more secure than payments by paper checks and will involve no charge to the vendor.

Department of Veterans Affairs—Veterans Benefits Administration

Fees for non-veterans in the home loan program.—When VA takes possession of properties resulting from defaulted loans, the homes are ultimately sold to the general public. VA finances these properties through its vendee loan program. The Administration proposes to raise the up-front fees charged on these loans to 2.25 percent—the same level that is charged on Federal Housing Administration loans.

Extend expiring home loan provisions.—The Administration proposes to permanently extend three provisions in current law that expire September 30, 1998. VA charges borrowers using VA's home loan guaranty program a two percent fee instead of 1.25 percent, 2) charges veterans who use the loan guaranty benefit more than once a funding fee of 3 percent to reduce losses, and 3) include expected resale losses when determining whether to acquire a foreclosed property or pay the guaranty.

Federal Deposit Insurance Corporation (FDIC) and Federal Reserve (Fed)

State bank examination fee.—The Administration proposes to require the FDIC and the Federal Reserve to assess fees for examinations of FDIC-insured banks and bank holding companies. The costs of such examinations are currently funded from deposit insurance premiums and Fed earnings from monetary policy activities. The FDIC fee proceeds would be used to finance the examination operation. The Fed proceeds would be transferred to Treasury annually in the form of surplus earnings.

OFFSETTING RECEIPTS

Table 4–3 itemizes all offsetting collections deposited in receipt accounts. These include payments from one part of the Government to another, called intra governmental transactions, and collections from the public.

These receipts are offset (deducted) from outlays in the Federal budget. In total, offsetting receipts are estimated at $368.6 billion in 1998.

Table 4–3. OFFSETTING RECEIPTS BY TYPE

(In millions of dollars)

Source	1996 actual	1997 estimate	1998 estimate
INTRAGOVERNMENTAL TRANSACTIONS			
On-budget receipts:			
Federal intrafund transactions:			
Distributed by agency:			
Interest from the Federal Financing Bank	6,458	4,351	3,958
Interest on Government capital in enterprises	1,815	1,442	1,581
Proposed Legislation (non-PAYGO)	....	157	....
Other	1,257	1,351	1,430
Total Federal intrafunds	9,530	7,301	6,969
Trust intrafund transactions:			
Distributed by agency:			
Payments to railroad retirement	3,556	3,817	3,887
Other	1	1	1
Total trust intrafunds	3,557	3,818	3,888
Total intrafund transactions	13,087	11,119	10,857
Interfund transactions:			
Distributed by agency:			
Federal fund payments to trust funds:			
Contributions to insurance programs:			
Military retirement fund	10,699	15,151	15,833
Supplementary medical insurance	61,702	59,354	63,416
Proposed Legislation (non-PAYGO)	....	....	14,668
Hospital insurance	4,623	4,833	4,572
Railroad social security equivalent fund	46	60	61
Rail industry pension fund	181	186	195
Civilian supplementary retirement contributions	20,382	21,215	21,587
Proposed Legislation (non-PAYGO)	....	....	–23
Unemployment insurance	438	612	604
Other contributions	528	440	377
Miscellaneous payments	464	725	712
Subtotal	99,063	102,576	122,002
Trust fund payments to Federal funds:			
Quinquennial adjustment for military service credits	332	....	....
Other	3,380	1,013	1,035
Proposed Legislation (non-PAYGO)	....	....	53
Subtotal	3,712	1,013	1,088
Total interfunds distributed by agency	102,775	103,589	123,090
Undistributed by agency:			
Employer share, employee retirement (on-budget)[1]:			
Civil service retirement and disability insurance	7,880	8,187	8,413
Proposed Legislation (non-PAYGO)	....	....	621
CSRDI from Postal Service	5,712	5,916	6,103
Hospital insurance (contribution as employer)[2]	1,860	1,875	2,007
Postal employer contributions to FHI	522	595	618
Military retirement fund	11,174	11,180	10,544
Other Federal employees retirement	111	116	122
Total employer share, employee retirement (on-budget)	27,259	27,869	28,428
Interest received by on-budget trust funds	60,869	62,812	63,002
Proposed Legislation (non-PAYGO)	....	....	744

Table 4–3. OFFSETTING RECEIPTS BY TYPE—Continued

(In millions of dollars)

Source	1996 actual	1997 estimate	1998 estimate
Total interfund transactions undistributed by agency	88,128	90,681	92,174
Total interfund transactions	190,903	194,270	215,264
Total on-budget intragovernmental receipts	203,990	205,389	226,121
Off-budget receipts:			
Interfund transactions:			
Distributed by agency:			
Federal fund payments to trust funds:			
Old-age, survivors, and disability insurance	6,133	6,927	7,616
Undistributed by agency:			
Employer share, employee retirement (off-budget)	6,278	6,505	7,028
Interest received by off-budget trust funds	36,507	41,238	45,199
Total off-budget intragovernmental receipts:	48,918	54,670	59,843
Total intragovernmental transactions	**252,908**	**260,059**	**285,964**
PROPRIETARY RECEIPTS FROM THE PUBLIC			
Distributed by agency:			
Interest:			
Interest on foreign loans and deferred foreign collections	747	711	647
Interest on deposits in tax and loan accounts	757	736	750
Other interest (domestic—civil) [3]	3,430	4,795	6,153
Total interest	4,934	6,242	7,550
Royalties and rents	1,062	1,231	1,299
Proposed Legislation (PAYGO)	....	....	1
Sale of products:			
Sale of timber and other natural land products	567	573	517
Proposed Legislation (PAYGO)	....	....	–67
Sale of minerals and mineral products	530	706	289
Sale of power and other utilities	832	840	840
Other	48	39	40
Total sale of products	1,977	2,158	1,619
Fees and other charges for services and special benefits:			
Medicare premiums and other charges (trust funds)	20,038	20,293	21,983
Proposed Legislation (PAYGO)	....	....	–211
Nuclear waste disposal revenues	634	649	655
Veterans life insurance (trust funds)	236	256	216
Other [3]	2,004	2,162	2,072
Proposed Legislation (non-PAYGO)	....	....	455
Proposed Legislation (PAYGO)	....	....	–365
Total fees and other charges	22,912	23,360	24,805
Sale of Government property:			
Sale of land and other real property	106	92	104
Military assistance program sales (trust funds)	14,747	13,760	13,400
Other	6	26	16
Total sale of Government property	14,859	13,878	13,520
Realization upon loans and investments:			
Foreign military credit sales	661	637	535
Negative subsidies and downward reestimates	1,756	2,166	1,881
Proposed Legislation (non-PAYGO)	....	....	52
Proposed Legislation (PAYGO)	....	....	1,035
Repayment of loans to United Kingdom	106	108	110
Other	158	137	142
Total realization upon loans and investments	2,681	3,048	3,755
Recoveries and refunds [3]	2,059	2,958	3,261
Proposed Legislation (non-PAYGO)	....	....	176

Table 4–3. OFFSETTING RECEIPTS BY TYPE—Continued

(In millions of dollars)

Source	1996 actual	1997 estimate	1998 estimate
Proposed Legislation (PAYGO)	....	....	555
Miscellaneous receipt accounts [3]	1,633	1,688	1,682
Proposed Legislation (PAYGO)	....	....	67
Total proprietary receipts from the public distributed by agency	52,117	54,563	58,290
Undistributed by agency:			
Other interest: Interest received from Outer Continental Shelf escrow account	1	....	1,142
Rents and royalties on the Outer Continental Shelf:			
Rents and bonuses	691	778	1,095
Royalties	3,050	3,374	3,280
Sale of major assets	....	....	4,300
Total proprietary receipts from the public undistributed by agency	3,742	4,152	9,817
Total proprietary receipts from the public [4]	**55,859**	**58,715**	**68,107**
OFFSETTING GOVERNMENTAL RECEIPTS			
Distributed by agency:			
Regulatory fees	2,730	2,821	2,872
Proposed Legislation (non-PAYGO)	....	....	67
Proposed Legislation (PAYGO)	....	....	70
Other	77	70	67
Undistributed by agency:			
Spectrum auction proceeds	342	7,961	9,359
Proposed Legislation (PAYGO)	....	....	2,100
Total offsetting governmental receipts	3,149	10,852	14,535
Total offsetting receipts	**311,916**	**329,626**	**368,606**

[1] Includes provision for covered Federal civilian employees and military personnel.
[2] Interchange receipts between the social security and railroad retirement funds place the social security funds in the same position they would have been if there were no separate railroad retirement system.
[3] Includes both Federal funds and trust funds.
[4] Consists of:

	1996 actual	*1997 estimate*	*1998 estimate*
On-budget:			
Federal funds	19,678	23,325	31,698
Trust funds	36,164	35,371	36,390
Off-budget:			
Trust funds	17	19	19

5. TAX EXPENDITURES

Tax expenditures are revenue losses due to preferential provisions of the Federal tax laws, such as special exclusions, exemptions, deductions, credits, deferrals, or tax rates. They are alternatives to other policy instruments, such as spending or regulatory programs, as means of achieving Federal policy goals. Tax expenditures are created for a variety of reasons, including to encourage certain activities, to improve fairness, to ease compliance with and administration of the tax system, and to reduce certain tax-induced distortions. The Congressional Budget Act of 1974 (Public Law 93–344) requires that a list of tax expenditures be included in the budget.

The largest tax expenditures tend to be associated with the individual income tax. For example, tax preferences are provided for employer contributions for medical insurance, pension contributions and earnings, mortgage interest payments on owner-occupied homes, capital gains transferred at death, and payments of State and local individual income taxes. Tax expenditures under the corporate income tax tend to be related to the rate of cost recovery for various investments; as is discussed below, the extent to which these provisions are classified as tax expenditures varies according to the conceptual baseline used. Charitable contributions and credits for State death taxes are the largest tax expenditures under the unified transfer (i.e., estate and gift) tax.

Because of potential interactions among provisions, this chapter does not present a grand total revenue loss estimate for tax expenditures. Moreover, past tax changes entailing broad elimination of tax expenditures were generally accompanied by changes in tax rates or other basic provisions, so that the net effects on Federal revenues were considerably (if not totally) offset. Nevertheless, in aggregate, tax expenditures have revenue impacts of hundreds of billions of dollars, and are some of the most important ways in which the Federal Government affects economic decisions and social welfare.

While the significant economic impact is self-evident for large provisions, smaller tax expenditures can be important for certain sectors or types of taxpayers. As is discussed later in this chapter, the Administration is developing a framework for analyzing and reporting the economic and other effects of tax expenditures, so that they can be better compared with policy alternatives. Tax expenditures are also discussed in Section VI of the *Budget*, which considers the Federal Government's spending, regulatory, and tax policies across functional areas.

Tax expenditures relating to the individual and corporate income taxes are considered first in this chapter. They are estimated for fiscal years 1996–2002 using three methods of accounting: revenue loss, outlay equivalent, and present value. The present value approach provides estimates of the revenue losses for tax expenditures that involve deferrals of tax payments into the future or have similar long-term effects. Tax expenditures relating to the unified transfer tax are considered in a section at the end of the chapter.

TAX EXPENDITURES IN THE INCOME TAX

Tax Expenditure Estimates

The Treasury Department prepared all tax expenditure estimates presented here based upon tax law enacted as of December 31, 1996. The analysis includes new tax expenditures which were enacted this year in the Health Insurance Protection and Accountability Act and the Small Business Job Protection Act of 1996. Expired or repealed provisions are not listed if their revenue effects result only from taxpayer activity occurring before fiscal year 1996.

The total revenue loss estimates for tax expenditures for fiscal years 1996–2002 are displayed by the budget's functional categories in table 5–1. Descriptions of the specific tax expenditure provisions follow the tables of estimates and discussion of general features of the tax expenditure concept.

As in prior years, two baseline concepts—the normal tax baseline and the reference tax law baseline—are used to identify tax expenditures. For the most part, the two concepts coincide. However, items treated as tax expenditures under the normal tax baseline, but not the reference tax law baseline, are indicated by the designation "normal tax method" in the tables. The revenue losses for these items are zero using the reference tax rules. The alternative baseline concepts are discussed in detail following the estimates.

Table 5–2 reports the respective portions of the total revenue losses that arise under the individual and corporate income taxes. Listing revenue loss estimates under the individual and corporate headings does not imply that these categories of filers benefit from the special tax provisions in proportion to the respective tax expenditure amounts shown. Rather, these breakdowns show the specific tax accounts through which the various provisions are cleared. The ultimate beneficiaries of corporate tax expenditures, for example, could be stockholders, employees, customers, or others, depending on the circumstances.

Table 5–3 ranks the major tax expenditures by fiscal year 1998 revenue loss. This table merges several individual entries provided in table 5–1; for example, table 5–3 contains one merged entry for charitable contributions instead of the three separate entries found in table 5–1.

Interpreting Tax Expenditure Estimates

Tax expenditure revenue loss estimates do not necessarily equal the increase in Federal revenues (or the reduction in budget deficits) that would result from repealing the special provisions, for the following reasons:

- *Eliminating a tax expenditure may have incentive effects that alter economic behavior.* These incentives can affect the resulting magnitudes of the formerly subsidized activity or of other tax preferences or Government programs. For example, if deductibility of mortgage interest were limited, some taxpayers would hold smaller mortgages, with a concomitantly smaller effect on the budget than if no such limits were in force.
- *Tax expenditures are interdependent even without incentive effects.* Repeal of a tax expenditure provision can increase or decrease the revenue losses associated with other provisions. For example, even if behavior does not change, repeal of an itemized deduction could increase the revenue losses from other deductions because some taxpayers would be moved into higher tax brackets. Alternatively, repeal of an itemized deduction could lower the revenue loss from other deductions if taxpayers are led to claim the standard deduction instead of itemizing. Similarly, if two provisions were repealed simultaneously, the increase in tax liability could be greater or less than the sum of the two separate tax expenditures, since each is estimated assuming that the other remains in force. In addition, the estimates reported in Table 5–1 are the totals of individual and corporate income tax revenue losses reported in Table 5–2 and do not reflect any possible interactions between the individual and corporate income tax receipts. For this reason, the figures in Table 5–1 (as well as those in Table 5–5, which are also based on summing individual and corporate estimates) should be regarded as approximations.
- *Revenues raised by changes to tax expenditures are sensitive to timing effects and effective dates.* Changes in some provisions would yield their full potential revenue gains relatively quickly, whereas changes to other provisions would only gradually yield their full revenue potential, as certain deductions or exemptions would likely be grandfathered.
- *The annual value of tax expenditures for tax deferrals is reported on a cash basis in all tables except table 5–4.* Cash-based estimates reflect the difference between taxes deferred in the current year and incoming revenues that are received due to deferrals of taxes from prior years. While such estimates are useful as a measure of cash flows into the Government, they do not always accurately reflect the true economic cost of these provisions. For example, for a provision where activity levels have changed, so that incoming tax receipts from past deferrals are greater than deferred receipts from new activity, the cash-basis tax expenditure estimate can be negative, despite the fact that in present-value terms current deferrals do have a real cost to the Government. Alternatively, in the case of a newly enacted deferral provision, a cash-based estimate can overstate the real cost to the Government because the newly deferred taxes will ultimately be received. Present-value estimates, which are a useful supplement to the cash-basis estimates for provisions involving deferrals, are discussed below.
- *Repeal of some provisions could affect overall levels of income and rates of economic growth.* In principle, repeal of major tax provisions may have some impact on the budget economic assumptions. In general, however, most changes in particular provisions are unlikely to have significant macroeconomic effects.

Present-Value Estimates

Discounted present-value estimates of revenue losses are presented in table 5–4 for certain provisions that involve tax deferrals or other long-term revenue effects. These estimates complement the cash-based tax expenditure estimates presented in the other tables.

The present-value estimates represent the revenue losses, net of future tax payments, that follow from activities undertaken during calendar year 1997 which cause the deferrals or other long-term revenue effects. For instance, a pension contribution in 1997 would cause a deferral of tax payments on wages in 1997 and on pension earnings on this contribution (e.g., interest) in later years. In some future year, however, the 1997 pension contribution and accrued earnings will be paid out and taxes will be due; these receipts are included in the present-value estimate. In general, this conceptual approach is similar to the one used for reporting the budgetary effects of credit programs, where direct loans and guarantees in a given year affect future cash flows.

TABLE 5–1. TOTAL REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX

(In millions of dollars)

Provision	Total Revenue Loss							
	1996	1997	1998	1999	2000	2001	2002	1998–2002
National defense:								
Exclusion of benefits and allowances to armed forces personnel	2,060	2,080	2,095	2,120	2,140	2,160	2,180	10,695
International affairs:								
Exclusion of income earned abroad by United States citizens	1,520	1,680	1,865	2,065	2,290	2,545	2,825	11,590
Exclusion of income of foreign sales corporations	1,500	1,600	1,700	1,800	1,900	2,000	2,100	9,500
Inventory property sales source rules exception	1,400	1,500	1,600	1,700	1,800	1,900	2,000	9,000
Deferral of income from controlled foreign corporations (normal tax method)	2,100	2,200	2,400	2,600	2,800	3,000	3,200	14,000
General science, space, and technology:								
Expensing of research and experimentation expenditures (normal tax method)	40	195	430	580	685	740	765	3,200
Credit for increasing research activities	805	685	1,045	250	105	40	5	1,445
Energy:								
Expensing of exploration and development costs, fuels	–210	–130	–40	20	100	75	80	235
Excess of percentage over cost depletion, fuels	1,125	1,145	1,170	1,190	1,205	1,225	1,255	6,045
Alternative fuel production credit	570	600	485	565	535	505	485	2,575
Exception from passive loss limitation for working interests in oil and gas properties	50	50	55	55	60	60	65	295
Capital gains treatment of royalties on coal	15	15	15	20	20	20	20	95
Exclusion of interest on State and local IDBs for energy facilities	315	315	315	315	310	310	310	1,560
Enhanced oil recovery credit	80	85	90	100	105	105	110	510
New technology credit	30	35	40	40	40	45	45	210
Alcohol fuel credit [1]	10	10	10	10	10	10	10	50
Tax credit and deduction for clean-fuel burning vehicles and properties	65	65	75	80	85	90	95	425
Exclusion from income of conservation subsidies provided by public utilities	150	65	15	30	35	45	45	170
Natural resources and environment:								
Expensing of exploration and development costs, nonfuel minerals	35	35	35	35	35	35	35	175
Excess of percentage over cost depletion, nonfuel minerals	285	295	300	305	315	320	325	1,565
Capital gains treatment of iron ore	....	....	....	....	....	....	....	....
Special rules for mining reclamation reserves	50	50	50	50	50	50	50	250
Exclusion of interest on State and local IDBs for pollution control and sewage and waste disposal facilities	700	690	675	655	640	600	545	3,115
Capital gains treatment of certain timber income	15	15	15	20	20	20	20	95
Expensing of multiperiod timber growing costs	395	415	440	460	485	505	525	2,415
Investment credit and seven-year amortization for reforestation expenditures	45	50	50	50	50	50	50	250
Tax incentives for preservation of historic structures	125	120	115	115	110	105	105	550
Agriculture:								
Expensing of certain capital outlays	65	65	65	70	70	70	70	345
Expensing of certain multiperiod production costs	80	80	80	85	85	85	85	420
Treatment of loans forgiven solvent farmers as if insolvent	10	10	10	10	10	10	10	50
Capital gains treatment of certain income	165	170	175	180	185	190	195	925
Commerce and housing:								
Financial institutions and insurance:								
Exemption of credit union income	660	700	745	790	835	885	940	4,195
Excess bad debt reserves of financial institutions	90	70	40	15	5	....	....	60
Deferral on income on life insurance and annuity contracts	10,525	11,210	11,940	12,715	13,540	14,420	15,360	67,975
Special alternative tax on small property and casualty insurance companies	5	5	5	5	5	5	5	25
Tax exemption of certain insurance companies	240	245	255	260	280	295	310	1,400
Small life insurance company deduction	110	115	120	130	135	140	145	670
Housing:								
Exclusion of interest on owner-occupied mortgage subsidy bonds	1,765	1,755	1,735	1,715	1,690	1,665	1,640	8,445
Exclusion of interest on State and local debt for rental housing	755	760	755	760	765	760	750	3,790
Deductibility of mortgage interest on owner-occupied homes	47,525	49,820	52,115	54,440	56,830	59,345	62,060	284,790
Deductibility of State and local property tax on owner-occupied homes	15,900	16,670	17,435	18,215	19,015	19,855	20,765	95,285
Deferral of income from post 1987 installment sales	955	975	995	1,015	1,035	1,055	1,075	5,175
Deferral of capital gains on home sales	14,410	14,845	15,290	15,745	16,220	16,705	17,205	81,165
Exclusion of capital gains on home sales for persons age 55 and over	5,225	5,230	5,095	5,515	5,295	5,810	5,495	27,210
Exception from passive loss rules for $25,000 of rental loss	3,950	3,700	3,470	3,260	3,065	2,885	2,715	15,395
Credit for low-income housing investments	2,600	2,840	3,270	3,500	3,595	3,445	3,325	17,135
Accelerated depreciation on rental housing (normal tax method)	1,190	1,350	1,555	1,955	2,335	2,240	2,310	10,395
Commerce:								
Cancellation of indebtedness	70	40	15	....	–10	–5	–5	–5
Permanent exceptions from imputed interest rules	150	155	155	160	160	160	165	800
Capital gains (other than agriculture, timber, iron ore, and coal) (normal tax method)	7,990	8,230	8,480	8,730	8,995	9,265	9,540	45,010
Capital gains exclusion of small corporation stock	....	....	5	20	40	70	95	230
Step-up basis of capital gains at death	29,530	30,715	31,945	33,225	34,555	35,940	37,375	173,040
Carryover basis of capital gains on gifts	140	150	160	170	180	190	200	900
Ordinary income treatment of loss from small business corporation stock sale	35	35	35	35	40	40	40	190

TABLE 5–1. TOTAL REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(In millions of dollars)

Provision	Total Revenue Loss							
	1996	1997	1998	1999	2000	2001	2002	1998–2002
Accelerated depreciation of buildings other than rental housing (normal tax method)	6,800	5,800	4,660	3,420	2,385	1,640	1,085	13,190
Accelerated depreciation of machinery and equipment (normal tax method)	25,430	27,280	29,285	32,500	35,730	38,325	40,125	175,965
Expensing of certain small investments (normal tax method)	1,440	1,065	900	890	850	700	560	3,900
Amortization of start-up costs (normal tax method)	195	200	205	210	215	220	225	1,075
Graduated corporation income tax rate (normal tax method)	4,435	4,695	4,940	5,125	5,455	5,720	5,925	27,165
Exclusion of interest on small issue IDBs	275	265	260	255	250	250	240	1,255
Treatment of Alaska Native Corporations	20	15	10	5	5	5	....	25
Transportation:								
Deferral of tax on shipping companies	20	20	20	20	20	20	20	100
Exclusion of reimbursed employee parking expenses	1,250	1,285	1,315	1,350	1,385	1,425	1,470	6,945
Exclusion for employer-provided transit passes	50	60	70	85	100	115	130	500
Community and regional development:								
Investment credit for rehabilitation of structures (other than historic)	80	80	70	70	70	65	65	340
Exclusion of interest on IDBs for airports, docks, and sports and convention facilities	1,980	1,975	1,970	1,915	1,865	1,810	1,760	9,320
Exemption of certain mutuals' and cooperatives' income	60	60	60	65	65	65	70	325
Empowerment zones	530	585	640	670	700	700	530	3,240
Education, training, employment, and social services:								
Education:								
Exclusion of scholarship and fellowship income (normal tax method)	835	845	850	860	870	875	885	4,340
Exclusion of interest on State and local student loan bonds	305	290	280	265	260	250	250	1,305
Exclusion of interest on State and local debt for private nonprofit educational facilities	955	930	895	860	830	800	775	4,160
Exclusion of interest on savings bonds transferred to educational institutions	5	10	10	15	15	15	20	75
Parental personal exemption for students age 19 or over	820	845	885	930	985	1,045	1,090	4,935
Deductibility of charitable contributions (education)	1,865	1,960	2,060	2,165	2,270	2,385	2,500	11,380
Exclusion of employer provided educational assistance	20	575	20	....	....	....	....	20
Training, employment, and social services:								
Work opportunity tax credit	....	120	150	85	30	10	....	275
Exclusion of employer provided child care	775	830	890	955	1,025	1,100	1,180	5,150
Adoption assistance	....	10	200	320	355	370	365	1,610
Exclusion of employee meals and lodging (other than military)	570	600	630	665	700	735	775	3,505
Credit for child and dependent care expenses	2,580	2,705	2,840	2,985	3,130	3,290	3,455	15,700
Credit for disabled access expenditures	80	85	85	85	90	90	90	440
Expensing of costs of removing certain architectural barriers to the handicapped	20	20	20	20	20	20	20	100
Deductibility of charitable contributions, other than education and health	16,045	16,845	17,680	18,560	19,480	20,445	21,455	97,620
Exclusion of certain foster care payments	30	35	35	35	40	40	45	195
Exclusion of parsonage allowances	295	315	335	360	380	410	435	1,920
Health:								
Exclusion of employer contributions for medical insurance premiums and medical care	64,450	70,460	75,750	81,285	86,900	92,815	98,995	435,745
Medical savings accounts	....	10	100	190	195	195	200	880
Deductibility of medical expenses	3,675	4,060	4,535	4,895	5,270	5,670	6,100	26,470
Exclusion of interest on State and local debt for private nonprofit health facilities	2,135	2,080	2,005	1,930	1,855	1,790	1,745	9,325
Deductibility of charitable contributions (health)	2,360	2,480	2,600	2,735	2,870	3,005	3,155	14,365
Tax credit for orphan drug research	5	20	10	....	....	....	....	10
Special Blue Cross/Blue Shield deduction	120	135	95	150	165	200	250	860
Income security:								
Exclusion of railroad retirement system benefits	440	440	450	450	455	455	465	2,275
Exclusion of workmen's compensation benefits	4,695	4,970	5,305	5,550	5,855	6,220	6,660	29,590
Exclusion of public assistance benefits (normal tax method)	500	515	550	575	600	625	655	3,005
Exclusion of special benefits for disabled coal miners	90	90	85	80	75	75	70	385
Exclusion of military disability pensions	130	130	130	130	130	130	130	650
Net exclusion of pension contributions and earnings:								
Employer plans	55,410	55,810	56,245	56,665	57,085	57,510	57,940	285,445
Individual Retirement Accounts	8,025	8,345	8,600	8,880	9,125	9,340	9,520	45,465
Keogh plans	3,030	3,200	3,325	3,500	3,680	3,875	4,080	18,460
Exclusion of employer provided death benefits	35	35	35	40	40	45	45	205
Exclusion of other employee benefits:								
Premiums on group term life insurance	2,495	2,615	2,745	2,880	3,020	3,170	3,325	15,140
Premiums on accident and disability insurance	155	165	175	185	195	205	215	975
Income of trusts to finance supplementary unemployment benefits	20	20	20	20	20	20	20	100
Special ESOP rules	905	735	720	740	760	790	820	3,830
Additional deduction for the blind	25	25	25	30	30	30	30	145
Additional deduction for the elderly	1,470	1,485	1,495	1,500	1,510	1,515	1,515	7,535
Tax credit for the elderly and disabled	45	50	50	50	50	50	50	250
Deductibility of casualty losses	460	485	510	535	560	590	620	2,815
Earned income credit [2]	5,097	5,653	5,814	6,112	6,319	6,621	6,859	31,725

TABLE 5–1. TOTAL REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(In millions of dollars)

Provision	Total Revenue Loss							
	1996	1997	1998	1999	2000	2001	2002	1998–2002
Social Security:								
Exclusion of social security benefits:								
OASI benefits for retired workers	17,005	17,810	18,495	19,290	20,190	20,875	21,495	100,345
Disability insurance benefits	2,090	2,375	2,615	2,820	3,045	3,290	3,545	15,315
Benefits for dependents and survivors	3,795	3,985	4,175	4,355	4,530	4,710	4,895	22,665
Veterans benefits and services:								
Exclusion of veterans disability compensation	2,615	2,770	2,930	3,100	3,280	3,470	3,675	16,455
Exclusion of veterans pensions	70	70	70	70	75	80	85	380
Exclusion of GI bill benefits	50	60	70	80	90	95	100	435
Exclusion of interest on State and local debt for veterans housing	40	40	35	35	35	35	35	175
General purpose fiscal assistance:								
Exclusion of interest on public purpose State and local debt	15,720	15,800	15,735	15,595	15,445	15,300	15,170	77,245
Deductibility of nonbusiness State and local taxes other than on owner-occupied homes	28,265	29,630	30,995	32,375	33,800	35,290	36,910	169,370
Tax credit for corporations receiving income from doing business in U.S. possessions	2,760	2,700	2,770	2,800	2,885	2,970	3,060	14,485
Interest:								
Deferral of interest on savings bonds	1,300	1,290	1,285	1,270	1,215	1,170	1,155	6,095
Addendum—Aid to State and local governments:								
Deductibility of:								
Property taxes on owner-occupied homes	15,900	16,670	17,435	18,215	19,015	19,855	20,765	95,285
Nonbusiness State and local taxes other than on owner-occupied homes	28,265	29,630	30,995	32,375	33,800	35,290	36,910	169,370
Exclusion of interest on:								
Public purpose State and local debt	15,720	15,800	15,735	15,595	15,445	15,300	15,170	77,245
IDBs for certain energy facilities	315	315	315	315	310	310	310	1,560
IDBs for pollution control and sewage and waste disposal facilities	700	690	675	655	640	600	545	3,115
Small-issue IDBs	275	265	260	255	250	250	240	1,255
Owner-occupied mortgage revenue bonds	1,765	1,755	1,735	1,715	1,690	1,665	1,640	8,445
State and local debt for rental housing	755	760	755	760	765	760	750	3,790
IDBs for airports, docks, and sports and convention facilities	1,980	1,975	1,970	1,915	1,865	1,810	1,760	9,320
State and local student loan bonds	305	290	280	265	260	250	250	1,305
State and local debt for private nonprofit educational facilities	955	930	895	860	830	800	775	4,160
State and local debt for private nonprofit health facilities	2,135	2,080	2,005	1,930	1,855	1,790	1,745	9,325
State and local debt for veterans housing	40	40	35	35	35	35	35	175

[1] In addition alcohol fuels results in a reduction in excise tax receipts (in millions of dollars) as follows: 1996 $670; 1997 $670; 1998 $700; 1999 $740; 2000 $770; 2001 $800; and 2002 $840.

[2] The figures in the table indicate the effect of the earned income tax credit on receipts. The effect on outlays (in millions of dollars) is as follows: 1996 $19,159; 1997 $21,163; 1998 $21,983; 1999 $22,864; 2000 $23,818; 2001 $24,634; and 2002 $25,518.

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

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

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

TABLE 5–2. CORPORATE AND INDIVIDUAL INCOME TAX REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES

(In millions of dollars)

Provision	Revenue Loss													
	Corporations							Individuals						
	1996	1997	1998	1999	2000	2001	2002	1996	1997	1998	1999	2000	2001	2002
National defense:														
Exclusion of benefits and allowances to armed forces personnel	—	—	—	—	—	—	—	2,060	2,080	2,095	2,120	2,140	2,160	2,180
International affairs:														
Exclusion of income earned abroad by United States citizens	—	—	—	—	—	—	—	1,520	1,680	1,865	2,065	2,290	2,545	2,825
Exclusion of income of foreign sales corporations	1,500	1,600	1,700	1,800	1,900	2,000	2,100	—	—	—	—	—	—	—
Inventory property sales source rules exception	1,400	1,500	1,600	1,700	1,800	1,900	2,000	—	—	—	—	—	—	—
Deferral of income from controlled foreign corporations (normal tax method)	2,100	2,200	2,400	2,600	2,800	3,000	3,200	—	—	—	—	—	—	—
General science, space, and technology:														
Expensing of research and experimentation expenditures (normal tax method)	40	190	420	570	670	725	750	....	5	10	10	15	15	15
Credit for increasing research activities	790	670	1,035	250	105	40	5	15	15	10	....	....	....	....
Energy:														
Expensing of exploration and development costs, fuels	–155	–95	–30	15	80	55	60	–55	–35	–10	5	20	20	20
Excess of percentage over cost depletion, fuels	845	860	875	890	905	920	940	280	285	295	300	300	305	315
Alternative fuel production credit	535	565	450	535	505	475	455	35	35	35	30	30	30	30
Exception from passive loss limitation for working interests in oil and gas properties	—	—	—	—	—	—	—	50	50	55	55	60	60	65
Capital gains treatment of royalties on coal	—	—	—	—	—	—	—	15	15	15	20	20	20	20
Exclusion of interest on State and local IDBs for energy facilities	125	125	125	125	125	125	125	190	190	190	190	185	185	185
Enhanced oil recovery credit	75	80	85	90	95	95	100	5	5	5	10	10	10	10
New technology credit	30	35	40	40	40	45	45	....	....	....	....	....	....	....
Alcohol fuel credit [1]	5	5	5	5	5	5	5	5	5	5	5	5	5	5
Tax credit and deduction for clean-fuel burning vehicles and properties	55	55	60	60	60	65	70	10	10	15	20	25	25	25
Exclusion from income of conservation subsidies provided by public utilities	100	10	–45	–35	–30	–25	–25	50	55	60	65	65	70	70
Natural resources and environment:														
Expensing of exploration and development costs, nonfuel minerals	25	25	25	25	25	25	25	10	10	10	10	10	10	10
Excess of percentage over cost depletion, nonfuel minerals	215	220	225	230	235	240	245	70	75	75	75	80	80	80
Capital gains treatment of iron ore	—	—	—	—	—	—	—	....	....	....	....	....	....	....
Special rules for mining reclamation reserves	45	45	45	45	45	45	45	5	5	5	5	5	5	5
Exclusion of interest on State and local IDBs for pollution control and sewage and waste disposal facilities	280	275	270	260	255	235	215	420	415	405	395	385	365	330
Capital gains treatment of certain timber income	—	—	—	—	—	—	—	15	15	15	20	20	20	20
Expensing of multiperiod timber growing costs	225	235	250	260	275	285	295	170	180	190	200	210	220	230
Investment credit and seven-year amortization for reforestation expenditures	20	20	20	20	20	20	20	25	30	30	30	30	30	30
Tax incentives for preservation of historic structures	25	25	25	25	20	20	20	100	95	90	90	90	85	85
Agriculture:														
Expensing of certain capital outlays	10	10	10	10	10	10	10	55	55	55	60	60	60	60
Expensing of certain multiperiod production costs	10	10	10	10	10	10	10	70	70	70	75	75	75	75
Treatment of loans forgiven solvent farmers as if insolvent	—	—	—	—	—	—	—	10	10	10	10	10	10	10
Capital gains treatment of certain income	—	—	—	—	—	—	—	165	170	175	180	185	190	195
Commerce and housing:														
Financial institutions and insurance:														
Exemption of credit union income	660	700	745	790	835	885	940	—	—	—	—	—	—	—
Excess bad debt reserves of financial institutions	90	70	40	15	5	....	....	—	—	—	—	—	—	—
Deferral on income on life insurance and annuity contracts	325	345	370	395	420	445	475	10,200	10,865	11,570	12,320	13,120	13,975	14,885
Special alternative tax on small property and casualty insurance companies	5	5	5	5	5	5	5	—	—	—	—	—	—	—
Tax exemption of certain insurance companies	240	245	255	260	280	295	310	—	—	—	—	—	—	—
Small life insurance company deduction	110	115	120	130	135	140	145	—	—	—	—	—	—	—
Housing:														
Exclusion of interest on owner-occupied mortgage subsidy bonds	705	700	690	685	675	665	655	1,060	1,055	1,045	1,030	1,015	1,000	985
Exclusion of interest on State and local debt for rental housing	300	305	300	305	305	305	300	455	455	455	455	460	455	450
Deductibility of mortgage interest on owner-occupied homes	—	—	—	—	—	—	—	47,525	49,820	52,115	54,440	56,830	59,345	62,060
Deductibility of State and local property tax on owner-occupied homes	—	—	—	—	—	—	—	15,900	16,670	17,435	18,215	19,015	19,855	20,765
Deferral of income from post 1987 installment sales	245	250	255	260	265	270	275	710	725	740	755	770	785	800
Deferral of capital gains on home sales	—	—	—	—	—	—	—	14,410	14,845	15,290	15,745	16,220	16,705	17,205
Exclusion of capital gains on home sales for persons age 55 and over	—	—	—	—	—	—	—	5,225	5,230	5,095	5,515	5,295	5,810	5,495
Exception from passive loss rules for $25,000 of rental loss	—	—	—	—	—	—	—	3,950	3,700	3,470	3,260	3,065	2,885	2,715
Credit for low-income housing investments	520	570	655	700	720	690	665	2,080	2,270	2,615	2,800	2,875	2,755	2,660
Accelerated depreciation on rental housing (normal tax method)	750	855	1,005	1,340	1,650	1,500	1,515	440	495	550	615	685	740	795
Commerce:														
Cancellation of indebtedness	—	—	—	—	—	—	—	70	40	15	....	–10	–5	–5

TABLE 5–2. CORPORATE AND INDIVIDUAL INCOME TAX REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES—Continued

(In millions of dollars)

Provision	Revenue Loss													
	Corporations							Individuals						
	1996	1997	1998	1999	2000	2001	2002	1996	1997	1998	1999	2000	2001	2002
Permanent exceptions from imputed interest rules	—	—	—	—	—	—	—	150	155	155	160	160	160	165
Capital gains (other than agriculture, timber, iron ore, and coal) (normal tax method)	—	—	—	—	—	—	—	7,990	8,230	8,480	8,730	8,995	9,265	9,540
Capital gains exclusion of small corporation stock	—	—	—	—	—	—	—	....	....	5	20	40	70	95
Step-up basis of capital gains at death	—	—	—	—	—	—	—	29,530	30,715	31,945	33,225	34,555	35,940	37,375
Carryover basis of capital gains on gifts	—	—	—	—	—	—	—	140	150	160	170	180	190	200
Ordinary income treatment of loss from small business corporation stock sale	—	—	—	—	—	—	—	35	35	35	35	40	40	40
Accelerated depreciation of buildings other than rental housing (normal tax method)	4,780	4,070	3,260	2,385	1,695	1,185	800	2,020	1,730	1,400	1,035	690	455	285
Accelerated depreciation of machinery and equipment (normal tax method)	20,195	21,510	23,055	25,510	27,980	29,625	31,080	5,235	5,770	6,230	6,990	7,750	8,700	9,045
Expensing of certain small investments (normal tax method)	875	655	575	580	560	470	385	565	410	325	310	290	230	175
Amortization of start-up costs (normal tax method)	90	95	95	100	100	105	105	105	105	110	110	115	115	120
Graduated corporation income tax rate (normal tax method)	4,435	4,695	4,940	5,125	5,455	5,720	5,925	—	—	—	—	—	—	—
Exclusion of interest on small issue IDBs	110	105	105	100	100	100	95	165	160	155	155	150	150	145
Treatment of Alaska Native Corporations	20	15	10	5	5	5	....	—	—	—	—	—	—	—
Transportation:														
Deferral of tax on shipping companies	20	20	20	20	20	20	20	—	—	—	—	—	—	—
Exclusion of reimbursed employee parking expenses	—	—	—	—	—	—	—	1,250	1,285	1,315	1,350	1,385	1,425	1,470
Exclusion for employer-provided transit passes	—	—	—	—	—	—	—	50	60	70	85	100	115	130
Community and regional development:														
Investment credit for rehabilitation of structures (other than historic)	15	15	15	15	15	15	15	65	65	55	55	55	50	50
Exclusion of interest on IDBs for airports, docks, and sports and convention facilities	790	790	785	760	740	720	700	1,190	1,185	1,185	1,155	1,125	1,090	1,060
Exemption of certain mutuals' and cooperatives' income	60	60	60	65	65	65	70	—	—	—	—	—	—	—
Empowerment zones	500	550	600	625	650	650	490	30	35	40	45	50	50	40
Education, training, employment, and social services:														
Education:														
Exclusion of scholarship and fellowship income (normal tax method)	—	—	—	—	—	—	—	835	845	850	860	870	875	885
Exclusion of interest on State and local student loan bonds	120	115	110	105	105	100	100	185	175	170	160	155	150	150
Exclusion of interest on State and local debt for private nonprofit educational facilities	380	370	355	340	330	320	310	575	560	540	520	500	480	465
Exclusion of interest on savings bonds transferred to educational institutions	—	—	—	—	—	—	—	5	10	10	15	15	15	20
Parental personal exemption for students age 19 or over	—	—	—	—	—	—	—	820	845	885	930	985	1,045	1,090
Deductibility of charitable contributions (education)	180	190	200	210	220	230	240	1,685	1,770	1,860	1,955	2,050	2,155	2,260
Exclusion of employer provided educational assistance	—	—	—	—	—	—	—	20	575	20	....	....	....	....
Training, employment, and social services:														
Work opportunity tax credit	....	100	130	70	25	10	....	....	20	20	15	5	....	....
Exclusion of employer provided child care	—	—	—	—	—	—	—	775	830	890	955	1,025	1,100	1,180
Adoption assistance	—	—	—	—	—	—	—	....	10	200	320	355	370	365
Exclusion of employee meals and lodging (other than military)	—	—	—	—	—	—	—	570	600	630	665	700	735	775
Credit for child and dependent care expenses	—	—	—	—	—	—	—	2,580	2,705	2,840	2,985	3,130	3,290	3,455
Credit for disabled access expenditures	50	50	50	50	55	55	55	30	35	35	35	35	35	35
Expensing of costs of removing certain architectural barriers to the handicapped	15	15	15	15	15	15	15	5	5	5	5	5	5	5
Deductibility of charitable contributions, other than education and health	670	700	730	760	790	820	850	15,375	16,145	16,950	17,800	18,690	19,625	20,605
Exclusion of certain foster care payments	—	—	—	—	—	—	—	30	35	35	35	40	40	45
Exclusion of parsonage allowances	—	—	—	—	—	—	—	295	315	335	360	380	410	435
Health:														
Exclusion of employer contributions for medical insurance premiums and medical care	—	—	—	—	—	—	—	64,450	70,460	75,750	81,285	86,900	92,815	98,995
Medical savings accounts	—	—	—	—	—	—	—	....	10	100	190	195	195	200
Deductibility of medical expenses	—	—	—	—	—	—	—	3,675	4,060	4,535	4,895	5,270	5,670	6,100
Exclusion of interest on State and local debt for private nonprofit health facilities	850	825	795	765	735	710	695	1,285	1,255	1,210	1,165	1,120	1,080	1,050
Deductibility of charitable contributions (health)	640	675	705	745	780	810	850	1,720	1,805	1,895	1,990	2,090	2,195	2,305
Tax credit for orphan drug research	5	20	10	....	....	....	....	—	—	—	—	—	—	—
Special Blue Cross/Blue Shield deduction	120	135	95	150	165	200	250	—	—	—	—	—	—	—
Income security:														
Exclusion of railroad retirement system benefits	—	—	—	—	—	—	—	440	440	450	450	455	455	465
Exclusion of workmen's compensation benefits	—	—	—	—	—	—	—	4,695	4,970	5,305	5,550	5,855	6,220	6,660
Exclusion of public assistance benefits (normal tax method)	—	—	—	—	—	—	—	500	515	550	575	600	625	655

TABLE 5–2. CORPORATE AND INDIVIDUAL INCOME TAX REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES—Continued

(In millions of dollars)

Provision	Revenue Loss													
	Corporations							Individuals						
	1996	1997	1998	1999	2000	2001	2002	1996	1997	1998	1999	2000	2001	2002
Exclusion of special benefits for disabled coal miners	—	—	—	—	—	—	—	90	90	85	80	75	75	70
Exclusion of military disability pensions	—	—	—	—	—	—	—	130	130	130	130	130	130	130
Net exclusion of pension contributions and earnings:														
Employer plans	—	—	—	—	—	—	—	55,410	55,810	56,245	56,665	57,085	57,510	57,940
Individual Retirement Accounts	—	—	—	—	—	—	—	8,025	8,345	8,600	8,880	9,125	9,340	9,520
Keogh plans	—	—	—	—	—	—	—	3,030	3,200	3,325	3,500	3,680	3,875	4,080
Exclusion of employer provided death benefits	—	—	—	—	—	—	—	35	35	35	40	40	45	45
Exclusion of other employee benefits:														
Premiums on group term life insurance	—	—	—	—	—	—	—	2,495	2,615	2,745	2,880	3,020	3,170	3,325
Premiums on accident and disability insurance	—	—	—	—	—	—	—	155	165	175	185	195	205	215
Income of trusts to finance supplementary unemployment benefits	—	—	—	—	—	—	—	20	20	20	20	20	20	20
Special ESOP rules	845	675	660	680	700	730	760	60	60	60	60	60	60	60
Additional deduction for the blind	—	—	—	—	—	—	—	25	25	25	30	30	30	30
Additional deduction for the elderly	—	—	—	—	—	—	—	1,470	1,485	1,495	1,500	1,510	1,515	1,515
Tax credit for the elderly and disabled	—	—	—	—	—	—	—	45	50	50	50	50	50	50
Deductibility of casualty losses	—	—	—	—	—	—	—	460	485	510	535	560	590	620
Earned income credit [2]	—	—	—	—	—	—	—	5,097	5,653	5,814	6,112	6,319	6,621	6,859
Social Security:														
Exclusion of social security benefits:														
OASI benefits for retired workers	—	—	—	—	—	—	—	17,005	17,810	18,495	19,290	20,190	20,875	21,495
Disability insurance benefits	—	—	—	—	—	—	—	2,090	2,375	2,615	2,820	3,045	3,290	3,545
Benefits for dependents and survivors	—	—	—	—	—	—	—	3,795	3,985	4,175	4,355	4,530	4,710	4,895
Veterans benefits and services:														
Exclusion of veterans disability compensation	—	—	—	—	—	—	—	2,615	2,770	2,930	3,100	3,280	3,470	3,675
Exclusion of veterans pensions	—	—	—	—	—	—	—	70	70	70	70	75	80	85
Exclusion of GI bill benefits	—	—	—	—	—	—	—	50	60	70	80	90	95	100
Exclusion of interest on State and local debt for veterans housing	15	15	15	15	15	15	15	25	25	20	20	20	20	20
General purpose fiscal assistance:														
Exclusion of interest on public purpose State and local debt	6,290	6,310	6,280	6,220	6,160	6,105	6,055	9,430	9,490	9,455	9,375	9,285	9,195	9,115
Deductibility of nonbusiness State and local taxes other than on owner-occupied homes	—	—	—	—	—	—	—	28,265	29,630	30,995	32,375	33,800	35,290	36,910
Tax credit for corporations receiving income from doing business in U.S. possessions	2,760	2,700	2,770	2,800	2,885	2,970	3,060	—	—	—	—	—	—	—
Interest:														
Deferral of interest on savings bonds	—	—	—	—	—	—	—	1,300	1,290	1,285	1,270	1,215	1,170	1,155
Addendum—Aid to State and local governments:														
Deductibility of:														
Property taxes on owner-occupied homes	—	—	—	—	—	—	—	15,900	16,670	17,435	18,215	19,015	19,855	20,765
Nonbusiness State and local taxes other than on owner-occupied homes	—	—	—	—	—	—	—	28,265	29,630	30,995	32,375	33,800	35,290	36,910
Exclusion of interest on:														
Public purpose State and local debt	6,290	6,310	6,280	6,220	6,160	6,105	6,055	9,430	9,490	9,455	9,375	9,285	9,195	9,115
IDBs for certain energy facilities	125	125	125	125	125	125	125	190	190	190	190	185	185	185
IDBs for pollution control and sewage and waste disposal facilities	280	275	270	260	255	235	215	420	415	405	395	385	365	330
Small-issue IDBs	110	105	105	100	100	100	95	165	160	155	155	150	150	145
Owner-occupied mortgage revenue bonds	705	700	690	685	675	665	655	1,060	1,055	1,045	1,030	1,015	1,000	985
State and local debt for rental housing	300	305	300	305	305	305	300	455	455	455	455	460	455	450
IDBs for airports, docks, and sports and convention facilities	790	790	785	760	740	720	700	1,190	1,185	1,185	1,155	1,125	1,090	1,060
State and local student loan bonds	120	115	110	105	105	100	100	185	175	170	160	155	150	150
State and local debt for private nonprofit educational facilities	380	370	355	340	330	320	310	575	560	540	520	500	480	465
State and local debt for private nonprofit health facilities	850	825	795	765	735	710	695	1,285	1,255	1,210	1,165	1,120	1,080	1,050
State and local debt for veterans housing	15	15	15	15	15	15	15	25	25	20	20	20	20	20

[1] In addition alcohol fuels results in a reduction in excise tax receipts (in millions of dollars) as follows: 1996 $670; 1997 $670; 1998 $700; 1999 $740; 2000 $770; 2001 $800; and 2002 $840.

[2] The figures in the table indicate the effect of the earned income tax credit on receipts. The effect on outlays (in millions of dollars) is as follows: 1996 $19,159; 1997 $21,163; 1998 $21,983; 1999 $22,864; 2000 $23,818; 2001 $24,634; and 2002 $25,518.

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

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

TABLE 5–3. MAJOR TAX EXPENDITURES IN THE INCOME TAX, RANKED BY TOTAL 1998 REVENUE LOSS

(In millions of dollars)

Provision	1998	1998–2002
Exclusion of employer contributions for medical insurance premiums and medical care	75,750	435,745
Net exclusion of employer pension-plan contributions and earnings	56,245	285,445
Deductibility of mortgage interest on owner-occupied homes	52,115	284,790
Step-up basis of capital gains at death	31,945	173,040
Deductibility of nonbusiness State and local taxes other than on owner-occupied homes	30,995	169,370
Accelerated depreciation of machinery and equipment (normal tax method)	29,285	175,965
Deductibility of charitable contributions	22,340	123,365
Exclusion of OASI benefits for retired workers	18,495	100,345
Deductibility of State and local property tax on owner-occupied homes	17,435	95,285
Exclusion of interest on public purpose State and local debt	15,735	77,245
Deferral of capital gains on home sales	15,290	81,165
Deferral on income on life insurance and annuity contracts	11,940	67,975
Exclusion of interest on State and local debt for various non-public purposes	8,925	42,450
Net exclusion of Individual Retirement Account contributions and earnings	8,600	45,465
Capital gains (other than agriculture, timber, iron ore, and coal) (normal tax method)	8,480	45,010
Earned income credit [1]	5,814	31,725
Exclusion of workmen's compensation benefits	5,305	29,590
Exclusion of capital gains on home sales for persons age 55 and over	5,095	27,210
Graduated corporation income tax rate (normal tax method)	4,940	27,165
Accelerated depreciation of buildings other than rental housing (normal tax method)	4,660	13,190
Deductibility of medical expenses	4,535	26,470
Exclusion of Social Security benefits for dependents and survivors	4,175	22,665
Exception from passive loss rules for $25,000 of rental loss	3,470	15,395
Net exclusion of Keogh plan contributions and earnings	3,325	18,460
Credit for low-income housing investments	3,270	17,135
Exclusion of veterans disability compensation	2,930	16,455
Credit for child and dependent care expenses	2,840	15,700
Tax credit for corporations receiving income from doing business in U.S. possessions	2,770	14,485
Exclusion of employer-provided premiums on group term life insurance	2,745	15,140
Exclusion of Social Security disability insurance benefits	2,615	15,315
Deferral of income from controlled foreign corporations (normal tax method)	2,400	14,000
Exclusion of benefits and allowances to armed forces personnel	2,095	10,695
Exclusion of interest on State and local debt for private nonprofit health facilities	2,005	9,325
Exclusion of income earned abroad by United States citizens	1,865	11,590
Exclusion of income of foreign sales corporations	1,700	9,500
Inventory property sales source rules exception	1,600	9,000
Accelerated depreciation on rental housing (normal tax method)	1,555	10,395
Additional deduction for the elderly	1,495	7,535
Exclusion of reimbursed employee parking expenses	1,315	6,945
Deferral of interest on savings bonds	1,285	6,095
Excess of percentage over cost depletion (fuels)	1,170	6,045
Credit for increasing research activities	1,045	1,445
Deferral of income from post 1987 installment sales	995	5,175
Expensing of certain small investments (normal tax method)	900	3,900
Exclusion of employer provided child care	890	5,150
Parental personal exemption for students age 19 or over	885	4,935
Exclusion of scholarship and fellowship income (normal tax method)	850	4,340
Exemption of credit union income	745	4,195
Special ESOP rules	720	3,830
Empowerment zones	640	3,240
Exclusion of employee meals and lodging (other than military)	630	3,505
Exclusion of public assistance benefits (normal tax method)	550	3,005
Deductibility of casualty losses	510	2,815
Alternative fuel production credit	485	2,575
Exclusion of railroad retirement system benefits	450	2,275
Expensing of multiperiod timber growing costs	440	2,415
Expensing of research and experimentation expenditures (normal tax method)	430	3,200
Exclusion of parsonage allowances	335	1,920
Excess of percentage over cost depletion, nonfuel minerals	300	1,565
Exclusion of interest on small issue IDBs	260	1,255
Tax exemption of certain insurance companies	255	1,400
Amortization of start-up costs (normal tax method)	205	1,075
Adoption assistance	200	1,610
Capital gains treatment of certain income	175	925
Exclusion of employer-provided premiums on accident and disability insurance	175	975
Carryover basis of capital gains on gifts	160	900
Permanent exceptions from imputed interest rules	155	800
Work opportunity tax credit	150	275
Exclusion of military disability pensions	130	650

TABLE 5–3. MAJOR TAX EXPENDITURES IN THE INCOME TAX, RANKED BY TOTAL 1998 REVENUE LOSS—Continued
(In millions of dollars)

Provision	1998	1998–2002
Small life insurance company deduction	120	670
Tax incentives for preservation of historic structures	115	550
Medical savings accounts	100	880
Special Blue Cross/Blue Shield deduction	95	860
Enhanced oil recovery credit	90	510
Credit for disabled access expenditures	85	440
Exclusion of special benefits for disabled coal miners	85	385
Expensing of certain multiperiod production costs	80	420
Tax credit and deduction for clean-fuel burning vehicles and properties	75	425
Exclusion for employer-provided transit passes	70	500
Investment credit for rehabilitation of structures (other than historic)	70	340
Exclusion of veterans pensions	70	380
Exclusion of GI bill benefits	70	435
Expensing of certain capital outlays	65	345
Exemption of certain mutuals' and cooperatives' income	60	325
Exception from passive loss limitation for working interests in oil and gas properties	55	295
Tax credit for the elderly and disabled	50	250
Special rules for mining reclamation reserves	50	250
Investment credit and seven-year amortization for reforestation expenditures	50	250
Excess bad debt reserves of financial institutions	40	60
New technology credit	40	210
Exclusion of employer provided death benefits	35	205
Ordinary income treatment of loss from small business corporation stock sale	35	190
Exclusion of certain foster care payments	35	195
Expensing of exploration and development costs, nonfuel minerals	35	175
Additional deduction for the blind	25	145
Exclusion of employer provided educational assistance	20	20
Deferral of tax on shipping companies	20	100
Exclusion of income of trusts to finance supplementary unemployment benefits	20	100
Expensing of costs of removing certain architectural barriers to the handicapped	20	100
Exclusion from income of conservation subsidies provided by public utilities	15	170
Cancellation of indebtedness	15	–5
Capital gains treatment of royalties on coal	15	95
Capital gains treatment of certain timber income	15	95
Treatment of Alaska Native Corporations	10	25
Treatment of loans forgiven solvent farmers as if insolvent	10	50
Tax credit for orphan drug research	10	10
Exclusion of interest on savings bonds transferred to educational institutions	10	75
Alcohol fuel credit[2]	10	50
Capital gains exclusion of small corporation stock	5	230
Special alternative tax on small property and casualty insurance companies	5	25
Capital gains treatment of iron ore	....	....
Expensing of exploration and development costs (fuels)	–40	235

[1] The figures in the table indicate the effect of the earned income tax credit on receipts. The effect on outlays (in millions of dollars) is as follows: 1996 $19,159; 1997 $21,163; 1998 $21,983; 1999 $22,864; 2000 $23,818; 2001 $24,634; and 2002 $25,518.
[2] In addition alcohol fuels results in a reduction in excise tax receipts (in millions of dollars) as follows: 1996 $670; 1997 $670; 1998 $700; 1999 $740; 2000 $770; 2001 $800; and 2002 $840.
Note: Provisions with estimates denoted ''normal tax method'' have no revenue loss under the reference tax law method.
All estimates have been rounded to the nearest $5 million.
Figures in table 5–3 are the arithmetic sums of corporate and individual income tax revenue loss estimates from table 5-2, and do not reflect possible interactions across these two taxes.

TABLE 5–4. PRESENT VALUE OF SELECTED TAX EXPENDITURES FOR ACTIVITY IN CALENDAR YEAR 1997

(In millions of dollars)

Provision	Present Value of Revenue Loss
Deferral of income from controlled foreign corporations (normal tax method)	2,150
Expensing of research and experimentation expenditures (normal tax method)	1,610
Expensing of exploration and development costs—fuels	205
Expensing of exploration and development costs—nonfuels	60
Expensing of multiperiod timber growing costs	140
Expensing of certain multiperiod production costs—agriculture	85
Expensing of certain capital outlays—agriculture	70
Deferral of income on life insurance and annuity contracts	18,700
Deferral of capital gains on home sales	14,630
Credit for low-income housing investments	3,150
Accelerated depreciation of rental housing (normal tax method)	2,025
Accelerated depreciation of buildings other than rental housing (normal tax method)	420
Accelerated depreciation of machinery and equipment (normal tax method)	29,830
Expensing of certain small investments (normal tax method)	1,050
Amortization of start-up costs (normal tax method)	170
Deferral of tax on shipping companies	10
Exclusion of pension contributions and earnings—employer plans	54,060
Exclusion of IRA contributions and earnings	2,175
Exclusions of contribution and earnings for Keogh plans	3,220
Exclusion of interest on State and local public-purpose bonds	17,535
Exclusion of interest on State and local non-public purpose bonds	8,925
Deferral of interest on U.S. savings bonds	210

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

Outlay Equivalents

The concept of ‘‘outlay equivalents’’ complements ‘‘revenue losses’’ as a measure of the budget effect of tax expenditures. It is the amount of outlay that would be required to provide the taxpayer the same after-tax income as would be received through the tax preference. The outlay equivalent measure allows a comparison of the cost of the tax expenditure with that of a direct Federal outlay. Outlay equivalents are reported in table 5–5.

The measure is larger than the revenue loss estimate when the tax expenditure is judged to function as a Government payment for service. This occurs because an outlay program would increase the taxpayer's pre-tax income. For some tax expenditures, however, the revenue loss equals the outlay equivalent measure. This occurs when the tax expenditure is judged to function like a price reduction or tax deferral that does not directly enter the taxpayer's pre-tax income.[1]

[1] Budget outlay figures generally reflect the pre-tax price of the resources. In some instances, however, Government purchases or subsidies are exempted from tax by a special tax provision. When this occurs, the outlay figure understates the resource cost of the program and is, therefore, not comparable with other outlay amounts. For example, the outlays for certain military personnel allowances are not taxed. If this form of compensation were treated as part of the employee's taxable income, the Defense Department would have to make larger cash payments to its military personnel to leave them as well off after tax as they are now. The tax subsidy must be added to the tax-exempt budget outlay to make this element of national defense expenditures comparable with other outlays.

TABLE 5–5. OUTLAY EQUIVALENT ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX

(In millions of dollars)

Provision	Outlay Equivalents							
	1996	1997	1998	1999	2000	2001	2002	1998–2002
National defense:								
Exclusion of benefits and allowances to armed forces personnel	2,405	2,425	2,445	2,470	2,495	2,520	2,545	12,475
International affairs:								
Exclusion of income earned abroad by United States citizens	2,025	2,240	2,485	2,755	3,055	3,390	3,770	15,455
Exclusion of income of foreign sales corporations	2,310	2,460	2,615	2,770	2,925	3,075	3,230	14,615
Inventory property sales source rules exception	2,155	2,310	2,460	2,615	2,770	2,925	3,075	13,845
Deferral of income from controlled foreign corporations (normal tax method)	2,100	2,200	2,400	2,600	2,800	3,000	3,200	14,000
General science, space, and technology:								
Expensing of research and experimentation expenditures (normal tax method)	40	195	430	580	685	740	765	3,200
Credit for increasing research activities	1,245	1,055	1,610	380	160	60	10	2,220
Energy:								
Expensing of exploration and development costs, fuels	–210	–130	–40	20	100	75	80	235
Excess of percentage over cost depletion, fuels	1,580	1,620	1,640	1,675	2,705	1,730	1,765	8,515
Alternative fuel production credit	800	795	845	795	755	715	685	3,795
Exception from passive loss limitation for working interests in oil and gas properties	50	50	55	55	60	60	65	295
Capital gains treatment of royalties on coal	20	20	20	25	25	25	25	120
Exclusion of interest on State and local IDBs for energy facilities	420	420	415	415	410	405	400	2,045
New technology credit	40	50	55	60	60	60	65	300
Alcohol fuel credit [1]	10	10	10	10	10	10	10	50
Tax credit and deduction for clean-fuel burning vehicles and properties	90	95	105	110	120	125	130	590
Exclusion from income of conservation subsidies provided by public utilities	210	95	25	40	55	60	65	245
Natural resources and environment:								
Expensing of exploration and development costs, nonfuel minerals	35	35	35	35	35	35	35	175
Excess of percentage over cost depletion, nonfuel minerals	405	415	425	435	440	455	460	2,215
Capital gains treatment of iron ore	....	....	....	....	....	....	....	....
Special rules for mining reclamation reserves	50	50	50	50	50	50	50	250
Exclusion of interest on State and local IDBs for pollution control and sewage and waste disposal facilities	925	900	870	845	815	755	675	3,960
Capital gains treatment of certain timber income	20	20	20	25	25	25	25	120
Expensing of multiperiod timber growing costs	395	415	440	460	485	505	525	2,415
Investment credit and seven-year amortization for reforestation expenditures	65	65	75	75	75	75	75	375
Tax incentives for preservation of historic structures	125	120	115	115	110	105	105	550
Agriculture:								
Expensing of certain capital outlays	65	65	65	70	70	70	70	345
Expensing of certain multiperiod production costs	80	80	80	85	85	85	85	420
Treatment of loans forgiven solvent farmers as if insolvent	10	10	10	10	10	10	10	50
Capital gains treatment of certain income	220	225	235	240	245	255	260	1,235
Commerce and housing:								
Financial institutions and insurance:								
Exemption of credit union income	840	895	945	1,005	1,065	1,130	1,200	5,345
Excess bad debt reserves of financial institutions	90	70	40	15	5	....	....	60
Deferral on income on life insurance and annuity contracts	10,525	11,210	11,940	12,715	13,540	14,420	15,360	67,975
Special alternative tax on small property and casualty insurance companies	5	5	5	5	5	5	5	25
Tax exemption of certain insurance companies	315	320	335	340	370	390	405	1,840
Small life insurance company deduction	145	150	160	170	175	185	190	880
Housing:								
Exclusion of interest on owner-occupied mortgage subsidy bonds	2,305	2,265	2,230	2,190	2,150	2,110	2,070	10,750
Exclusion of interest on State and local debt for rental housing	990	985	980	985	990	980	970	4,905
Deductibility of mortgage interest on owner-occupied homes	47,525	49,820	52,115	54,440	56,830	59,345	62,060	284,790
Deductibility of State and local property tax on owner-occupied homes	15,900	16,670	17,435	18,215	19,015	19,855	20,765	95,285
Deferral of income from post 1987 installment sales	955	975	995	1,015	1,035	1,055	1,075	5,175
Deferral of capital gains on home sales	14,410	14,845	15,290	15,745	16,220	16,705	17,205	81,165
Exclusion of capital gains on home sales for persons age 55 and over	6,965	6,975	6,795	7,355	7,060	7,745	7,325	36,280
Exception from passive loss rules for $25,000 of rental loss	3,950	3,700	3,470	3,260	3,065	2,885	2,715	15,395
Credit for low-income housing investments	2,660	2,945	3,270	3,500	3,595	3,445	3,325	17,135
Accelerated depreciation on rental housing (normal tax method)	1,190	1,350	1,560	1,955	2,340	2,240	2,310	10,405
Commerce:								
Cancellation of indebtedness	70	40	15	....	–10	–5	–5	–5
Permanent exceptions from imputed interest rules	150	155	155	160	160	160	165	800
Capital gains (other than agriculture, timber, iron ore, and coal)	10,655	10,975	11,295	11,640	11,995	12,355	12,720	60,005
Capital gains exclusion of small corporation stock	....	....	5	25	55	95	125	305
Step-up basis of capital gains at death	39,375	40,955	42,595	44,300	46,075	47,920	49,835	230,725
Carryover basis of capital gains on gifts	140	150	160	170	180	190	200	900
Ordinary income treatment of loss from small business corporation stock sale	45	45	50	50	55	55	55	265
Accelerated depreciation of buildings other than rental housing (normal tax method)	6,800	5,795	4,655	3,420	2,380	1,640	1,085	13,180
Accelerated depreciation of machinery and equipment (normal tax method)	25,430	27,280	29,285	32,500	35,730	38,320	40,125	175,960

TABLE 5–5. OUTLAY EQUIVALENT ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued

(In millions of dollars)

Provision	Outlay Equivalents							
	1996	1997	1998	1999	2000	2001	2002	1998–2002
Expensing of certain small investments (normal tax method)	1,435	1,065	900	890	845	700	560	3,895
Amortization of start-up costs (normal tax method)	195	200	205	210	215	220	225	1,075
Graduated corporation income tax rate (normal tax method)	5,995	6,345	6,675	6,925	7,370	7,730	8,005	36,705
Exclusion of interest on small issue IDBs	335	310	300	290	285	275	270	1,420
Treatment of Alaska Native Corporations	20	15	10	5	5	5	....	25
Transportation:								
Deferral of tax on shipping companies	20	20	20	20	20	20	20	100
Exclusion of reimbursed employee parking expenses	1,625	1,670	1,715	1,755	1,805	1,855	1,910	9,040
Exclusion for employer-provided transit passes	65	80	100	115	135	155	180	685
Community and regional development:								
Investment credit for rehabilitation of structures (other than historic)	80	80	70	70	70	65	65	340
Exclusion of interest on IDBs for airports, docks, and sports and convention facilities	2,570	2,550	2,525	2,445	2,360	2,280	2,200	11,810
Exemption of certain mutuals' and cooperatives' income	60	60	60	65	65	65	70	325
Empowerment zones	530	585	640	670	700	700	530	3,240
Education, training, employment, and social services:								
Education:								
Exclusion of scholarship and fellowship income (normal tax method)	915	925	935	945	955	965	980	4,780
Exclusion of interest on State and local student loan bonds	380	360	335	320	305	295	290	1,545
Exclusion of interest on State and local debt for private nonprofit educational facilities	1,225	1,175	1,120	1,065	1,015	970	935	5,105
Exclusion of interest on savings bonds transferred to educational institutions	5	10	10	15	15	15	20	75
Parental personal exemption for students age 19 or over	910	935	980	1,030	1,090	1,155	1,205	5,460
Deductibility of charitable contributions (education)	2,480	2,605	2,730	2,870	3,000	3,155	3,295	15,050
Exclusion of employer provided educational assistance	25	710	25	....	....	....	....	25
Training, employment, and social services:								
Work opportunity tax credit	....	120	150	85	30	10	....	275
Exclusion of employer provided child care	1,035	1,105	1,185	1,275	1,365	1,465	1,575	6,865
Adoption assistance	....	10	240	385	430	450	435	1,940
Exclusion of employee meals and lodging (other than military)	695	730	770	810	855	900	950	4,285
Credit for child and dependent care expenses	3,440	3,605	3,785	3,980	4,175	4,385	4,605	20,930
Credit for disabled access expenditures	105	115	115	115	120	120	120	590
Expensing of costs of removing certain architectural barriers to the handicapped	20	20	20	20	20	20	20	100
Deductibility of charitable contributions, other than education and health	27,365	28,740	30,185	31,735	33,305	34,965	36,365	166,555
Exclusion of certain foster care payments	40	40	45	45	50	50	55	245
Exclusion of parsonage allowances	365	390	415	440	470	505	540	2,370
Health:								
Exclusion of employer contributions for medical insurance premiums and medical care	82,200	90,035	96,950	104,220	111,490	119,100	127,045	558,805
Medical savings accounts	....	10	110	205	210	210	220	955
Deductibility of medical expenses	3,675	4,060	4,535	4,895	5,270	5,670	6,100	26,470
Exclusion of interest on State and local debt for private nonprofit health facilities	2,740	2,630	2,510	2,390	2,275	2,175	2,095	11,445
Deductibility of charitable contributions (health)	3,175	3,325	3,585	3,655	3,825	4,005	4,195	19,265
Tax credit for orphan drug research	5	30	15	....	....	....	....	15
Special Blue Cross/Blue Shield deduction	155	175	125	200	220	260	330	1,135
Income security:								
Exclusion of railroad retirement system benefits	440	440	450	450	455	455	465	2,275
Exclusion of workmen's compensation benefits	4,695	4,970	5,305	5,550	5,855	6,220	6,660	29,590
Exclusion of public assistance benefits (normal tax method)	500	515	550	575	600	625	655	3,005
Exclusion of special benefits for disabled coal miners	90	90	85	80	75	75	70	385
Exclusion of military disability pensions	130	130	130	130	130	130	130	650
Net exclusion of pension contributions and earnings:								
Employer plans	72,195	77,045	77,625	78,175	78,760	79,350	79,950	314,510
Individual Retirement Accounts	11,110	11,615	12,045	12,515	12,950	13,370	13,755	64,635
Keogh plans	3,990	4,215	4,380	4,610	4,850	5,105	5,375	24,320
Exclusion of employer provided death benefits	45	50	50	55	55	60	65	285
Exclusion of other employee benefits:								
Premiums on group term life insurance	3,280	3,440	3,610	3,790	3,975	4,170	4,375	19,920
Premiums on accident and disability insurance	200	210	225	235	250	260	275	1,245
Income of trusts to finance supplementary unemployment benefits	20	20	20	20	20	20	20	100
Special ESOP rules	1,255	1,020	1,000	1,030	1,055	1,095	1,140	5,320
Additional deduction for the blind	30	30	35	35	35	35	40	180
Additional deduction for the elderly	1,780	1,795	1,805	1,815	1,825	1,830	1,830	9,105
Tax credit for the elderly and disabled	60	60	60	60	60	60	60	300
Deductibility of casualty losses	600	630	660	695	730	765	805	3,655
Earned income credit [2]	5,663	6,281	6,460	6,792	7,021	7,357	7,621	35,251

TABLE 5–5. OUTLAY EQUIVALENT ESTIMATES FOR TAX EXPENDITURES IN THE INCOME TAX—Continued
(In millions of dollars)

Provision	Outlay Equivalents							
	1996	1997	1998	1999	2000	2001	2002	1998–2002
Social Security:								
Exclusion of social security benefits:								
OASI benefits for retired workers	17,005	17,810	18,495	19,290	20,190	20,875	21,495	100,345
Disability insurance benefits	2,090	2,375	2,615	2,820	3,045	3,290	3,545	15,315
Benefits for dependents and survivors	3,795	3,985	4,175	4,355	4,530	4,710	4,895	22,665
Veterans benefits and services:								
Exclusion of veterans disability compensation	2,615	2,770	2,930	3,100	3,280	3,470	3,675	16,455
Exclusion of veterans pensions	70	70	70	70	75	80	85	380
Exclusion of GI bill benefits	50	60	70	80	90	95	100	435
Exclusion of interest on State and local debt for veterans housing	50	45	45	45	40	40	40	210
General purpose fiscal assistance:								
Exclusion of interest on public purpose State and local debt	19,840	19,700	19,490	19,225	18,950	18,675	18,420	94,760
Deductibility of nonbusiness State and local taxes other than on owner-occupied homes	28,265	29,630	30,995	32,375	33,800	35,290	36,910	169,370
Tax credit for corporations receiving income from doing business in U.S. possessions	3,940	3,860	3,960	4,000	4,120	4,245	4,370	20,695
Interest:								
Deferral of interest on savings bonds	1,300	1,290	1,285	1,270	1,215	1,170	1,155	6,095
Addendum—Aid to State and local governments:								
Deductibility of:								
Property taxes on owner-occupied homes	15,900	16,670	17,435	18,215	19,015	19,855	20,765	95,285
Nonbusiness State and local taxes other than on owner-occupied homes	28,265	29,630	30,995	32,375	33,800	35,290	36,910	169,370
Exclusion of interest on:								
Public purpose State and local debt	19,840	19,700	19,490	19,225	18,950	18,675	18,420	94,760
IDBs for certain energy facilities	420	420	415	415	410	405	400	2,045
IDBs for pollution control and sewage and waste disposal facilities	925	900	870	845	815	755	675	3,960
Small-issue IDBs	335	310	300	290	285	275	270	1,420
Owner-occupied mortgage revenue bonds	2,305	2,265	2,230	2,190	2,150	2,110	2,070	10,750
State and local debt for rental housing	990	985	980	985	990	980	970	4,905
IDBs for airports, docks, and sports and convention facilities	2,570	2,550	2,525	2,445	2,360	2,280	2,200	11,810
State and local student loan bonds	380	360	335	320	305	295	290	1,545
State and local debt for private nonprofit educational facilities	1,225	1,175	1,120	1,065	1,015	970	935	5,105
State and local debt for private nonprofit health facilities	2,740	2,630	2,510	2,390	2,275	2,175	2,095	11,445
State and local debt for veterans housing	50	45	45	45	40	40	40	210

[1] In addition, alcohol fuels results in a reduction in excise tax receipts (in millions of dollars) as follows: 1996 $670; 1997 $670; 1998 $700; 1999 $740; 2000 $770; 2001 $800; and 2002 $840.
[2] The figures in the table indicate the effect of the earned income tax credit on receipts. The effect on outlays (in millions of dollars) is as follows: 1996 $19,159; 1997 $21,163; 1998 $21,983; 1999 $22,864; 2000 $23,818; 2001 $24,634; and 2002 $25,518.
Note: Provisions with estimates denoted ''normal tax method'' have outlay equivalents of zero under the reference tax law method.
All estimates have been rounded to the nearest $5 million.

Tax Expenditure Baselines

A tax expenditure is a preferential exception to the baseline provisions of the tax structure. The 1974 Congressional Budget Act does not, however, specify the baseline provisions of the tax law. Deciding whether provisions are preferential exceptions, therefore, is a matter of judgement. As in prior years, this year's tax expenditure estimates are presented using two baselines: the normal tax baseline, which is used by the Joint Committee on Taxation, and the reference tax law baseline, which has been used by the Administration since 1983.

The normal tax baseline is patterned on a comprehensive income tax, which defines income as the sum of consumption and the change in net wealth in a given period of time. The normal tax baseline allows personal exemptions, a standard deduction, and deductions of the expenses incurred in earning income. It is not limited to a particular structure of tax rates, or by a specific definition of the taxpaying unit.

The reference tax law baseline is also patterned on a comprehensive income tax, but in practice is closer to existing law. Reference law tax expenditures are limited to special exceptions in the tax code that serve programmatic functions. These functions correspond to specific budget categories such as national defense, agriculture, or health care. While tax expenditures under the reference law baseline are generally tax expenditures under the normal tax baseline, the reverse is not always true.

Both the normal and reference tax baselines allow several major departures from a pure comprehensive income tax. For example:

- *Income is taxable when realized in exchange.* Thus, neither the deferral of tax on unrealized capital gains nor the tax exclusion of imputed income (such as the rental value of owner-occupied housing or farmers' consumption of their own produce) is regarded as a tax expenditure. Both accrued and imputed income would be taxed under a comprehensive income tax.
- *There is a separate corporation income tax.* Under a comprehensive income tax corporate income would be taxed only once—at the shareholder

level, whether or not distributed in the form of dividends.

- *Values of assets and debt are not adjusted for inflation.* A comprehensive income tax would adjust the cost basis of capital assets and debt for changes in the price level during the time the assets or debt are held. Thus, under a comprehensive income tax baseline the failure to take account of inflation in measuring depreciation, capital gains, and interest income would be regarded as a negative tax expenditure (i.e., a tax penalty), and failure to take account of inflation in measuring interest costs would be regarded as a positive tax expenditure (i.e., a tax subsidy).

While the reference law and normal tax baselines are generally similar, areas of difference include:

- *Tax rates.* The separate schedules applying to the various taxpaying units are included in the reference law baseline. Thus, corporate tax rates below the maximum statutory rate do not give rise to a tax expenditure. The normal tax baseline is similar, except that it specifies the current maximum rate as the baseline for the corporate income tax. The lower tax rates applied to the first $10 million of corporate income are thus regarded as a tax expenditure. Similarly, under the reference law baseline, preferential tax rates for capital gains generally do not yield a tax expenditure; only capital gains treatment of otherwise "ordinary income," such as that from coal and iron ore royalties and the sale of timber and certain agricultural products, is considered a tax expenditure. The alternative minimum tax is treated as part of the baseline rate structure under both the reference and normal tax methods.
- *Income subject to the tax.* Income subject to tax is defined as gross income less the costs of earning that income. The Federal income tax defines gross income to include: (1) consideration received in the exchange of goods and services, including labor services or property; and (2) the taxpayer's share of gross or net income earned and/or reported by another entity (such as a partnership). Under the reference tax rules, therefore, gross income does not include gifts—defined as receipts of money or property that are not consideration in an exchange—or most transfer payments, which can be thought of as gifts from the Government.[2] The normal tax baseline also excludes gifts between individuals from gross income. Under the normal tax baseline, however, all cash transfer payments from the Government to private individuals are counted in gross income, and exemptions of such transfers from tax are identified as tax expenditures. The costs of earning income are generally deductible in determining taxable income under both the reference and normal tax baselines.[3]
- *Capital recovery.* Under the reference tax law baseline no tax expenditures arise from accelerated depreciation. Under the normal tax baseline, the depreciation allowance for machinery and equipment is determined using straight-line depreciation over tax lives equal to mid-values of the asset depreciation range (a depreciation system in effect from 1971 through 1980). The normal tax baseline for real property is computed using 40-year straight-line depreciation.
- *Treatment of foreign income.* Both the normal and reference tax baselines allow a tax credit for foreign income taxes paid (up to the amount of U.S. income taxes that would otherwise be due), which prevents double taxation of income earned abroad. Under the normal tax method, however, controlled foreign corporations (CFCs) are not regarded as entities separate from their controlling U.S. shareholders. Thus, the deferral of tax on income received by CFCs is regarded as a tax expenditure under this method. In contrast, except for tax haven activities, the reference law baseline follows current law in treating CFCs as separate taxable entities whose income is not subject to U.S. tax until distributed to U.S. taxpayers. Under this baseline, deferral of tax on CFC income is not a tax expenditure because U.S. taxpayers generally are not taxed on accrued, but unrealized, income.

In addition to these areas of difference, the Joint Committee on Taxation considers a somewhat broader set of tax expenditures under its normal tax baseline than is considered here.

Performance Measures and the Economic Effects of Tax Expenditures

Under the Government Performance and Results Act of 1993 (GPRA), Federal agencies, in conjunction with the Office of Management and Budget, are directed to develop strategic plans for their functions and programs, with specific performance measures and performance goals. Consistent with this effort, OMB and the Department of the Treasury have started to develop a framework for evaluating the performance and economic effects of tax expenditures. This framework is expected to evolve based on additional work within the Executive branch and consultation with Congressional units, including the Joint Committee on Taxation and the General Accounting Office. Initial work is summarized below and will be updated in the Administration's May 1997 report on GPRA implementation.

Tax expenditures have a variety of objectives and effects. These include encouraging certain types of activities (e.g., saving for retirement or investing in certain sectors); increasing certain types of after-tax income (e.g., favorable tax treatment of social security

[2] Gross income does, however, include transfer payments associated with past employment, such as social security benefits.

[3] In the cases of individuals who hold "passive" equity interests in businesses, however, the pro rata shares of sales and expense deductions reportable in a year are limited. A passive business activity is defined to be one in which the holder of the interest, usually a partnership interest, does not actively perform managerial or other participatory functions. The taxpayer may generally report no larger deductions for a year than will reduce taxable income from such activities to zero. Deductions in excess of the limitation may be taken in subsequent years, or when the interest is liquidated.

income); reducing private compliance costs and government administrative costs (e.g., favorable treatment of certain employer-provided fringe benefits); and promoting tax neutrality (e.g., accelerated depreciation in the presence of inflation). Some of these objectives are well suited to quantitative measurement, while others are less suited. Also, many tax expenditures, including those cited above, may have more than one objective. As just one example, favorable treatment of employer-provided pensions might be argued to have aspects of most, or even all, of the goals mentioned above. In addition, the economic effects of particular provisions can extend beyond their intended objectives (e.g., a provision intended to promote an activity or raise certain incomes may have positive or negative effects on tax neutrality).

Performance measurement is generally concerned with inputs, outputs, and outcomes. In the case of tax expenditures, the principal input is likely to be the tax revenue loss. Outputs are quantitative or qualitative measures of goods and services, or changes in income and investment, directly produced by these inputs. Outcomes, in turn, represent the changes in the economy, society, or environment that are the ultimate goals of programs.

Thus, for a provision that reduces taxes on investment in a certain activity, an increase in the amount of investment would likely be a key output. The resulting production from that investment, and, in turn, the associated improvements in national income, welfare, or security, could be the outcomes of interest. For other provisions, such as those designed to address a potential inequity or unintended consequence in the tax code, an important performance measure might be how they change effective tax rates (the discounted present-value of taxes owed on new investments or incremental earnings) or excess burden (an economic measure of the distortions caused by taxes). Distributional effects on incomes may be an important concern for certain provisions.

Estimation of these performance indicators and economic effects may be pursued via economic modeling and use of tax data. It is anticipated that OMB, Treasury, and other agencies will work together, as appropriate, on determining a set of useful measures and in developing quantitative and other estimates of provisions' impacts.

The discussion below considers the types of measures that might be useful for some major programmatic groups of tax expenditures. The discussion is intended to be illustrative, and not all encompassing.

One major set of tax expenditures benefits retirement savings, through employer-provided pensions, individual retirement accounts, Keogh plans and other instruments, such as annuities. These provisions might be evaluated in terms of their effects on boosting retirement incomes and private savings. In considering the provisions' distributional effects, it may be of interest to consider beneficiaries' incomes while retired and over their entire lifetimes.

Individuals also benefit from favorable treatment of employer-provided health insurance. Measures of these benefits could include increased coverage and the distribution of this coverage across different income groups. In principle, the effects of insurance coverage on final outcome measures of actual health (e.g., infant mortality, days of work lost due to illness, or life expectancy) or intermediate outcomes (e.g., use of preventative health care) could also be investigated.

Other provisions principally have income distribution, rather than incentive, effects. For example, tax-favored treatment of social security benefits provides increased incomes to eligible groups; the distribution of these increased incomes may be a useful performance measure. The earned-income tax credit, in contrast, should probably be evaluated both for its effects on labor force participation and its distributional properties.

Housing investment also benefits from tax expenditures, including the mortgage interest deduction and preferential treatment of capital gains on housing. Measures of the effectiveness of these provisions could include consideration of their effects on increasing the extent of home ownership and the quality of housing. The effects of the capital gains provisions in terms of offsetting inflationary gains are also likely to be relevant. Deductibility of State and local property taxes assists with making housing more affordable as well as easing the cost of providing community services through these taxes. Provisions that are intended to promote investment in rental housing could be evaluated for their effects on making rental housing more available and affordable.

A series of tax expenditures reduces the cost of investment, both in specific activities—such as research and experimentation, extractive industries, and certain financial activities—and more generally, through accelerated depreciation for plant and equipment. These provisions can be evaluated along a number of dimensions. For example, in addition to considering revenue effects, it is can be useful to consider the extent of the incentive delivered by measuring the provisions' effects on the cost of capital (the interest rate which investments must yield to cover their pretax tax costs) and effective tax rates. Another set of measures would reflect the impact of these provisions on the amounts of corresponding forms of investment—such as research spending, exploration activity, or equipment. A third group of measures would, in turn, consider the provisions' effects on production from these investments—such as numbers or value of patents, energy production and reserves, and industrial production. Other measures could consider objectives which are less directly attributable but still are ultimate goals, such as assisting the U.S. technological base, energy security, or economic growth.

The above illustrative discussion, while broad, is nevertheless incomplete, both for the provisions mentioned and the many that are not explicitly cited. Developing a framework which is appropriately comprehensive, accurate, and flexible to reflect the objectives and effects of the wide range of tax expenditures will be a significant challenge. It is expected that this framework will evolve and improve over the next several years and that quantitative estimates will be made to the extent possible. Such estimates could then be compared with the costs of the provisions and with the costs and benefits of other means of achieving the same performance goals.

Other Considerations

The tax expenditure analysis could be extended beyond the income and transfer taxes to include payroll and excise taxes. The exclusion of certain forms of compensation from the wage base, for instance, reduces payroll taxes, as well as income taxes. Payroll tax exclusions are complex to analyze, however, because they also affect social insurance benefits. Certain targeted excise tax provisions might also be considered tax expenditures. In this case challenges include determining an appropriate baseline.

Descriptions of Income Tax Provisions

Descriptions of the individual and corporate income tax expenditures reported upon in this chapter follow.

NATIONAL DEFENSE

Benefits and allowances to armed forces personnel.—The housing and meals provided military personnel, either in cash or in kind, as well as certain amounts of pay related to combat service are excluded from income subject to tax.

INTERNATIONAL AFFAIRS

Income earned abroad.—A U.S. citizen or resident alien who resides in a foreign country or who stays in one or more foreign countries for a minimum of 11 out of the past 12 months may exclude $70,000 per year of foreign-earned income. Eligible taxpayers also may exclude or deduct reasonable housing costs in excess of one-sixth of the salary of a civil servant at grade GS –14, step 1. These provisions do not apply to Federal employees working abroad; however, the tax expenditure estimate does reflect certain allowances that are excluded from their taxable income.

Income of Foreign Sales Corporations.—The Foreign Sales Corporation (FSC) provisions exempt from tax a portion of U.S. exporters' foreign trading income to reflect the FSC's sales functions as foreign corporations. These provisions conform to the General Agreement on Tariffs and Trade.

Source rule exceptions.—The worldwide income of U.S. persons is taxable by the United States and a credit for foreign taxes paid is allowed. The amount of foreign taxes that can be credited is limited to the pre-credit U.S. tax on the foreign source income. The treatment of sales of inventory property is a tax expenditure because it permits greater use of foreign tax credits by U.S. exporters by allowing the exporters to attribute a larger portion of their earnings abroad than would be the case if the allocation of earnings was based upon actual economic activity.

Income of U.S.-controlled foreign corporations.—The income of foreign corporations controlled by U.S. shareholders is not subject to U.S. taxation. The income becomes taxable only when the controlling U.S. shareholders receive dividends or other distributions from their foreign stockholding. Under the normal tax method, the currently attributable foreign source pre-tax income from such a controlling interest is subject to U.S. taxation, whether or not distributed. Thus, under the normal tax baseline the excess of controlled foreign corporation income over the amount distributed to a U.S. shareholder gives rise to a tax expenditure in the form of a tax deferral.

GENERAL SCIENCE, SPACE, AND TECHNOLOGY

Expensing R&E expenditures.—Research and experimentation (R&E) projects can be viewed as investments because their benefits accrue for several years when they are successful. It is difficult, however, to identify whether a specific R&E project is completed and successful and, if it is successful, what its expected life will be. For these reasons, the statutory provision that these expenditures may be expensed is considered part of the reference law. Under the normal tax method, however, the expensing of R&E expenditures is viewed as a tax expenditure. The baseline assumed for the normal tax method is that all R&E expenditures are successful and have an expected life of five years.

R&E credit.—The R&E credit, which had expired on July 1, 1995, was reinstated under the Small Business Job Protection Act of 1996 for 11 months (July 1, 1996 through May 31, 1997). The 1996 Act also provided a special rule for taxpayers that elect an alternative credit regime. The tax credit is 20 percent of qualified research expenditures in excess of a base amount. The base amount is generally determined by multiplying a "fixed-base percentage" (limited to a maximum of .16) by the average amount of the company's gross receipts for the 1984 to 1988 period. Certain start-up companies are assigned a fixed-base percentage of .03 for the first five taxable years, which is gradually phased out in years 6 through 10 and replaced by the firm's actual fixed- base percentage. Under the alternative credit regime, the credit rate is reduced and the taxpayer is assigned a three-tiered fixed-base percentage that is lower than the fixed-base percentage that would otherwise apply. A credit with a separate threshold is provided for a taxpayer's payments to universities for basic research.

ENERGY

Exploration and development costs.—In the case of successful investments in domestic oil and gas wells, intangible drilling costs, such as wages, the costs of using machinery for grading and drilling, and the cost of unsalvageable materials used in constructing wells, may be expensed rather than amortized over the productive life of the property.

Integrated oil companies may currently deduct only 70 percent of such costs and amortize the remaining 30 percent over five years. The same rule applies to the exploration and development costs of surface stripping and the construction of shafts and tunnels for other fuel minerals.

Percentage depletion.—Independent fuel mineral producers and royalty owners are generally allowed to take percentage depletion deductions rather than cost depletion on limited quantities of output. Under cost depletion, outlays are deducted over the productive life of the property based on the fraction of the resource extracted. Under percentage depletion taxpayers deduct a percentage of gross income from mineral production at rates of 22 percent for uranium, 15 percent for oil, gas and oil shale, and 10 percent for coal. The deduction is limited to 50 percent of net income from the property, except for oil and gas where the deduction can be 100 percent of net property income. Production from geothermal deposits is eligible for percentage depletion at 65 percent of net income, but with no limit on output and no limitation with respect to qualified producers. Unlike depreciation or cost depletion, percentage depletion deductions can exceed the cost of the investment.

Alternative fuel production credit.—A nontaxable credit of $3 per barrel (in 1979 dollars) of oil-equivalent production is provided for several forms of alternative fuels. It is generally available as long as the price of oil stays below $29.50 (in 1979 dollars). The credit generally expires on December 31, 2002.

Oil and gas exception to passive loss limitation.—Although owners of working interests in oil and gas properties are subject to the alternative minimum tax, they are exempted from the "passive income" limitations. This means that the working interest-holder, who manages on behalf of himself and all other owners the development of wells and incurs all the costs of their operation, may aggregate negative taxable income from such interests with his income from all other sources. Thus, he will be relieved of the minimum tax rules limit on tax deferrals.

Capital gains treatment of royalties on coal.—Sales of certain coal under royalty contracts can be treated as capital gains. While the top statutory rate on ordinary income is 39.6 percent, the rates on capital gains are limited to 28 percent.

Tax-exempt bonds for energy facilities.—Certain energy facilities, such as municipal electric and gas utilities, may benefit from tax-exempt financing.

Enhanced oil recovery credit.—A credit is provided equal to 15 percent of the taxpayer's costs for tertiary oil recovery on projects in the United States. Qualifying costs include tertiary injectant expenses, intangible drilling and development costs on a qualified enhanced oil recovery project, and amounts incurred for tangible depreciable property.

New technology credits.—A credit of 10 percent is available for investment in solar and geothermal energy facilities. In addition, a credit of 1.5 cents is provided per kilowatt hour of electricity produced from renewable resources such as wind and biomass. The renewable resources credit applies only to electricity produced by a facility placed in service before July 1, 1999.

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

Credit and deduction for clean-fuel vehicles and property.—A tax credit of 10 percent is provided for electric vehicles. In addition, a deduction is provided for other clean-fuel burning vehicles as well as refueling property.

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

NATURAL RESOURCES AND ENVIRONMENT

Exploration and development costs.—As is true for fuel minerals, certain capital outlays associated with exploration and development of nonfuel minerals may be expensed rather than depreciated over the life of the asset.

Percentage depletion.—Most nonfuel mineral extractors also make use of percentage depletion rather than cost depletion, with percentage depletion rates ranging from 22 percent for sulphur down to 5 percent for sand and gravel.

Capital gains treatment of iron ore and of certain timber income.—Iron ore and certain timber sold under a royalty contract can be treated as capital gains.

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

Tax-exempt bonds for pollution control and waste disposal.—Interest on State and local government debt issued to finance private pollution control and waste disposal facilities was excludable from income subject to tax. This authorization was repealed for most pollution control equipment and limits placed on the amount of debt that can be issued for private waste disposal facilities by the Tax Reform Act of 1986.

Expensing multiperiod timber growing costs.—Generally, costs must be capitalized when goods are produced for inventory used in one's own trade or business, or under contract to another party. Timber production, however, was specifically exempted from these multiperiod cost capitalization rules, creating a special benefit derived from this deferral of taxable income.

Credit and seven-year amortization for reforestation.—A special 10 percent investment tax credit is allowed for up to $10,000 invested annually in clearing land and planting trees for the ultimate production of timber. The same amount of forestation investment may also be amortized over a seven-year period. Without this preference, the amount would have to be capitalized and could be recovered (deducted) only when the trees were sold or harvested 20 or more years later. Moreover, the amount of forestation investment that is amortizable is not reduced by any of the investment credit that is allowed.

Historic preservation.—Expenditures to preserve and restore historic structures qualify for a 20 percent investment credit, but the depreciable basis must be reduced by the full amount of the credit taken.

AGRICULTURE

Expensing certain capital outlays.—Farmers, except for certain agricultural corporations and partnerships, are allowed to deduct certain expenditures for feed and fertilizer, as well as for soil and water conservation measures. Expensing is allowed, even though these expenditures are for inventories held beyond the end of the year, or for capital improvements that would otherwise be capitalized.

Expensing multiperiod livestock and crop production costs.—The production of livestock and crops with a production period of less than two years is exempted from the uniform cost capitalization rules. Farmers establishing orchards, constructing farm facilities for their own use, or producing any goods for sale with a production period of two years or more may elect not to capitalize costs. If they do, they must apply straight-line depreciation to all depreciable property they use in farming.

Loans forgiven solvent farmers.—Farmers are granted special tax treatment by being forgiven the tax liability on certain forgiven debt. Normally, the amount of loan forgiveness is accounted for as a gain (income) of the debtor and he must either report the gain, or reduce his recoverable basis in the property to which the loan relates. If the debtor elects to reduce basis and the amount of forgiveness exceeds his basis in the property, the excess forgiveness is taxable. However, in the case of insolvent (bankrupt) debtors, the amount of loan forgiveness never results in an income tax liability.[4] Farmers with forgiven debt are considered insolvent for tax purposes, and thus qualify for income tax forgiveness.

Capital gains treatment of certain income.—Certain agricultural income, such as unharvested crops, can be treated as capital gains.

COMMERCE AND HOUSING

This category includes a number of tax expenditure provisions that also affect economic activity in other functional categories. For example, provisions related to investment, such as accelerated depreciation, could also have been classified under the energy, natural resources and environment, agriculture, or transportation categories.

Credit union income.—The earnings of credit unions not distributed to members as interest or dividends are exempt from income tax.

Bad debt reserves.—Small (less than $500 million in assets) commercial banks, mutual savings banks, and savings and loan associations may deduct additions to bad debt reserves in excess of actually experienced losses. Before January 1, 1996, all thrifts could use either the "experience" method or the "percentage of taxable income" method for determining deductible additions to bad debt reserves.

Deferral of income on life insurance and annuity contracts.—Favorable tax treatment is provided for investment income ("inside buildup") within qualified life insurance and annuity contracts. Investment income earned on qualified life insurance contracts held until death is permanently exempted from Federal income tax. Investment income distributed prior to the death of the insured is tax-deferred, if not tax-exempt. Investment income earned on annuities is treated less favorably than income earned on life insurance contracts, but it benefits from tax deferral without annual contribution or income limits generally applicable to other tax-favored retirement income plans.

Small property and casualty insurance companies.— Insurance companies that have annual net premium incomes of less than $350,000 are exempted from

[4] The insolvent taxpayer's carryover losses and unused credits are extinguished first, and then his basis in assets reduced to no less than amounts still owed creditors. Finally, the remainder of the forgiven debt is excluded from tax.

tax; those with $350,000 to $2,100,000 of net premium incomes may elect to pay tax only on the income earned by their investment portfolio.

Insurance companies owned by exempt organizations.—Generally, the income generated by life and property and casualty insurance companies is subject to tax, albeit by special rules. Insurance operations conducted by such exempt organizations as fraternal societies and voluntary employee benefit associations, however, are exempted from tax.

Mortgage housing bonds.—Interest on all mortgage revenue bonds issued by State and local governments is exempt from taxation. Proceeds are used to finance homes purchased by first-time buyers—with low to moderate incomes—of dwellings with prices under 90 percent of the average area purchase price.

There are limits imposed on the amount of tax-exempt State and local government bonds that could be issued to fund private activity. The volume cap for single-family mortgage revenue bonds and multifamily rental housing bonds is combined with the cap for student loans and industrial development bonds (IDBs). The cap is set at $50 per capita or a minimum of $150 million for each State.

States are authorized to issue mortgage credit certificates (MCCs) in lieu of qualified mortgage revenue bonds because the bonds are relatively inefficient subsidies to first-time home buyers. MCCs entitle home buyers to income tax credits for a specified percentage of interest on qualified mortgage loans. In this way, the entire amount of the subsidy flows directly to the home buyer without being partly diverted to financial middlemen or bondholders. A State cannot issue an aggregate annual amount of MCCs greater than 25 percent of its annual ceiling for qualified mortgage bonds. Because of the relationship between MCCs and qualified mortgage bonds, their estimates are presented as one line item in the tables.

Rental housing bonds.—State and local government issues of IDBs are restricted to multifamily rental housing projects in which 20 percent (15 percent in targeted areas) of the units are reserved for families whose income does not exceed 50 percent of the area's median income; or 40 percent for families with incomes of no more than 60 percent of the area median income. Other tax-exempt bonds for multifamily rental projects are generally issued with the requirement that all tenants must be low or moderate income families. Rental housing bonds are subject to the volume cap discussed in the mortgage housing bond section above.

Interest and taxes on owner-occupied homes.—Owner-occupants of homes may deduct mortgage interest and property taxes on their primary and secondary residences as itemized nonbusiness deductions. The mortgage interest deduction is limited to interest on debt no greater than the owner's basis in the residence and, for debt incurred after October 13, 1987, it is limited to no more than $1 million. Interest on up to $100,000 of other debt secured by a lien on a principal or second residence is also deductible, irrespective of the purpose of borrowing, provided the debt does not exceed the fair market value of the residence. Mortgage interest deductions on personal residences are tax expenditures because the taxpayers are not required to report the value of owner-occupied housing services as gross income.

Real property installment sales.—Dealers in real and personal property, i.e., sellers that regularly hold property for sale or resale, cannot defer taxable income from installment sales until the receipt of the loan repayment. Nondealers, defined as sellers of real property used in their business, are required to pay interest to the Federal Government on deferred taxes attributable to their total installment obligations in excess of $5 million. Only properties with sales prices exceeding $150,000 are includable in the total. The payment of a market rate of interest eliminates the benefit of the tax deferral. The tax exemption for nondealers with total installment obligations of less than $5,000,000 is, therefore, a tax expenditure.

Capital gains on home sales.—When a primary residence is sold, the homeowner can defer paying a capital gains tax on the proceeds by purchasing or constructing a home of value at least equal to that of the prior home (net of sales and qualified fix-up expenses) within two years. This deferral is a tax expenditure.

Capital gains on sales by owners aged 55 or older.—A taxpayer who is 55 years of age or older at the time of the sale of his residence may elect to exclude from tax up to $125,000 of the gain from its sale. This is a once-in-a-lifetime election. In effect, this provision converts some prior deferrals of tax into forgiveness of tax.

Passive loss real estate exemption.—In general, passive losses may not offset income from other sources. Losses up to $25,000 attributable to certain rental real estate activity, however, are exempted from this rule.

Low-income housing investment.—Through 1989, a tax credit for investment in new, substantially rehabilitated, and certain unrehabilitated low-income housing was structured to have a present value of 70 percent of construction or rehabilitation costs incurred and was allowed over 10 years. For Federally subsidized projects and those involving unrehabilitated existing low income housing, the credit was structured to have a present value of 30 percent. Beginning on January 1, 1990, the credit was extended at a present value of 70 percent, including projects financed with other Federal subsidies, but only if substantial rehabilitation was done. Notwithstanding the capital grant character of this subsidy, the investor's recoverable basis is not reduced by the substantial credit allowed.

Accelerated depreciation of real property, machinery and equipment.—As previously noted, the tax depreciation allowance provisions are part of the reference law rules, and thus do not cause tax expenditures under the reference method. Under the normal tax method, however, a 40-year tax life for depreciable real property is the norm. So, the statutory depreciation period in effect from 1987 to 1993 for nonresidential properties of 31.5 years, and the 39-year period for property placed in service after February 25, 1993, give rise to tax expenditures. The statutory depreciation period for residential property is 27.5 years, which also results in tax expenditures. Statutory depreciation of machinery, equipment, and some other property also is somewhat accelerated relative to the normal tax baseline. In addition, tax expenditures arise from pre-1987 tax allowances for real and personal property.

Cancellation of indebtedness.—Individuals are not required to report the cancellation of certain indebtedness as current income. However, if they do not, it would be included as an adjustment in the basis of the underlying property.

Imputed interest rules.—Under reference law rules commonly referred to as original issue discount (OID), both the holder and seller of a financial contract are generally required to report interest earned in the period it accrues, not when the contract payments are made. Moreover, the amount of interest accruable is determined by the actual price paid for the contract, not by the stated or nominal principal and interest stipulated in the contract.[5]

Exceptions to the general rules for accounting for interest expense or income include the following: (a) permission for the mortgagor of his personal residence to treat the discount from the nominal principal of his mortgage loan, commonly called "points," as prepaid interest which is deductible in the year paid, not the year accrued; and (b) sellers of farms and small businesses worth less than $1 million, in exchange for the purchaser's debt obligation, are exempted from the OID rules. This is $750,000 more than the $250,000 exemption that the reference tax law generally allows for such transactions.

Capital gains (other than agriculture, timber, iron ore and coal).—While the top statutory rate on ordinary income is 39.6 percent, the rates on capital gains are limited to 28 percent. This treatment is considered a tax expenditure under the normal tax method but not under the reference law method.

Capital gains exclusion for small business stock.—An exclusion of 50 percent is provided for capital gains from qualified small business stock held by individuals for more than 5 years. A qualified small business is a corporation whose gross assets do not exceed $50 million as of the date of issuance of the stock. Certain activities such as personal services and banking are ineligible for the exclusion.

Step-up in basis of capital gains at death.—Capital gains on assets held at the owner's death are not subject to capital gains taxes. The cost basis of the appreciated assets is adjusted upward to the market value at the owner's date of death. The step-up in the heir's cost basis means that, in effect, the capital gain is forgiven.

Carryover basis of capital gains on gifts.—When a gift is made, the transferred property carries to the donee the donor's basis—the cost that was incurred when the property was first acquired. The carryover of the donor's basis allows a continued deferral of unrealized capital gains.

Ordinary income treatment of losses from sale of small business corporate stock shares.—Up to $100,000 in losses from the sale of such stock may be treated as ordinary losses, and therefore not be subject to the $3,000 annual capital loss write-off limit if the corporation's capitalization is less than $1 million.

Expensing of certain small investments.—In 1996, qualifying investments in tangible property up to $18,500 can be expensed rather than depreciated over time. (The expensing limit increases annually until 2003, when it reaches $25,000). To the extent that qualifying investment during the year exceeds $200,000, the amount eligible for expensing is decreased. In 1996, the amount expensed is completely phased out when qualifying investments exceed $218,500.

Business start-up costs.—When an individual or corporation acquires or otherwise enters into a new business, certain start-up expenses, such as the costs of investigating opportunities and legal services, are normally incurred. The taxpayer may elect to amortize these outlays over 60 months although they are similar to other payments he makes for nondepreciable intangible assets that are not recoverable until the business is sold. Under the normal tax method this gives rise to a tax expenditure, while under the reference method it does not.

Graduated corporation income tax rate schedule.—The schedule is graduated, with rates of 15 percent on the first $50,000 of taxable income, 25 percent on the next $25,000, 34 percent on the next $9.925 million, and a rate of 35 percent on income over $10 million. As compared with a flat 35 percent tax rate, the lower rates provide a $111,000 reduction in tax liability for corporations with taxable incomes of $10 million. This benefit is recaptured in the cases of corporations with taxable incomes exceeding $100,000.

[5] Thus, when a borrower on December 31, 1996, issues a promise to pay $1,000 plus interest at 10 percent on December 30, 1997, for a total repayment of $1,100, and accepts $900 from a lender in exchange for the contract, the rules require that both parties: (a) recognize that $900 is the amount lent, so that the effective loan interest rate is not the nominal 10 percent rate but is 22.2 percent; and (b) both report $200 as interest paid or received in 1996, as the case may be.

This is accomplished by (1) a 5 percent additional tax on corporate incomes in excess of $100,000, but less than $335,000 and (2) a 3 percent additional tax on income over $15 million but less than $18.33 million. At this point the $111,000 is fully recaptured. Since this rate schedule is part of the reference tax law, it does not give rise to a tax expenditure under the reference method. A flat corporation income tax rate is taken as the baseline under the normal tax method; therefore the lower rates do yield a tax expenditure under this concept.

Small issue industrial development bonds.—The interest on small issue industrial development bonds (IDBs) issued by State and local governments to finance private business property is excluded from income subject to tax. Depreciable property financed with small issue IDBs must be depreciated, however, using the straight-line method. The tax exemption of small issue bonds expired in 1986, except for small issue IDBs exclusively issued to finance manufacturing facilities for which the tax exemption is permanent. The annual volume of small issue IDBs is subject to the unified volume cap discussed in the mortgage housing bond section above.

Treatment of Alaskan Native Corporations losses.—Tax law restricts the ability of profitable corporations to reduce their tax liabilities by merging or buying corporations with accumulated net operating losses (NOLs) and as yet unrefunded claims to investment credits. Alaska Native Corporations have a limited exemption (fifteen years after the NOL or credit claim was first experienced) from these restrictions that includes NOLs and credits claimable prior to April 26, 1988.

Transportation

Shipping companies that are U.S. flag carriers.—Certain companies that operate U.S. flag vessels receive a deferral of income taxes on that portion of their income used for shipping purposes, primarily construction, modernization and major repairs to ships, and repayment of loans to finance these qualified investments. Once indefinite, the deferral has been limited to 25 years since January 1, 1987.

Exclusion of reimbursed employee parking expenses.—Parking at or near an employer's business premises that is paid for by the employer is excludable from the income of the employee as a working condition fringe benefit. The maximum amount of the parking exclusion is $155 month (in 1993 dollars), indexed in $5 increments. The tax expenditure estimate does not include parking at facilities owned by the employer.

Exclusion of employer-provided transit passes.—Transit passes, tokens, and fare cards provided by an employer to defray an employee's commuting costs are excludable from the employee's income as a de minimis fringe benefit, if the total value of the benefit does not exceed $60 per month (in 1993 dollars), indexed in $5 increments.

Community and Regional Development

Rehabilitation of structures.—A 10 percent investment tax credit is available for the rehabilitation of buildings that are used for business or productive activities and that were erected before 1936 for other than residential purposes. A full reduction by the amount of the credit is required in the taxpayer's recoverable basis.

Tax-exempt bonds for airports and similar facilities.—Government-owned airports, docks and wharves, as well as high-speed rail facilities that need not be government-owned, may be financed with tax-exempt bonds. These bonds are not covered by a volume cap.

Exemption of certain mutuals' and cooperatives' income.—The incomes of mutual and cooperative telephone and electric companies are exempted from tax if at least 85 percent of their revenues are derived from patron service charges.

Empowerment zones.—Qualifying businesses in designated economically depressed areas can receive tax benefits such as an employer wage credit, increasing expensing of investment in equipment, tax-exempt financing, and accelerated depreciation. In addition, a tax credit for contributions to certain community development corporations can be available.

Education, Training, Employment, and Social Services

Scholarship and fellowship income.—Scholarships and fellowships are excluded from taxable income to the extent they pay for tuition and course-related expenses of the grantee. Similarly, tuition reductions for employees of educational institutions and their families are not included in taxable income. From an economic point of view, scholarships and fellowships are either gifts not conditioned on the performance of services, or they are rebates of educational costs. Thus, under the reference law method, this exclusion is not a tax expenditure because this method does not include either gifts or price reductions in a taxpayer's gross income. Under the normal tax method, however, the exclusion is considered a tax expenditure because under this method gift-like transfers of government funds—and many scholarships are derived directly or indirectly from government funding—are included in gross income.

Tax-exempt bonds for educational purposes.—Interest on State and local government debt issued to finance student loans or the construction of facilities used by private nonprofit educational institutions is excluded from income subject to tax. The aggregate volume of such private activity bonds that each State may issue during any calendar year is limited.

U.S. savings bonds for education.—Interest on U.S. savings bonds, issued after December 31, 1989, may be excluded from tax if the bonds, plus accrued interest, are transferred to an educational institution as payment for educational expenses. The exclusion from tax is phased out for joint returns with adjusted gross incomes of $74,200 to $104,200 and $49,250 to $64,250 for single and head of household returns in 1996.

Dependent students age 19 or older.—Taxpayers can claim personal exemptions for dependent children age 19 or over who receive parental support payments of $1,000 or more per year, are full-time students, and do not claim a personal exemption on their own tax returns. This preferential arrangement usually generates tax savings because the students' marginal tax rates are more often than not lower than their parents' marginal tax rates.

Charitable contributions.—Contributions to charitable, religious, and certain other nonprofit organizations are allowed as an itemized deduction for individuals, generally up to 50 percent of adjusted gross income. Taxpayers who donate capital assets to charitable or educational organizations can deduct the assets' current value without the taxation of any appreciation in value. Corporations can also deduct charitable contributions up to 10 percent of their pre-tax income. Tax expenditures resulting from the deductibility of contributions are shown separately for educational and other institutions. Contributions to health institutions are reported under the health function.

Employer provided benefits.—Many employers provide employee benefits that are not counted in employee income. The employers' costs for these benefits are deductible business expenses. The exclusion from an employee's income of the value of educational assistance, child care, meals and lodging, as well as ministers' housing allowances and the rental value of parsonages are tax expenditures. The exclusion for educational assistance expires in mid-1997. After June 30, 1996, the exclusion does not apply to graduate courses. Health and other insurance benefits are reported under the health and income security functions. Certain parking and transit benefits are reported under the transportation function.

Work opportunity tax credit.—Employers can claim a tax credit for qualified wages paid to individuals who begin work after September 30, 1996 and before October 1, 1997 and who are certified as members of various targeted groups. The amount of the credit that can be claimed is 35 percent of the first $6,000 paid during the first year of employment. Employers must reduce their deduction for wages paid by the amount of the credit claimed. The work opportunity tax credit is similar to the targeted jobs tax credit, which applied to employees hired before January 1, 1995.

Child and dependent care expenses.—A tax credit may be claimed by married couples for child and dependent care expenses incurred when one spouse works full time and the other works at least part time or goes to school. The credit may also be claimed by divorced or separated parents who have custody of children, and by single parents. Expenditures up to a maximum $2,400 for one dependent and $4,800 for two or more dependents are eligible for the credit. The credit is equal to 30 percent of qualified expenditures for taxpayers with incomes of $10,000 or less. The credit is reduced to a minimum of 20 percent by one percentage point for each $2,000 of income between $10,000 and $28,000.

Adoption assistance.—Beginning January 1, 1997, taxpayers can receive a nonrefundable tax credit for qualified adoption expenses. The maximum credit is $5,000 per child ($6,000 for special needs adoptions, except foreign adoptions). The credit is phased-out ratably for taxpayers with modified AGI between $75,000 and $115,000. Unused credits may be carried forward. In lieu of the tax credit, taxpayers may exclude qualified adoption expenses from income, subject to the same maximum amounts and phase-out as the credit. The non-special needs adoption assistance and foreign special needs assistance expire on December 31, 2001.

Disabled access expenditures.—A credit is provided of 50 percent of eligible disabled access expenditures in excess of $250. The credit is limited to $5,000.

Costs of removing architectural barriers to the handicapped.—The investment cost of making any business accessible to persons suffering physical or mental disabilities may be deducted, rather than capitalized as part of the taxpayer's basis in such property and recovered by subsequent depreciation allowances, as is generally required.

Foster care payments.—Foster parents provide a home and care for children who are wards of the State, under contract with the State. Compensation received for this service is explicitly excluded from the gross incomes of foster parents, making the expenses they incur nondeductible. This activity is, in effect, tax-exempt.

HEALTH

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

Medical savings accounts.—Beginning January 1, 1997, some employees may deduct annual contributions to a medical savings account (MSA); employer contributions to MSAs (except those made through cafeteria plans) for qualified employees are also excluded from income. An employee may contribute to an MSA in a given year only if the employer does not contribute to the MSA in that year. MSAs are only available to self-employed individuals or employees covered under an employer-sponsored high deductible health plan of a small employer. The maximum annual MSA contribution is 75 percent of the deductible under the high deductible plan for family coverage (65 percent for individual coverage). Earnings from MSAs are excluded from taxable income. Distributions from an MSA for medical expenses are not taxable. The number of taxpayers who may benefit annually from MSAs is generally limited to 750,000. No new MSAs may be established after December 31, 2000.

Medical care expenses.—Personal expenditures for medical care (including the costs of prescription drugs) exceeding 7.5 percent of the taxpayer's adjusted gross income are deductible.

Tax-exempt bonds for hospital construction.—Interest earned on State and local government debt issued to finance hospital construction is excluded from income subject to tax.

Charitable contributions to health institutions.—Contributions to nonprofit health institutions are allowed as a deduction for individuals and corporations. Tax expenditures resulting from the deductibility of contributions to other charitable institutions are listed under the education, training, employment, and social services function.

Orphan drugs.—To encourage the development of drugs for the treatment of rare diseases or physical conditions, a tax credit was granted equal to 50 percent of the costs for clinical testing that must be completed before manufacture and distribution are approved by the Food and Drug Administration. Because the drug firm was not required to reduce its deduction for testing expenses (an R&D expenditure) by the amount of this credit, the private cost of clinically testing orphan drugs was reduced substantially. This tax expenditure expires on May 31, 1997.

Blue Cross and Blue Shield.—Although these organizations are not qualified as exempt, they are provided exceptions from otherwise applicable insurance company income tax accounting rules that effectively eliminate their tax liabilities.

INCOME SECURITY

Railroad retirement benefits.—These benefits are not generally subject to the income tax unless the recipient's gross income reaches a certain threshold discussed more fully under the social security function.

Workmen's compensation benefits.—Workmen's compensation provides payments to disabled workers. These benefits, although income to the recipients, are a tax preference because they are not subject to the income tax.

Public assistance benefits.—The exclusion from taxable income of public assistance benefits received by individuals is listed as a tax expenditure under the normal tax method because, under this method, cash transfers from government are included in gross income. In contrast, gifts not conditioned on the performance of services, including transfers from government, are not taxable under the reference law. Therefore, under the reference tax method, the tax exclusion for public assistance benefits is not shown as a tax expenditure.

Special benefits for disabled coal miners.—Disability payments to former coal miners out of the Black Lung Trust Fund, although income to the recipient, are not subject to the income tax.

Military disability pensions.—Most of the military pension income received by current disabled retired veterans is excluded from their income subject to tax.

Pension contributions and earnings.—Certain employer contributions to pension plans, along with individual contributions to individual retirement accounts (IRAs) and amounts set aside by the self-employed, are excluded from adjusted gross income in the year of contribution. The investment income earned by pension funds and other qualifying retirement plans is not taxable when earned, and this deferral is, therefore, also a tax expenditure.

In 1997, $9,500 (indexed) can be excluded from an employee's adjusted gross income under a qualified cash or deferred arrangement with the employer (401(k) plan). An employee's own contribution of no more than $9,500 or the 401(k) limitation (whichever is greater) may be excluded annually from an employee's adjusted gross income when placed in a tax-sheltered annuity (403(b) plan).

In 1996, employees could deduct annual contributions to an IRA of $2,000 (or 100 percent of compensation, if less), or $2,250 on a joint return with only one spouse earning income (beginning January 1, 1997, each spouse may contribute $2,000 to a deductible IRA), if: (a) neither the individual or spouse is an active participant in an employer-provided retirement plan; or (b) their adjusted gross income falls below $40,000 ($25,000 for a single taxpayer). The allowable IRA deduction is phased out between $40,000 and $50,000 for a joint return and $25,000 and $35,000 for a single return. Beyond these income limits, nondeductible contributions to IRAs are available to taxpayers who are active participants in employer-provided retirement plans. Self-employed persons can make deductible contributions to their own retirement (Keogh) plans equal to

25 percent of their income, up to a maximum of $30,000 per year.

Employer provided insurance benefits.—Many employers cover part or all the cost of premiums or payments for: (a) employees' life insurance benefits; (b) accident and disability benefits; (c) death benefits; and (d) supplementary unemployment benefits. The amounts are deductible by the employers and are excluded as well from employees' gross incomes for tax purposes.

Employer Stock Ownership Plan (ESOP) provisions.—A special type of employee benefit plan, organized as a trust, is tax-exempt. Employer-paid contributions (the value of stock issued to the ESOP) are deductible by the employer as part of employee compensation costs. They are not included in the employees' gross income for tax purposes, however, until they are paid out as benefits. The following special income tax provisions for ESOPs are intended to increase ownership of corporations by their employees: (1) annual employer contributions are subject to less restrictive limitations (percentages of employees' cash compensation); (2) ESOPs may borrow to purchase employer stock, guaranteed by their agreement with the employer that the debt will be serviced by his payment (deductible by him) of a portion of wages (excludable by the employees) to service the loan; (3) ESOPs' lenders may exclude half the interest from their gross income (the ESOP interest exclusion expired on June 10, 1996); (4) employees who sell appreciated company stock to the ESOP may defer any taxes due until they withdraw benefits; and (5) dividends paid to ESOP-held stock are deductible by the employer.

Support of the aged and the blind.—Taxpayers who are blind or 65 years of age or older may take an additional $1,000 standard deduction if single, or $800 if married. In addition, individuals who are 65 years of age or older, or who are permanently disabled, can take a tax credit equal to 15 percent of the sum of their earned and retirement income. Qualified income is limited to no more than $2,500 for single individuals or married couples filing a joint return where only one spouse is 65 years of age or older, and up to $3,750 for joint returns where both spouses are 65 years of age or older. These limits are reduced by one-half of the taxpayer's adjusted gross income over $7,500 for single individuals and $10,000 for married couples filing a joint return.

Casualty losses.—Neither the purchase of property nor insurance premiums to protect its value are deductible as costs of earning income; therefore, reimbursement for insured loss of such property is not reportable as a part of gross income. However, a special provision permits relief for taxpayers suffering an uninsured loss. They may deduct casualty and theft losses of more than $100 each, but only to the extent that total losses during the year exceed 10 percent of adjusted gross income.

Earned income credit.—This credit may be claimed by low income workers. For a family with one qualifying child, the credit is 34 percent of the first $6,500 of earned income in 1997. The credit is 40 percent of the first $9,140 of income for a family with two or more qualifying children. When the taxpayer's income exceeds $11,930, the credit is phased out at the rate of 15.98 percent (21.06 percent if two or more qualifying children are present). It is completely phased out at $25,760 of adjusted gross income ($29,290 if two or more qualifying children are present).

The credit may also be claimed by workers who do not have children living with them. Qualifying workers must be at least age 25 and may not be claimed as a dependent on another taxpayer's return. The credit is not available to workers age 65 or older. In 1996, the credit is 7.65 percent of the first $4,340 of earned income. When the taxpayer's income exceeds $5,430, the credit is phased out at the rate of 7.65 percent. It is completely phased out at $9,770 of adjusted gross income.

For workers with or without children, the income level at which the credit's phase-outs begin and the maximum amounts of income on which the credit can be taken are adjusted for inflation. Earned income tax credits in excess of tax liabilities are refundable to individuals, and as such are paid by the Federal Government. This portion of the credit is included in outlays, while the amount that offsets tax liabilities is shown as a tax expenditure.

SOCIAL SECURITY

Old Age and Survivors Insurance (OASI) benefits for retired workers.—Social security benefits that exceed the beneficiary's contributions out of taxed income are deferred employee compensation and the deferral of tax on that compensation is a tax expenditure. These additional retirement benefits are paid for partly by employers' contributions that were not included in employees' taxable compensation. Portions (reaching as much as 85 percent) of recipients' social security and tier 1 railroad retirement benefits are included in the income tax base, however, if the recipient's provisional income exceeds certain base amounts. Provisional income is equal to adjusted gross income plus foreign or U.S. possession income and tax-exempt interest, and one half of social security and tier 1 railroad retirement benefits. The tax expenditure is limited to the portion of the benefits received by taxpayers who are below the base amounts at which 85 percent of the benefits are taxable.

Social Security benefits for the disabled, dependents and survivors.—Benefit payments from the Social Security Trust Fund, for disability and for dependents and survivors, are excluded from the beneficiaries' gross incomes, and thus give rise to tax expenditures.

Veterans Benefits and Services

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

Tax-exempt mortgage bonds for veterans.—Interest earned on general obligation bonds issued by State and local governments to finance housing for veterans is excluded from taxable income. The issuance of such bonds is limited, however, to five pre-existing State programs and to amounts based upon previous volume levels for the period January 1, 1979 to June 22, 1984. Furthermore, future issues are limited to veterans who served on active duty before 1977.

General Government

Public purpose State and local debt.—Interest on State and local government debt, issued to finance government activities, is excluded from Federal taxation. State and local governments, therefore, can sell debt obligations at a lower interest cost than would be possible if such interest were subject to tax. Only the excluded interest on bonds for public purposes, such as schools, roads, and sewers, is included here.

Nonbusiness State and local taxes excluding home-owner property taxes.—The deductibility of nonbusiness State and local income and personal property taxes gives indirect assistance to these governments by reducing the costs of the services they provide.

Business income earned in U.S. possessions.—Under certain conditions, U.S. corporations receiving income from an active trade or business, or from investments located in a U.S. possession, can claim a special credit against U.S. tax otherwise due.

Interest

U.S. savings bonds.—The interest on U.S. savings bonds is not taxable until the bonds are redeemed, thereby deferring tax liability. The deferral is equivalent to an interest-free loan and, therefore, it is a tax expenditure.

TAX EXPENDITURES IN THE UNIFIED TRANSFER TAX

Exceptions to the general terms of the Federal unified transfer tax favor particular transferees or dispositions of transferors, similar to Federal direct expenditure or loan programs. The transfer tax provisions identified as tax expenditures satisfy the reference law criteria for inclusion in the tax expenditure budget that were described above. There is no generally accepted normal tax baseline for transfer taxes.

Unified Transfer Tax Reference Rules

The reference tax rules for the unified transfer tax from which departures represent tax expenditures include:

- *Definition of the taxpaying unit.* The payment of the tax is the liability of the transferor whether the transfer of cash or property was made by gift or bequest.
- *Definition of the tax base.* The base for the tax is the transferor's cumulative, taxable lifetime gifts made plus the net estate at death. Gifts in the tax base are all annual transfers in excess of $10,000 to any donee except the donor's spouse. Excluded are, however, payments on behalf of family members' educational and medical expenses, as well as the cost of ceremonial gatherings and celebrations that are not in honor of the donor.
- *Property valuation.* In general, property is valued at its fair market value at the time it is transferred. This is not necessarily the case in the valuation of property for transfer tax purposes. Executors of estates are provided the option to value assets at the time of the testator's death or up to six months later.
- *Tax rate schedule.* A single graduated tax rate schedule applies to all taxable transfers. This is reflected in the name of the "unified transfer tax" that has replaced the former separate gift and estate taxes. The tax rates vary from 18 percent on the first $10,000 of aggregate taxable transfers, to 55 percent on amounts exceeding $3 million. A $192,800 lifetime credit is provided against the tax in determining the final amount of transfer taxes that are due and payable. This allows each taxpayer to make a $600,000 tax-free transfer of assets that otherwise would be liable to the unified transfer tax.[6]
- *Time when tax is due and payable.* Donors are required to pay the tax annually as gifts are made. The generation-skipping transfer tax is payable by the donees whenever they accede to the gift. The net estate tax liability is due and payable within nine months after the decedent's death. The Internal Revenue Service may grant an extension of up to 10 years for a reasonable cause. Interest is charged on the unpaid tax liability at a rate equal to the cost of Federal short-term borrowing, plus three percentage points.

[6] An additional tax, at a flat rate of 55 percent, is imposed on lifetime, generation-skipping transfers in excess of $1 million. It is considered a generation-skipping transfer whenever the transferee is at least two generations younger than the transferor, as it would be in the case of transfers to grandchildren or great-grandchildren. The liability of this tax is on the recipients of the transfer.

Tax Expenditures by Function

The estimates of tax expenditures in the Federal unified transfer tax for fiscal years 1996–2002 are displayed by functional category in table 5–6. Outlay equivalent estimates are similar to revenue loss estimates for transfer tax expenditures and, therefore, are not shown separately. A description of the provisions follows.

Natural Resources and Environment

Donations of conservation easements.—Bequests for conservation are excluded from taxable estates. A conservation bequest is the value of property and easements (in perpetuity) to such property the use of which is restricted to any one or more of the following: the public for outdoor recreation; protection of the natural habitats of fish, wildlife, plants, etc.; scenic enjoyment of the public; and preservation of historic land areas and structures. Similar conservation gifts are excluded from the gift tax base and are also deductible from the donor's otherwise taxable income in the year of the gift.

Agriculture

Special use valuation of farms.—Farmland owned and operated by a decedent and/or a member of the family may be valued for estate tax purposes on the basis of its "continued use" as a farm if: the farmland is at least 25 percent of the decedent's gross estate; the entire value of all farm property is at least 50 percent of the gross estate; and family heirs to the farm agree to continue to operate the property as a farm for at least 10 years. Since continued use valuation of farmland is frequently substantially less than the fair market value, the resulting reduction in tax liability serves as a subsidy to the continued operation of family farms.

Tax deferral of closely held farms.—Decedents' estates may use a preferential, extended installment payment period of five to 15 years to discharge estate tax liabilities if the value of the farm properties exceeds 35 percent of the net estates. The interest charged is only 4 percent for the first five years, rather than the standard Federal short-term borrowing rate plus three percentage points, which applies during the last 10 years of the repayment period.

Commerce and Housing Credit

Special use valuation of closely held businesses.—The two estate tax incentives to family farming are also available to the estates of owners of 1995 nonfarm family businesses. If the same three conditions previously described are met, the real property in their estates is eligible for continued use valuation.

Tax deferral of closely held businesses.—Nonfarm family businesses that satisfy the net estate requirements qualify for preferential 15 year deferred estate tax payment. To be eligible for this special provision, the value of stock in closely held corporations must exceed 35 percent of the decedent's gross estate, less debt and funeral expenses.

Education, Training, Employment, and Social Services

Bequests to tax-exempt organizations.—These bequests are deductible from decedent's otherwise taxable lifetime transfers.

TABLE 5–6. REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES IN THE FEDERAL UNIFIED TRANSFER TAX

(In millions of dollars)

Description	Fiscal Years							
	1996	1997	1998	1999	2000	2001	2002	1998–2002
Natural Resources and Environment:								
Deductions for donations of conservation easements	....	....	....	....	....	....	....	....
Agriculture:								
Special use valuation of farm real property	75	80	85	90	95	100	105	475
Tax deferral of closely held farms	10	10	10	15	15	15	15	70
Commerce:								
Special use valuation of real property used in closely held businesses	20	20	25	25	25	25	30	130
Tax deferral of closely held business	60	65	70	75	80	85	90	400
Education, training, employment, and social services:								
Deduction for charitable contributions (education)	940	1,005	1,080	1,155	1,240	1,330	1,430	6,235
Deduction for charitable contributions (other than education and health)	2,765	2,965	3,180	3,415	3,665	3,930	4,220	18,410
Health:								
Deduction for charitable contributions (health)	845	905	975	1,045	1,120	1,205	1,290	5,635
General government:								
Credit for State death taxes	3,235	3,465	3,720	3,990	4,285	4,600	4,935	21,530

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

Health

Bequests to health providers.—Such bequests, that are exempt from the income tax, are deductible from otherwise taxable lifetime transfers of decedents.

General Government

State and local death taxes.—A credit is allowed for state death taxes against any Federal estate tax that otherwise would be due. The amount of the state death tax credit is determined by a rate schedule that reaches a limit of 16 percent of the taxable estate in excess of $60,000.

SPECIAL ANALYSES AND PRESENTATIONS

6. FEDERAL INVESTMENT SPENDING AND CAPITAL BUDGETING

Investment spending is spending that yields long-term benefits. Its purpose may be to improve the efficiency of internal Federal agency operations or to increase the Nation's overall stock of capital for economic growth. The spending can be direct Federal spending or grants to State and local governments. It can be for physical capital, which yields a stream of services over a period of years, or for research and development or education and training, which are intangible but also increase income in the future or provide other long-term benefits.

Most presentations in the Federal budget combine investment spending with spending for current use. This chapter focuses solely on Federal and federally financed investment. These investments are discussed in the following sections:

- description of the size and composition of Federal investment spending;
- a discussion of capital assets used to provide Federal services and efforts to improve planning and budgeting for these assets. An Appendix to Part II presents the "Principles of Budgeting for Capital Asset Acquisitions," which are being used to guide the analysis of agency requests for spending for capital assets. These principles include a proposed new Budget Enforcement Act scorekeeping rule to enforce full funding of capital projects;
- a presentation of trends in the stock of federally financed physical capital, research and development, and education;
- alternative capital budget and capital expenditure presentations; and
- projections of Federal physical capital outlays and recent assessments of public civilian capital needs, as required by the Federal Capital Investment Program Information Act of 1984.

Part I: DESCRIPTION OF FEDERAL INVESTMENT

For more than forty years, a chapter in the budget has shown Federal investment outlays—defined as those outlays that yield long-term benefits—separately from outlays for current use. This year, for the third consecutive year, the discussion of the composition of investment includes estimates of budget authority as well as outlays. For the first time, these estimates extend four years beyond the budget year to 2002.

The classification of spending into investment and current outlays is a matter of judgment. The budget has historically employed a relatively broad classification, including physical investment, research, development, education, and training. But presentations for particular purposes could adopt different definitions of investment:

- To suit the purposes of a traditional balance sheet, investment might include only those physical assets owned by the Federal Government, excluding capital financed through grants and intangible assets such as research, education, and training.
- Focusing on the role of investment in improving national productivity and enhancing economic growth would exclude items such as national defense assets, the benefits of which are enhanced national security rather than economic growth.
- Concern with the efficiency of Federal operations would lead to a focus solely on investments to reduce costs or improve the effectiveness of internal Federal agency operations, such as computer systems.
- A "social investment" perspective might broaden the coverage of investment beyond what is included in this chapter to encompass programs such as childhood immunization, maternal health, certain nutrition programs, and substance abuse treatment, which are designed in part to prevent more costly health problems in future years.

The relatively broad definition of investment used in this section provides consistency over time: historical figures on investment outlays back to 1940 can be found in the separate *Historical Tables* volume. The detailed tables at the end of this section allow disaggregation of the data to focus on those investment outlays that best suit a particular purpose.

In addition to this basic issue of definition, there are two technical problems in the classification of investment data, involving the treatment of grants to State and local governments and the classification of spending that could be shown in more than one category.

First, for some grants to State and local governments it is the recipient jurisdiction, not the Federal Government, that ultimately determines whether the money is used to finance investment or current purposes. This analysis classifies all of the outlays in the category where the recipient jurisdictions are expected to spend most of the money. Hence, the community development block grant is classified as physical investment, although some may be spent for current purposes. General purpose fiscal assistance is classified as current spending, although some may be spent by recipient jurisdictions on physical investment.

Second, some spending could be classified in more than one category of investment. For example, grants for construction of research facilities finance the acquisition of physical assets, but they also contribute to research and development. To avoid double counting, the outlays are classified in the category that is most commonly recognized as investment. Consequently outlays for the conduct of research and development do not include outlays for research facilities, because these outlays are included in the category for physical investment. Similarly, physical investment and research and development related to education and training are included in the categories of physical assets and the conduct of research and development.

When direct loans and loan guarantees are used to fund investment, the subsidy value is included as investment. The subsidies are classified according to their program purpose, such as construction, education and training, or non-investment outlays. For more information about the treatment of Federal credit programs,, refer to Chapter 8, "Underwriting Federal Credit and Insurance."

This section presents spending for gross investment, without adjusting for depreciation. A subsequent section discusses depreciation and shows investment and capital stocks both gross and net of depreciation.

Composition of Federal Investment Outlays

Major Federal Investment

The composition of major Federal investment outlays is summarized in Table 6–1. They include major public physical investment, the conduct of research and development, and the conduct of education and training. Defense and nondefense investment outlays were $227.9 billion in 1996. Because of reductions in defense spending they are estimated to decline to $225.7 billion in 1997 and to $218.7 billion in 1998. Major Federal investment will comprise an estimated 13.0 percent of total Federal outlays in 1998 and 2.7 percent of the Nation's gross domestic product (GDP). Greater detail on Federal investment is available in tables 6–2 and 6–3 at the end of this section. Those tables include both budget authority and outlays.

Physical investment.—Outlays for major public physical capital investment (hereafter referred to as physical investment outlays) are estimated to be $102.8 billion in 1998. Physical investment outlays are for construction and rehabilitation, the purchase of major equipment, and the purchase or sale of land and structures. Slightly more than three-fifths of these outlays are for direct physical investment by the Federal Government, with the remaining being grants to State and local governments for physical investment.

Direct physical investment outlays by the Federal Government are primarily for national defense. Defense outlays for physical investment were $55.0 billion in 1996 and are estimated to decline to $47.8 billion in 1998. Almost all of these outlays, or $43.2 billion, are for the procurement of weapons and other military equipment, and the remainder is primarily for construction of military bases, family housing for military personnel, and Department of Energy defense facilities.

Outlays for direct physical investment for nondefense purposes are estimated to be $15.1 billion in 1998. These outlays include $12.2 billion for construction and rehabilitation. This amount funds water, power, and natural resources projects of the Army Corps of Engineers, the Bureau of Reclamation within the Department of the Interior, the Tennessee Valley Authority, and the power administrations in the Department of Energy; construction and rehabilitation of veterans hospitals and Postal Service facilities; and facilities for space and science programs. Outlays for the acquisition of major equipment are estimated to be $6.8 billion in 1998. The largest amounts are for the air traffic control system and the Postal Service. For the purchase or sale of land and structures, collections are expected to exceed disbursements by $3.9 billion in 1998, largely due to the planned sale of the United States Enrichment Corporation and the privatization of Elk Hills. These sales explain most of the decline in outlays from 1996 to 1998.

Grants to State and local governments for physical investment are estimated to be $39.9 billion in 1998. More than three fifths of these outlays, or $24.5 billion, are to assist States and localities with transportation infrastructure. Other major grants for physical investment fund sewage treatment plants, community development, and public housing.

Conduct of research and development.—Outlays for the conduct of research and development are estimated to be $70.2 billion in 1998. These outlays are devoted to increasing basic scientific knowledge and promoting related research and development. They increase the Nation's security, improve the productivity of capital and labor for both public and private purposes, and enhance the quality of life. Slightly more than half of these outlays, an estimated $37.4 billion in 1998, are for national defense. Physical investment for research and development facilities and equipment is included in the physical investment category.

Nondefense outlays for the conduct of research and development are estimated to be $32.8 billion in 1998. This is almost entirely direct spending by the Federal Government, and is largely for the space programs, the National Science Foundation, the National Institutes of Health, and research for nuclear and non-nuclear energy programs.

Conduct of education and training.—Outlays for the conduct of education and training are estimated to be $45.6 billion in 1998. These outlays add to the stock of human capital by developing a more skilled and productive labor force. Grants to State and local governments for this category are estimated to be $27.1 billion in 1998, more than half of the total. They include education programs for the disadvantaged and the handicapped, vocational and adult education programs, training programs in the Department of Labor, and Head Start. Direct education and training outlays by the Federal Government are estimated to be $18.5 billion in 1998. Programs in this category are primarily aid for higher education through student financial assistance,

Table 6–1. COMPOSITION OF FEDERAL INVESTMENT OUTLAYS

(In billions of dollars)

	1996 actual	Estimate	
		1997	1998
Major Federal Investment Outlays			
Major public physical capital investment:			
Direct Federal:			
National defense	55.0	50.6	47.8
Nondefense	20.6	21.2	15.1
Subtotal, direct major public physical capital investment	75.5	71.8	62.9
Grants to State and local governments	40.4	41.1	39.9
Subtotal, major public physical capital investment	115.9	113.0	102.8
Conduct of research and development:			
National defense	39.4	38.9	37.4
Nondefense	29.0	31.4	32.8
Subtotal, conduct of research and development	68.4	70.3	70.2
Conduct of education and training:			
Grants to State and local governments	24.7	26.1	27.1
Direct Federal	18.9	16.3	18.5
Subtotal, conduct of education and training	43.6	42.5	45.6
Total, major Federal investment outlays	**227.9**	**225.7**	**218.7**
MEMORANDUM			
Major Federal investment outlays:			
National defense	94.4	89.6	85.3
Nondefense	133.4	136.1	133.4
Total, major Federal investment outlays	227.9	225.7	218.7
Miscellaneous physical investments:			
Commodity inventories	–1.0	–0.7	–0.8
Other physical investment (direct)	4.1	3.9	3.7
Total, miscellaneous physical investment	3.1	3.1	2.9
Total, Federal investment outlays, including miscellaneous physical investment	230.9	228.9	221.5

loan subsidies, the veterans GI bill, and health training programs.

This category does not include outlays for education and training of Federal civilian and military employees. Outlays for education and training that are for physical investment and for research and development are in the categories for physical investment and the conduct of research and development.

Miscellaneous Investment Outlays

In addition to the categories of major Federal investment, several miscellaneous categories of investment outlays are shown at the bottom of Table 6–1. These items, all for physical investment, are generally unrelated to improving Government operations or enhancing economic activity. Outlays for commodity inventories are for the purchase or sale of agricultural products pursuant to farm price support programs and the purchase and sale of other commodities such as oil and gas. Sales are estimated to exceed purchases by $0.8 billion in 1998.

Outlays for other miscellaneous physical investment are estimated to be $3.7 billion in 1998. This category includes primarily conservation programs. These outlays are entirely for direct Federal spending.

Detailed Tables on Investment Spending

This section provides data on budget authority as well as outlays for major Federal investment. For the first time these estimates extend four years beyond the budget year to 2002. Table 6–2 displays budget authority (BA) and outlays (O) by major programs according to defense and nondefense categories. The greatest level of detail appears in Table 6–3, which shows budget authority and outlays divided according to grants to State and local governments and direct Federal spending. Miscellaneous investment is not included in these tables because it is generally unrelated to improving Government operations or enhancing economic activity.

Table 6–2. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: DEFENSE AND NONDEFENSE PROGRAMS

(In millions of dollars)

Description		1996 Actual	Estimate 1997	1998	1999	2000	2001	2002
NATIONAL DEFENSE								
Major public physical investment:								
Construction and rehabilitation	BA	**4,670**	**5,008**	**5,555**	**4,516**	**3,767**	**3,540**	**3,155**
	O	5,409	4,816	4,526	4,613	3,617	3,223	2,804
Acquisition of major equipment	BA	**42,975**	**44,435**	**42,923**	**50,833**	**57,219**	**60,871**	**68,552**
	O	49,645	45,924	43,408	44,841	47,877	51,932	55,688
Purchase or sale of land and structures	BA	**–77**	**–86**	**–87**	**–54**	**–26**	**–26**	**–26**
	O	–77	–86	–87	–54	–26	–26	–26
Subtotal, major public physical investment	BA	**47,568**	**49,357**	**48,391**	**55,295**	**60,960**	**64,385**	**71,681**
	O	54,977	50,654	47,847	49,400	51,468	55,129	58,466
Conduct of research and development	BA	**37,810**	**39,491**	**38,744**	**37,872**	**35,834**	**35,328**	**36,640**
	O	39,428	38,916	37,416	37,917	36,326	35,492	35,882
Conduct of education and training (civilian)	BA	**8**	**5**	**2**	**8**	**15**	**15**	**15**
	O	9	6	3	6	12	15	15
Subtotal, national defense investment	BA	**85,386**	**88,853**	**87,137**	**93,175**	**96,809**	**99,728**	**108,336**
	O	94,414	89,576	85,266	87,323	87,806	90,636	94,363
NONDEFENSE								
Major public physical investment:								
Construction and rehabilitation:								
Highways	BA	**17,884**	**21,973**	**22,304**	**22,168**	**22,072**	**22,043**	**22,034**
	O	19,653	19,645	19,653	19,392	19,191	18,915	18,763
Mass transportation	BA	**3,517**	**4,828**	**4,971**	**4,971**	**4,971**	**4,971**	**4,971**
	O	3,698	3,900	3,568	3,717	3,922	4,101	4,255
Rail transportation	BA	**119**	**244**	**434**	**434**	**434**	**434**	**434**
	O	282	211	379	511	435	437	436
Air transportation	BA	**1,606**	**2,284**	**2,395**	**1,049**	**1,050**	**1,051**	**1,052**
	O	1,675	1,575	1,446	1,235	1,123	1,076	1,068
Water transportation	BA	**129**	**137**	**120**	**121**	**122**	**122**	**122**
	O	125	117	116	120	115	119	121
Community development block grants	BA	**4,650**	**4,600**	**4,600**	**4,600**	**4,100**	**4,100**	**4,100**
	O	4,545	4,837	4,641	4,845	4,633	4,438	4,216
Other community and regional development	BA	**1,351**	**1,379**	**1,408**	**1,338**	**1,156**	**1,171**	**1,165**
	O	1,530	1,805	1,495	1,325	1,339	1,259	1,219
Pollution control and abatement	BA	**3,637**	**3,797**	**4,564**	**4,556**	**3,885**	**3,853**	**3,872**
	O	3,668	3,499	3,752	4,044	4,133	4,098	3,938
Water resources	BA	**1,878**	**2,068**	**2,312**	**2,012**	**2,045**	**1,927**	**1,943**
	O	2,318	2,334	1,869	1,991	2,087	1,958	1,904
Housing assistance	BA	**5,664**	**4,655**	**5,052**	**4,827**	**4,726**	**4,761**	**4,797**
	O	6,757	7,216	6,963	6,915	6,652	6,149	5,880
Energy	BA	**1,827**	**1,292**	**1,183**	**1,112**	**1,130**	**1,119**	**1,133**
	O	1,918	1,378	1,147	1,141	1,163	1,150	1,160
Veterans hospitals and other health	BA	**1,113**	**1,230**	**1,358**	**1,341**	**1,357**	**1,373**	**1,388**
	O	1,404	1,316	1,465	1,429	1,395	1,375	1,375
Postal Service	BA	**1,132**	**1,870**	**1,376**	**964**	**721**	**783**	**1,996**
	O	1,138	1,063	1,251	1,195	986	870	2,205
GSA real property activities	BA	....	....	....	....	....	....	....
	O	1,478	1,418	1,175	1,028	965	916	941
Other programs	BA	**1,776**	**1,785**	**1,640**	**1,418**	**1,311**	**1,312**	**1,312**
	O	2,293	2,179	1,971	2,152	1,937	1,711	1,590
Subtotal, construction and rehabilitation	BA	**46,283**	**52,142**	**53,717**	**50,911**	**49,080**	**49,020**	**50,319**
	O	52,482	52,493	50,891	51,040	50,076	48,572	49,071
Acquisition of major equipment:								
Air transportation	BA	**1,903**	**1,969**	**1,924**	**2,073**	**2,029**	**2,090**	**2,152**
	O	2,490	1,948	1,903	1,905	1,927	1,956	2,078
Postal Service	BA	**1,890**	**3,545**	**1,075**	**586**	**180**	**221**	**665**
	O	987	2,478	1,378	1,793	236	210	505
Other	BA	**3,915**	**3,131**	**3,465**	**3,494**	**2,851**	**2,782**	**2,707**
	O	3,835	3,965	3,545	4,307	4,177	3,530	3,480
Subtotal, acquisition of major equipment	BA	**7,708**	**8,645**	**6,464**	**6,153**	**5,060**	**5,093**	**5,524**
	O	7,312	8,391	6,826	8,005	6,340	5,696	6,063

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

(In millions of dollars)

Description		1996 Actual	Estimate 1997	1998	1999	2000	2001	2002
Purchase or sale of land and structures	BA	**183**	**194**	**–4,040**	**229**	**241**	**243**	**–295**
	O	410	441	–3,875	432	435	428	–126
Other physical assets (grants)	BA	**926**	**911**	**1,063**	**1,120**	**1,118**	**1,127**	**1,066**
	O	692	994	1,137	1,068	1,110	1,111	1,085
Subtotal, major public physical investment	BA	**55,100**	**61,892**	**57,204**	**58,413**	**55,499**	**55,483**	**56,614**
	O	60,896	62,319	54,979	60,545	57,961	55,807	56,093
Conduct of research and development:								
General science, space, and technology	BA	**10,719**	**10,779**	**11,115**	**11,205**	**11,202**	**11,317**	**11,354**
	O	9,745	10,424	10,707	10,872	10,838	10,854	10,960
Energy	BA	**2,548**	**2,312**	**2,542**	**2,650**	**2,464**	**2,396**	**2,354**
	O	2,938	2,577	2,796	2,771	2,753	2,658	2,552
Transportation	BA	**1,794**	**1,960**	**2,005**	**1,910**	**1,893**	**1,919**	**1,938**
	O	1,654	1,810	2,135	2,090	2,132	2,153	2,180
Health	BA	**11,820**	**12,647**	**12,951**	**12,984**	**13,026**	**13,068**	**13,112**
	O	10,267	12,059	12,655	12,925	12,998	13,023	13,060
Natural resources and environment	BA	**1,781**	**1,841**	**1,901**	**1,865**	**1,891**	**1,906**	**1,939**
	O	1,593	1,620	1,673	1,652	1,668	1,668	1,698
All other research and development	BA	**2,693**	**2,687**	**2,840**	**3,046**	**3,097**	**3,171**	**3,256**
	O	2,797	2,879	2,824	3,015	3,062	3,117	3,183
Subtotal, conduct of research and development	BA	**31,355**	**32,226**	**33,354**	**33,660**	**33,573**	**33,777**	**33,953**
	O	28,994	31,369	32,790	33,325	33,451	33,473	33,633
Conduct of education and training:								
Education, training, employment and social services:								
Elementary, secondary, and vocational education	BA	**13,660**	**16,899**	**18,241**	**18,703**	**19,129**	**19,451**	**19,628**
	O	14,739	16,111	16,387	18,451	18,722	19,072	19,400
Higher education	BA	**12,713**	**9,452**	**13,212**	**14,578**	**14,700**	**14,998**	**14,418**
	O	12,172	9,141	11,348	13,390	13,678	13,825	13,179
Research and general education aids	BA	**1,762**	**1,993**	**2,000**	**1,834**	**1,940**	**1,977**	**1,994**
	O	1,906	1,914	2,035	1,817	1,926	1,959	1,994
Training and employment	BA	**5,068**	**5,675**	**5,987**	**6,286**	**6,594**	**5,417**	**5,549**
	O	5,175	4,910	5,402	6,044	6,252	5,742	5,444
Social services	BA	**6,072**	**6,539**	**6,942**	**7,202**	**7,467**	**7,757**	**8,059**
	O	5,940	6,447	6,637	6,820	7,029	7,285	7,569
Subtotal, education, training, and social services	BA	**39,275**	**40,558**	**46,382**	**48,603**	**49,830**	**49,600**	**49,648**
	O	39,932	38,523	41,809	46,522	47,607	47,883	47,586
Veterans education, training, and rehabilitation	BA	**1,274**	**1,526**	**1,503**	**1,598**	**1,603**	**1,653**	**1,671**
	O	1,373	1,558	1,580	1,617	1,619	1,661	1,679
Health	BA	**793**	**882**	**728**	**720**	**718**	**715**	**712**
	O	760	864	804	728	719	708	704
Other education and training	BA	**1,519**	**1,510**	**1,453**	**1,461**	**1,485**	**1,458**	**1,481**
	O	1,485	1,505	1,434	1,466	1,476	1,460	1,470
Subtotal, conduct of education and training	BA	**42,861**	**44,476**	**50,066**	**52,382**	**53,636**	**53,426**	**53,512**
	O	43,550	42,450	45,627	50,333	51,421	51,712	51,439
Subtotal, nondefense investment	BA	**129,316**	**138,594**	**140,624**	**144,455**	**142,708**	**142,686**	**144,079**
	O	133,440	136,138	133,396	144,203	142,833	140,992	141,165
Total, major Federal investment	BA	**214,702**	**227,447**	**227,761**	**237,630**	**239,517**	**242,414**	**252,415**
	O	227,854	225,714	218,662	231,526	230,639	231,628	235,528

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

(in millions of dollars)

Description		1996 Actual	Estimate 1997	1998	1999	2000	2001	2002
GRANTS TO STATE AND LOCAL GOVERNMENTS								
Major public physical investments:								
Construction and rehabilitation:								
Highways	BA	**17,879**	**21,972**	**22,302**	**22,166**	**22,070**	**22,041**	**22,032**
	O	19,644	19,588	19,475	19,333	19,172	18,902	18,751
Mass transportation	BA	**3,517**	**4,828**	**4,971**	**4,971**	**4,971**	**4,971**	**4,971**
	O	3,698	3,900	3,568	3,717	3,922	4,101	4,255
Rail transportation	BA	**1**	**69**	**10**	**10**	**10**	**10**	**10**
	O	16	33	48	36	10	10	10
Air transportation	BA	**1,550**	**2,230**	**2,347**	**1,000**	**1,000**	**1,000**	**1,000**
	O	1,655	1,519	1,395	1,185	1,075	1,028	1,018
Pollution control and abatement	BA	**2,314**	**2,417**	**2,474**	**2,211**	**2,190**	**2,207**	**2,225**
	O	2,368	2,127	2,119	2,032	2,155	2,279	2,188
Other natural resources and environment	BA	**174**	**161**	**44**	**44**	**44**	**44**	**44**
	O	255	283	75	48	43	43	43
Community development block grants	BA	**4,650**	**4,600**	**4,600**	**4,600**	**4,100**	**4,100**	**4,100**
	O	4,545	4,837	4,641	4,845	4,633	4,438	4,216
Other community and regional development	BA	**1,106**	**1,013**	**1,152**	**1,110**	**926**	**938**	**929**
	O	1,172	1,227	1,170	1,137	1,121	1,032	987
Housing assistance	BA	**4,554**	**4,622**	**4,567**	**4,342**	**4,241**	**4,276**	**4,312**
	O	6,007	6,335	5,999	5,845	5,508	5,022	4,767
National defense	BA	....	....	....	....	....	....	....
	O	16	9	4	1	....	....	....
Other construction	BA	**134**	**130**	**119**	**115**	**116**	**116**	**116**
	O	222	212	179	159	126	119	118
Subtotal, construction and rehabilitation	BA	**35,879**	**42,042**	**42,586**	**40,569**	**39,668**	**39,703**	**39,739**
	O	39,598	40,070	38,673	38,338	37,765	36,974	36,353
Other physical assets	BA	**978**	**962**	**1,120**	**1,177**	**1,178**	**1,187**	**1,128**
	O	757	1,075	1,208	1,130	1,169	1,170	1,145
Subtotal, major public physical capital	BA	**36,857**	**43,004**	**43,706**	**41,746**	**40,846**	**40,890**	**40,867**
	O	40,355	41,145	39,881	39,468	38,934	38,144	37,498
Conduct of research and development:								
Agriculture	BA	**223**	**223**	**223**	**223**	**223**	**223**	**223**
	O	224	234	223	221	215	193	207
Other	BA	**89**	**258**	**126**	**127**	**127**	**129**	**130**
	O	79	94	238	180	162	158	159
Subtotal, conduct of research and development	BA	**312**	**481**	**349**	**350**	**350**	**352**	**353**
	O	303	328	461	401	377	351	366
Conduct of education and training:								
Elementary, secondary, and vocational education	BA	**12,881**	**16,111**	**17,342**	**17,797**	**18,212**	**18,527**	**18,694**
	O	13,930	15,288	15,574	17,573	17,828	18,168	18,486
Higher education	BA	**63**	**83**	**39**	**40**	**41**	**42**	**44**
	O	108	77	74	38	40	41	42
Research and general education aids	BA	**243**	**439**	**311**	**317**	**348**	**356**	**361**
	O	288	286	377	334	346	349	356
Training and employment	BA	**3,998**	**4,513**	**4,500**	**4,764**	**5,035**	**3,824**	**3,920**
	O	4,162	3,783	4,208	4,666	4,751	4,184	3,839
Social services	BA	**5,828**	**6,299**	**6,693**	**6,945**	**7,201**	**7,482**	**7,775**
	O	5,702	6,185	6,391	6,573	6,774	7,022	7,297
National defense (civilian)	BA	....	....	....	....	....	....	....
	O	2	....	....	....	....	....	....
Agriculture	BA	**428**	**426**	**418**	**418**	**418**	**418**	**418**
	O	403	419	420	418	418	418	418
Other	BA	**94**	**78**	**81**	**72**	**73**	**73**	**74**
	O	100	82	84	81	76	72	72
Subtotal, conduct of education and training	BA	**23,535**	**27,949**	**29,384**	**30,353**	**31,328**	**30,722**	**31,286**
	O	24,695	26,120	27,128	29,683	30,233	30,254	30,510
Subtotal, grants for investment	BA	**60,704**	**71,434**	**73,439**	**72,449**	**72,524**	**71,964**	**72,506**
	O	65,353	67,593	67,470	69,552	69,544	68,749	68,374

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

(in millions of dollars)

Description		1996 Actual	Estimate					
			1997	1998	1999	2000	2001	2002
DIRECT FEDERAL PROGRAMS								
Major public physical investment:								
Construction and rehabilitation:								
National defense:								
Military construction	**BA**	**2,815**	**3,220**	**2,519**	**2,537**	**2,565**	**2,491**	**1,633**
	O	3,382	3,102	2,934	2,793	2,132	1,855	1,432
Family housing	**BA**	**1,016**	**1,017**	**679**	**722**	**436**	**441**	**433**
	O	1,078	1,007	916	788	372	376	372
Atomic energy defense activities and other	**BA**	**839**	**771**	**2,357**	**1,257**	**766**	**608**	**1,089**
	O	933	698	672	1,031	1,113	992	1,000
Subtotal, national defense	**BA**	**4,670**	**5,008**	**5,555**	**4,516**	**3,767**	**3,540**	**3,155**
	O	5,393	4,807	4,522	4,612	3,617	3,223	2,804
International affairs	**BA**	**157**	**218**	**200**	**200**	**200**	**200**	**200**
	O	279	265	230	219	213	215	215
General science, space, and technology	**BA**	**423**	**349**	**338**	**259**	**252**	**254**	**260**
	O	611	487	423	406	333	327	321
Water resources projects	**BA**	**1,728**	**1,935**	**2,272**	**1,972**	**2,005**	**1,887**	**1,903**
	O	2,090	2,082	1,799	1,946	2,047	1,918	1,864
Other natural resources and environment	**BA**	**1,644**	**1,637**	**2,350**	**2,631**	**1,967**	**1,913**	**1,908**
	O	1,672	1,684	1,900	2,279	2,252	2,089	2,016
Energy	**BA**	**1,827**	**1,292**	**1,183**	**1,112**	**1,130**	**1,119**	**1,133**
	O	1,918	1,378	1,147	1,141	1,163	1,150	1,160
Postal Service	**BA**	**1,132**	**1,870**	**1,376**	**964**	**721**	**783**	**1,996**
	O	1,138	1,063	1,251	1,195	986	870	2,205
Transportation	**BA**	**307**	**366**	**593**	**595**	**597**	**598**	**599**
	O	419	407	675	703	606	606	608
Housing assistance	**BA**	**1,110**	**33**	**485**	**485**	**485**	**485**	**485**
	O	750	881	964	1,070	1,144	1,127	1,113
Veterans hospitals and other health facilities	**BA**	**1,066**	**1,183**	**1,317**	**1,304**	**1,320**	**1,336**	**1,351**
	O	1,347	1,272	1,418	1,384	1,351	1,336	1,338
Federal Prison System	**BA**	**245**	**310**	**149**	**97**	....	....	....
	O	486	309	393	527	410	253	181
GSA real property activities	**BA**	**1**	**157**	....	....	....	....	....
	O	1,579	1,757	1,262	1,028	965	916	941
Other construction	**BA**	**764**	**750**	**868**	**723**	**735**	**742**	**745**
	O	611	847	760	805	841	791	756
Subtotal, construction and rehabilitation	**BA**	**15,074**	**15,108**	**16,686**	**14,858**	**13,179**	**12,857**	**13,735**
	O	18,293	17,239	16,744	17,315	15,928	14,821	15,522
Acquisition of major equipment:								
National defense:								
Department of Defense—Military (Procurement)	**BA**	**42,641**	**44,179**	**42,664**	**50,583**	**56,969**	**60,624**	**68,310**
	O	49,252	45,668	43,164	44,601	47,641	51,698	55,457
Atomic energy defense activities	**BA**	**334**	**256**	**259**	**250**	**250**	**247**	**242**
	O	393	256	244	240	236	234	231
Subtotal, national defense	**BA**	**42,975**	**44,435**	**42,923**	**50,833**	**57,219**	**60,871**	**68,552**
	O	49,645	45,924	43,408	44,841	47,877	51,932	55,688
General science and basic research	**BA**	**252**	**239**	**244**	**250**	**251**	**251**	**251**
	O	199	262	271	271	263	256	246
Space flight, research, and supporting activities	**BA**	**763**	**744**	**575**	**574**	**558**	**540**	**526**
	O	545	698	638	610	595	575	564
Energy	**BA**	**218**	**183**	**170**	**194**	**203**	**202**	**215**
	O	221	195	193	222	231	231	243
Postal Service	**BA**	**1,890**	**3,545**	**1,075**	**586**	**180**	**221**	**665**
	O	987	2,478	1,378	1,793	236	210	505
Air transportation	**BA**	**1,903**	**1,969**	**1,924**	**2,073**	**2,029**	**2,090**	**2,152**
	O	2,490	1,948	1,903	1,905	1,927	1,956	2,078
Water transportation (Coast Guard)	**BA**	**228**	**245**	**242**	**242**	**242**	**242**	**242**
	O	240	179	196	216	226	239	245
Other transportation (railroads)	**BA**	**330**	**362**	....	....	....	....	....
	O	322	262	159	104	....	....	....
Social security	**BA**	**257**	**86**	**63**	**68**	**73**	**78**	**84**

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

(in millions of dollars)

Description		1996 Actual	Estimate 1997	1998	1999	2000	2001	2002
	O	164	103	153	164	176	189	203
Hospital and medical care for veterans	BA	**767**	**513**	**483**	**483**	**483**	**483**	**483**
	O	614	564	483	489	490	490	490
Department of Justice	BA	**377**	**444**	**480**	**288**	**296**	**304**	**314**
	O	294	378	293	348	216	146	151
Department of the Treasury	BA	**643**	**230**	**628**	**619**	**119**	**119**	**119**
	O	616	541	106	551	599	148	98
General supply fund	BA	....	....	....	....	....	....	....
	O	497	556	673	703	748	655	694
Other	BA	**28**	**34**	**523**	**719**	**566**	**503**	**411**
	O	58	146	309	567	574	542	486
Subtotal, acquisition of major equipment	BA	**50,631**	**53,029**	**49,330**	**56,929**	**62,219**	**65,904**	**74,014**
	O	56,892	54,234	50,163	52,784	54,158	57,569	61,691
Purchase or sale of land and structures:								
National defense	BA	**–77**	**–86**	**–87**	**–54**	**–26**	**–26**	**–26**
	O	–77	–86	–87	–54	–26	–26	–26
International affairs	BA	**10**	**10**	**10**	**10**	**10**	**10**	**10**
	O	11	11	10	10	9	9	9
Sale of the United States Enrichment Corporation	BA	....	....	**–1,800**	....	....	....	....
	O	....	....	–1,800	....	....	....	....
Privatization of Elk Hills	BA	....	....	**–2,415**	....	....	....	....
	O	....	....	–2,415	....	....	....	....
Other	BA	**173**	**184**	**165**	**219**	**231**	**233**	**–305**
	O	399	430	330	422	426	419	–135
Subtotal, purchase or sale of land and structures	BA	**106**	**108**	**–4,127**	**175**	**215**	**217**	**–321**
	O	333	355	–3,962	378	409	402	–152
Subtotal, major public physical investment	BA	**65,811**	**68,245**	**61,889**	**71,962**	**75,613**	**78,978**	**87,428**
	O	75,518	71,828	62,945	70,477	70,495	72,792	77,061
Conduct of research and development:								
National defense:								
Defense military	BA	**35,402**	**37,060**	**36,371**	**35,544**	**33,541**	**33,054**	**34,403**
	O	36,936	36,485	35,067	35,626	34,077	33,264	33,682
Atomic energy and other	BA	**2,408**	**2,431**	**2,373**	**2,328**	**2,293**	**2,274**	**2,237**
	O	2,492	2,431	2,349	2,291	2,249	2,228	2,200
Subtotal, national defense	BA	**37,810**	**39,491**	**38,744**	**37,872**	**35,834**	**35,328**	**36,640**
	O	39,428	38,916	37,416	37,917	36,326	35,492	35,882
International affairs	BA	**253**	**191**	**247**	**253**	**257**	**265**	**270**
	O	419	379	339	317	320	327	332
General science, space, and technology:								
NASA	BA	**7,844**	**7,797**	**8,009**	**8,034**	**8,025**	**8,133**	**8,164**
	O	6,963	7,524	7,767	7,841	7,734	7,738	7,802
National Science Foundation	BA	**2,204**	**2,277**	**2,367**	**2,373**	**2,379**	**2,386**	**2,392**
	O	2,077	2,195	2,201	2,272	2,332	2,344	2,386
Other general science	BA	**671**	**705**	**739**	**798**	**798**	**798**	**798**
	O	705	705	739	759	772	772	772
Subtotal, general science, space, and technology	BA	**10,972**	**10,970**	**11,362**	**11,458**	**11,459**	**11,582**	**11,624**
	O	10,164	10,803	11,046	11,189	11,158	11,181	11,292
Energy	BA	**2,548**	**2,312**	**2,542**	**2,650**	**2,464**	**2,396**	**2,354**
	O	2,938	2,577	2,796	2,771	2,753	2,658	2,552
Transportation:								
Department of Transportation	BA	**508**	**531**	**651**	**629**	**634**	**641**	**647**
	O	479	489	730	702	699	699	682
NASA	BA	**1,222**	**1,198**	**1,273**	**1,200**	**1,178**	**1,197**	**1,210**
	O	1,120	1,261	1,194	1,234	1,296	1,321	1,366
Subtotal, transportation	BA	**4,278**	**4,041**	**4,466**	**4,479**	**4,276**	**4,234**	**4,211**
	O	4,537	4,327	4,720	4,707	4,748	4,678	4,600

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

(in millions of dollars)

Description		1996 Actual	Estimate 1997	1998	1999	2000	2001	2002
Health:								
National Institutes of Health	BA	**11,263**	**11,996**	**12,333**	**12,378**	**12,428**	**12,479**	**12,530**
	O	9,642	11,469	12,060	12,326	12,414	12,448	12,492
All other health	BA	**548**	**642**	**613**	**601**	**593**	**584**	**577**
	O	616	581	590	594	579	570	563
Subtotal, health	BA	**11,811**	**12,638**	**12,946**	**12,979**	**13,021**	**13,063**	**13,107**
	O	10,258	12,050	12,650	12,920	12,993	13,018	13,055
Agriculture	BA	**953**	**963**	**975**	**980**	**991**	**1,002**	**1,013**
	O	944	948	962	974	982	1,027	1,026
Natural resources and environment	BA	**1,778**	**1,838**	**1,898**	**1,862**	**1,888**	**1,903**	**1,936**
	O	1,587	1,619	1,671	1,650	1,666	1,666	1,696
National Institute of Standards and Technology	BA	**416**	**429**	**480**	**506**	**518**	**564**	**620**
	O	374	428	440	463	491	514	543
Hospital and medical care for veterans	BA	**256**	**263**	**235**	**235**	**235**	**235**	**235**
	O	231	261	241	234	233	233	233
All other research and development	BA	**579**	**603**	**643**	**811**	**835**	**842**	**854**
	O	596	605	599	787	803	805	822
Subtotal, conduct of research and development	BA	**68,853**	**71,236**	**71,749**	**71,182**	**69,057**	**68,753**	**70,240**
	O	68,119	69,957	69,745	70,841	69,400	68,614	69,149
Conduct of education and training:								
Elementary, secondary, and vocational education	BA	**779**	**788**	**899**	**906**	**917**	**924**	**934**
	O	809	823	813	878	894	904	914
Higher education	BA	**12,650**	**9,369**	**13,173**	**14,538**	**14,659**	**14,956**	**14,374**
	O	12,064	9,064	11,274	13,352	13,638	13,784	13,137
Research and general education aids	BA	**1,519**	**1,554**	**1,689**	**1,517**	**1,592**	**1,621**	**1,633**
	O	1,618	1,628	1,658	1,483	1,580	1,610	1,638
Training and employment	BA	**1,070**	**1,162**	**1,487**	**1,522**	**1,559**	**1,593**	**1,629**
	O	1,013	1,127	1,194	1,378	1,501	1,558	1,605
Health	BA	**793**	**882**	**728**	**720**	**718**	**715**	**712**
	O	760	864	804	728	719	708	704
Veterans education, training, and rehabilitation	BA	**1,274**	**1,526**	**1,503**	**1,598**	**1,603**	**1,653**	**1,671**
	O	1,373	1,558	1,580	1,617	1,619	1,661	1,679
General science and basic reserach	BA	**502**	**523**	**519**	**518**	**518**	**518**	**518**
	O	469	502	484	518	516	530	518
National defense	BA	**8**	**5**	**2**	**8**	**15**	**15**	**15**
	O	7	6	3	6	12	15	15
International affairs	BA	**236**	**218**	**199**	**199**	**199**	**199**	**199**
	O	279	233	210	201	199	199	199
Other	BA	**503**	**505**	**485**	**511**	**543**	**525**	**556**
	O	472	531	482	495	522	504	535
Subtotal, conduct of education and training	BA	**19,334**	**16,532**	**20,684**	**22,037**	**22,323**	**22,719**	**22,241**
	O	18,864	16,336	18,502	20,656	21,200	21,473	20,944
Subtotal, direct Federal investment	BA	**153,998**	**156,013**	**154,322**	**165,181**	**166,993**	**170,450**	**179,909**
	O	162,501	158,121	151,192	161,974	161,095	162,879	167,154
Total, major Federal investment	BA	**214,702**	**227,447**	**227,761**	**237,630**	**239,517**	**242,414**	**252,415**
	O	227,854	225,714	218,662	231,526	230,639	231,628	235,528

Part II: PLANNING, BUDGETING, AND ACQUISITION OF CAPITAL ASSETS

The previous section discussed Federal investment broadly defined. The focus of this section is much narrower—the review of planning and budgeting for capital assets during the past year and the resultant budget proposals for capital assets owned by the Federal Government and used to deliver Federal services. Capital assets consist of Federal buildings, information technology, and other facilities and major equipment, including weapons systems, federally owned infrastructure, and space satellites.[1] With proposed major agency restructuring, organizational streamlining, and other reforms, good planning may suggest reduced spending for some assets, such as office buildings, and increased spending for others, such as information technology, to increase the productivity of a smaller workforce.

In recent years the Office of Management and Budget (OMB) and the Congress have reviewed the Federal Government's performance in planning, budgeting, risk management, and the acquisition of capital assets. The reviews indicate that the performance is uneven across the Government. The problems have many causes and as a result, there is no single solution. Agencies that are strong in this area may be able to provide best practices that could assist agencies that need improvement. In meeting the objective of improving the Government's performance, it is essential that the caliber of government planning and budgeting for capital assets be improved.

Improving Planning, Budgeting, and Acquisition of Capital Assets

Risk Management.—Recent OMB reviews have found a recurring theme in many capital asset acquisitions—that risk management should become more central to the planning, budgeting, and acquisition process. Failure to analyze and manage the inherent risk in all capital asset acquisitions may have contributed to cost overruns, schedule shortfalls, and acquisitions that fail to perform as expected. Failure to adopt capital asset requirements that are within the capabilities of the market and budget limitations may also have contributed to these problems. For each major project a risk analysis that includes how risks will be isolated, minimized, monitored, and controlled may help prevent these problems. The proposals in this budget, together with recent legislation enacted by Congress, are designed to help the Government manage better its portfolio of capital assets.

Long-Term Planning and Analysis.—Planning and managing capital assets, especially better management of risk, has historically been a low priority for some agencies. Attention focuses on coming-year appropriations, and justifications are often limited to lists of desired projects. The increased use of long-range planning linked to performance goals required by the Government Performance and Results Act would provide a better basis for justifications. It would increase foresight and improve the odds for cost-effective investments.

A need for better risk management, integrated life-cycle planning, and operation of capital assets at many agencies was evident in the OMB reviews. Research equipment was acquired with inadequate funding for its operation. New medical facilities sometimes were built without funds for maintenance and operation. New information technology sometimes was acquired without planning for associated changes in agency operations.

Congressional concern.—Congress has expressed its concern about planning for capital assets with legislation and other actions that complement Administration efforts to ensure better performance:

- The Government Performance and Results Act of 1993 (GPRA) is designed to help ensure that program objectives are more clearly defined and resources are focused on meeting these objectives.
- The Federal Acquisition Streamlining Act of 1994 (FASA), Title V, requires agencies to improve the management of large acquisitions. Title V requires agencies to institute a performance-based planning, budgeting, and management approach to the acquisition of capital assets. As a result of improved planning efforts, agencies are required to establish cost, schedule, and performance goals that have a high probability of successful achievement. For projects that are not achieving 90 percent of original goals, agencies are required to discuss corrective actions taken or planned to bring the project within goals. If they cannot be brought within goals, agencies should identify how and why the goals should be revised, whether the project is still cost beneficial and justified for continued funding, or whether the project should be canceled.
- The Information Technology Management Reform Act of 1996 (ITMRA) is designed to ensure that information technology acquisitions support agency missions developed pursuant to GPRA. ITMRA also requires a performance-based planning, budgeting, and management approach to the acquisition of capital assets.
- The General Accounting Office recently released a study, *Budget Issues: Budgeting for Federal Capital* (November 1996), written in response to a congressional request, which recommended that OMB continue its focus on fixed assets.

OMB concern.—Since 1994, OMB has devoted particular attention to improving the process of planning, budgeting, and acquiring capital assets.

[1] This is almost the same as the definition in Part I of this chapter for spending for direct Federal construction and rehabilitation, major equipment, and purchase of land, except that capital assets excludes grants to private groups for these purposes (e.g., grants for equipment for research and grants to AMTRAK). A more complete definition can be found in the glossary to the "Principles of Budgeting for Capital Asset Acquisitions," which is at the end of this Part.

- Separate OMB reviews that focused on capital assets have occurred for the last three budgets.
- After seeking out and analyzing the problems, which differed from agency to agency, OMB issued guidance on this issue in 1994. This guidance was repeated in 1995 and reissued in 1996 as OMB Circular A–11: Part 3: "Planning, Budgeting, and Acquisition of Fixed Assets" (July 1996) (hereafter referred to as Part 3). Part 3 identified other OMB guidance on this issue.[2]

  Agencies were requested to approach planning for capital assets in the context of strategic plans to carry out their missions, and to consider alternative methods of meeting their goals. Systematic analysis of the full life-cycle expected costs and benefits was required, along with risk analysis and assessment of alternative means of acquiring assets. The Administration proposes to make agencies responsible for the capital assets they use, and to work throughout the coming year to improve agency risk management, planning, budgeting, acquisition, and operation of these assets.
- In the *FY 1997 Budget* a year ago, the Administration proposed a separate allowance of $1.4 billion for full funding of selected capital assets in the Department of Energy, NASA, and the Department of the Interior. Congress responded favorably by enacting a portion of this allowance for the Department of Energy.
- OMB memorandum 97–02, *Funding Information Systems Investments* (October 25, 1996) was issued to establish clear and concise decision criteria regarding investments in major information technology investments.
- As part of this Budget, OMB is:
  —requesting full funding in regular or advance appropriations for new capital projects and for many capital projects formerly funded incrementally. These requests are shown in Table 6–5 and discussed in the accompanying text.
  —issuing the "Principles of Budgeting for Capital Asset Acquisitions," which appear at the end of this Part and are also available as a separate publication. These principles offer guidelines to agencies to help carry out better planning, analysis, risk management, and budgeting for capital asset acquisitions. The principles include a proposed new Budget Enforcement Act scorekeeping rule to enforce full funding of capital projects.
  —Later this year OMB plans to publish a "Capital Programming Guide." This Guide is being developed by an interagency task force that includes participation from the General Accounting Office. A draft of the Guide is currently in circulation for comment. Its purpose is to provide professionals in the Federal Government a basic reference on capital assets management principles to assist them in planning, budgeting, acquiring, and managing the asset once in use. The draft Guide emphasizes risk management and the importance of analyzing capital assets as a portfolio.

From Planning to Budgeting.—Long-range agency plans should channel fully justified budget-year and out-year capital acquisition proposals into the budget process. Agencies were asked to submit projections of both budget authority and outlays for high-priority capital asset proposals not only for the budget year but for the four subsequent years through 2002 as well. In addition, OMB held a separate review on capital assets again as part of the 1998 budget review process. This provided an overview of requests, flagged issues, and considered cross-cutting recommendations. Agency-specific capital asset issues were highlighted in the agency reviews.

Attention was given to whether the "lumpiness" of some capital assets—large one-year temporary increases in funding—disadvantaged them in the budget review process. In some cases, agencies aggregate capital asset acquisitions into budget accounts containing only such acquisitions; such accounts tend to smooth out year-to-year changes in budget authority and outlays and avoid crowding other expenditures. In other cases, agencies or program managers do not hesitate to request "spikes" in spending for asset acquisitions, and the review process accommodates them. But some agencies go out of their way to avoid such spikes, and some agencies have trouble accommodating them. Part 3 encouraged agencies to accommodate justified spikes in their own internal reviews, and the OMB review in some cases made special allowance for these one-time increases.

Full Funding of Capital Assets.—Good budgeting requires that appropriations for the full costs of asset acquisition be provided up front to help ensure that all costs and benefits are fully taken into account when decisions are made about providing resources. Full funding was endorsed by the General Accounting Office in its recent report, *Budgeting for Federal Capital* (November 1996). This rule is followed for most Department of Defense procurement and construction programs and for General Services Administration buildings. In other areas too often it is not. When it is not followed and capital assets are funded in increments, without certainty if or when future funding will be available, it can and occasionally does result in poor risk management, weak planning, acquisition of assets

[2] Other OMB guidance includes: (1) OMB Circular No. A–109, *Major System Acquisitions*, which establishes policies for planning major systems that are generally applicable to fixed asset acquisitions. (2) OMB Circular No. A–94, *Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs*, which provides guidance on benefit-cost, cost-effectiveness, and lease-purchase analysis to be used by agencies in evaluating Federal activities including fixed asset acquisition. It includes guidelines on the discount rate to use in evaluating future benefits and costs, the measurement of benefits and costs, the treatment of uncertainty, and other issues. This guidance must be followed in all analyses submitted to OMB in support of legislative and budget programs. (3) Executive Order No. 12893, "Principles for Federal Infrastructure Investments," which provides principles for the systematic economic analysis of infrastructure investments and their management. (4) OMB Bulletin No. 94–16, *Guidance on Executive Order No. 12893, "Principles for Federal Infrastructure Investments,"* which provides guidance for implementing this order and appends the order itself. (5) the revision of OMB Circular A–130, *Management of Federal Information Resources* (February 20, 1996), which provides principles for internal management and planning practices for information systems and technology (published in the *Federal Register*, February 20, 1996, pp. 6433–6434).

not fully justified, higher acquisition costs, cancellation of major projects, the loss of sunk costs, and inadequate funding to maintain and operate the assets. Full funding is also an important element in managing large acquisitions effectively and holding management responsible for achieving goals.

This budget requests full funding with regular or advance appropriations for new capital projects and for many capital projects funded incrementally in the past. Projects that might have been funded in increments in past years and are fully funded in this budget are identified below in Table 6-5 and discussed in the accompanying text. Next year additional effort will be made to include full funding for all new capital projects, or at least economically and programmatically viable segments (or modules) of new projects.

Other Budgeting Issues.—Other budgeting decisions can also aid in acquiring capital assets. Availability of funds for one year often may not be enough time to complete the acquisition process. Most agencies request that funds be available for more than one year to complete acquisitions efficiently, and Part 3 encouraged this. As noted, many agencies aggregate asset acquisition in budget accounts to avoid lumpiness. In some cases, these are revolving funds that "rent" the assets to the agency's programs.

To promote better program performance, agencies are also being encouraged by OMB to examine their budget account structures to align them better with program outputs and outcomes and to charge the appropriate account with significant costs used to achieve these results. The asset acquisition rental accounts, mentioned above, would contribute to this. Budgeting this way would provide information and incentives for better resource allocation among programs and a continual search for better ways to deliver services. It would also provide incentives for efficient capital asset acquisition and management.

Acquisition of Capital Assets.—Improved planning, budgeting, and acquisition strategies are necessary to increase the ability of agencies to acquire capital assets within, or close to, the original estimates of cost, schedule, and performance used to justify project budgets and to maintain budget discipline. The OMB initiative along with enactment of FASA (Title V) and ITMRA require agencies to institute a performance-based planning, budgeting, and management approach to the acquisition of capital assets.

OMB, working with the agencies over the last year, began separate but related efforts to develop an integrated management approach that employs performance based acquisition management as part of a disciplined capital programming process. OMB also wants the capital asset acquisition goals incorporated into the annual performance plan called for by GPRA so that a unified picture of agency management activities is presented and acquisition performance goals are linked to the achievement of program and policy goals. This integrated approach will not only eliminate duplication in reporting agency actions but, most importantly, will foster more effective implementation of performance-base acquisition management.

The first effort was the issuance of OMB Circular A–11, Part 3, *Planning, Budgeting and Acquisition of Fixed Assets*, in July 1996. Part 3 presents unified guidance to agencies on planning, budgeting, and acquisition management of fixed assets. It also presents unified guidance designed to coordinate the collection of agency information for OMB reports to the Congress required by FASA Title V and ITMRA. Part 3 for this budget limited reporting to high-priority acquisitions with expansion to all acquisitions planned for the 1999 Budget. Part 3 required agencies to provide information to OMB on the extent of planning and risk mitigation efforts accomplished for new projects to ensure a high probability that the cost, schedule and performance goals established will be successfully achieved. For ongoing projects agencies are to provide information on the achievement of, or deviation from, goals. For projects that are not achieving 90 percent of original goals, agencies are required to discuss corrective actions taken, or contemplated, to bring the project within goals or, if not, how and why the goals should be revised and whether the project is still cost beneficial and justified for continued funding or should be canceled. Acquisition goals submitted with the 1998 Budget, if approved by OMB, are the baseline goals for all future monitoring of project progress for both management purposes and reporting to Congress as required by FASA Title V and ITMRA.

As the second effort, on October 25, 1996, OMB memorandum 97–02, *Funding Information Systems Investments*, was issued to establish clear and concise decision criteria regarding investments in major information technology investments. As a general presumption, OMB will recommend new or continued funding only for those major system investments that satisfy these criteria and expands coverage to all capital investments.

At the Appendix to this Part are the *Principles of Budgeting for Capital Asset Acquisitions*, which incorporate the above criteria and expand coverage to all capital investments. OMB recognizes that many agencies are in the middle of ongoing projects initiated prior to enactment of ITMRA and FASA Title V, and may not be able to satisfy the criteria immediately. For those systems that do not satisfy the criteria, OMB considered requests to use 1997 and 1998 funds to support reevaluation and replanning of the project as necessary to achieve compliance with the criteria or to determine that the project would not meet the criteria and should be canceled.

As a result of these two initiatives, capital asset acquisitions are to have baseline cost, schedule, and performance goals for future tracking purposes or they are to be either reevaluated and changed or canceled if no longer cost beneficial.

Outlook.—The effort to improve planning and budgeting for capital assets will continue in 1997.

- The Administration will work with the Congress to increase the number of projects that are fully funded with regular or advance appropriations.
- OMB will be working with congressional committees, the President's Management Council, the Chief Financial Officers Council, and the Chief Information Officers Council to help agencies with their responsibility for capital assets through the alignment of budgetary resources with program results. OMB will also work with these groups to implement the "Principles of Budgeting for Capital Asset Acquisitions," which are shown as an Appendix to this Part.
- In the OMB review process, proposals for the acquisition of capital assets and related issues of lumpiness or "spikes" will continue to receive special attention. Agencies will be encouraged to give the same special attention to future asset acquisition proposals.
- To ensure that the full costs and benefits of all budget proposals are fully taken into account in allocating resources, agencies will be required to propose full funding for acquisitions in their budget requests.
- OMB will finalize the guidance to implement the requirements of FASA Title V within the civilian agencies and develop materials for OMB use in reviewing agency planning for new acquisitions and performance information on acquisitions in process.
- As noted earlier, OMB plans to issue a "Capital Programming Guide" that will assist professionals in the Federal Government in risk management, planning, budgeting, acquiring, and operating efficiently capital asset acquisitions.

Major Acquisition Proposals

For the definition of major capital assets described above this budget requests $61.8 billion of budget authority for 1998. This includes $45.8 billion for the Department of Defense and $16.0 billion for other agencies. The major requests are shown in the accompanying Table 6–4: "Capital Asset Acquisitions," which distributes the funds generally according to the categories for buildings, information technology, and other acquisitions.

Buildings

This category includes both general purpose office buildings and special purpose buildings, such as hospitals, prisons, and courthouses. This budget includes $10.9 billion of budget authority for 1998 for the major building acquisitions.

Department of Defense.—The budget includes $3.7 billion for 1998 for general construction on military bases and family housing. This funding will be used to:

- support the fielding of new systems;
- enhance operational readiness, including deployment and support of military forces;
- provide housing for military personnel and their families;
- implement base closure and realignment actions; and
- correct safety deficiencies and environmental problems.

General Services Administration.—The 1998 budget requests $1.7 billion in obligations for GSA for the construction or renovation of buildings. These funds will allow for new construction for U.S. Courts and the acquisition of general purpose office space in locations where long-term needs show that ownership is preferable to leasing.

Department of Energy.—This budget requests $1.5 billion for 1998 for assets in this category. The largest item is a request for $0.9 billion for the National Ignition Facility, which will be used to perform experiments, including inertial confinement fusion experiments, at high pressures and temperatures. These investments are also discussed in the text that accompanies Table 6–5.

Department of Veterans Affairs.—The 1998 budget requests $0.5 billion in budget authority for new construction and rehabilitation of veterans hospitals, clinics, nursing homes, and other health care facilities; for construction of a new national cemetery and expansion of two existing national cemeteries; and for improvements to regional benefits offices.

Department of Health and Human Services.—This budget requests $0.5 billion for the Department of Health and Human Services for buildings. This includes capital projects for the National Institutes of Health Clinical Research Center and improved facilities for the Indian Health Service. Both are discussed with Table 6–5 and the request for advance appropriations.

Other agencies.—The largest item in this category is for the Postal Service ($1.4 billion in 1998). Other building acquisitions include the Research Triangle Park consolidated facility in North Carolina for the Environmental Protection Agency; the Department of State for buildings abroad; the Department of Justice for new prison construction and related capital projects, and a National Laboratory Center and fire research facility for the Bureau of Alcohol, Tobacco, and Firearms. Funds are also requested in the Commerce Department for new construction of a fisheries laboratory in Santa Cruz, California, to support NOAA's environmental stewardship mission and a new facility at the Goddard Space Flight Center in Maryland.

Information Technology

This category covers capital purchases for information technology and includes computer hardware, major software, and renovations required for this equipment. This budget includes $3.3 billion in budget authority for 1998 for major information technology.

Table 6–4. CAPITAL ASSET ACQUISITIONS

(Budget authority in billions of dollars)

	1996 actual	1997 proposed	1998 proposed
MAJOR ACQUISITIONS			
Buildings:			
Department of Defense	4.6	4.9	3.7
General Services Administration [1]	1.3	1.5	1.7
Department of Energy	0.2	0.2	1.5
Department of Veterans Affairs	0.5	0.6	0.5
Department of Health and Human Services	0.4	0.5	0.5
Other agencies	2.3	3.0	3.0
Subtotal, buildings	9.3	10.7	10.9
Information technology:			
Department of Defense	1.3	1.5	1.4
Internal Revenue Service	0.6	0.2	0.6
Other agencies	1.1	0.9	1.3
Subtotal, information technology	3.0	2.6	3.3
Other acquisitions:			
Department of Defense	40.5	42.0	40.7
Department of Transportation	2.2	2.3	2.2
Department of Energy	1.9	1.8	2.0
Army Corps of Engineers	1.2	1.5	1.8
Other agencies	5.9	6.8	4.5
Subtotal, other acquisitions	51.7	54.4	51.2
Total, major acquisitions [2]	64.1	67.7	65.5
Sale of major assets	....	....	–4.2
Acquisitions in smaller accounts	0.7	0.7	0.5
Total, capital asset acquisitions [3]	64.7	68.4	61.8

* indicates $50 million or less.
[1] Obligations.
[2] Includes accounts with acquisitions of $50 million or more in one year.
[3] This total is derived from the direct Federal major public physical investment budget authority on Table 6–3 ($61.9 billion for 1998). Table 6–4 excludes an estimate of spending for assets not owned by the Federal Government ($2.5 billion for 1998), and includes obligations for the General Services Administration ($2.5 billion in 1998).

Department of Defense.—The budget requests $1.4 billion for 1998 for the Department of Defense for information technology capital purchases. These funds will be used to purchase hardware and software to support worldwide communications to bases and deployed forces, improve information security for critical computer systems, replace obsolete equipment, and improve the information processing capabilities for the department. Virtually every function within the Department, including logistics, communications, command and control, intelligence, acquisition management, finance, personnel, health, and environmental security will be supported by these information technology investments.

Internal Revenue Service (IRS) Information Technology Investments.—The budget requests $0.6 billion in budget authority for 1998 for information technology investments in 1999. These efforts and proposed advance appropriations for 1999 will ensure that future capital investments by the IRS will improve customer service by providing alternative means of filing returns and paying taxes, improve telephone service for taxpayers; and give employees immediate access to complete information and modern tools to do their jobs. These investments are also discussed in the text that accompanies Table 6-5, which displays advance appropriations for capital acquisitions.

Other agencies.—Other major information technology purchases include funds to support science and space activities for NASA; to support law enforcement activities in the Department of Justice; to support the delivery of veterans health care services and improve the processing of veterans benefits claims, and for the General Services Administration. Also included are funds to support modernization of the National Weather Service in the Department of Commerce. This is discussed in the text accompanying Table 6–5.

Other Acquisitions

This category includes facilities and major equipment not included above. The budget requests $51.2 billion for 1998 for the acquisitions included in this capital assets category. Most of this is for defense procurement of weapons.

Department of Defense.—The budget requests $40.7 billion for 1998 to procure or modify weapons systems and related support equipment. This includes tactical fighter aircraft, airlift aircraft, naval vessels, tanks, helicopters, missiles, and vehicles.

Department of Transportation.—The budget requests $2.2 billion for the Department of Transportation, which includes funds to modernize the air traffic control system and funds for the Coast Guard to acquire vessels and modernize shore facilities. Requests for advance appropriations for the air traffic control system in the Federal Aviation Administration are discussed with Table 6–5.

Department of Energy.—This budget includes $2.0 billion for major facilities and equipment. These are largely for general science and research activities, environmental restoration, weapons activities, nuclear and non-nuclear energy activities, and the Bonneville Power Administration. This budget requests full upfront funding for many of these projects. These data are shown in Table 6–5 and described in the accompanying text.

Army Corps of Engineers.—The budget requests $1.8 billion for 1998 for capital assets for the Army Corps of Engineers. These funds finance construction, rehabilitation, and related activity for water resources development projects that provide navigation, flood control, water supply, hydroelectric, and other benefits. Table 6–5 identifies the amounts of upfront funding and advance appropriations requested for these programs and the accompanying text discusses these activities.

Other agencies.—The largest item in this category is equipment for the Postal Service ($1.1 billion in 1998). Other major acquisitions in this category are for the Tennessee Valley Authority for dams, locks, and other facilities; the purchase of vehicles by the General Services Administration, and medical equipment to support the delivery of veterans health care.

Full Funding of Major Projects

This budget proposes full funding for new capital projects and for many projects formerly funded incrementally.

The importance of full funding was discussed earlier in this Part and is also explained in the "Principles of Budgeting for Capital Asset Acquisitions," which appears as an Appendix to this Part. This budget proposes to use this principle more consistently than in past years. Table 6–5 shows spending for capital projects proposed for full funding in this budget that might have been funded in increments in the past. This budget requests $7.7 billion in budget authority for 1998 and $14.4 billion in advance appropriations for 1999–2003, for a total request of $22.1 billion for these projects for these years.

Army Corps of Engineers

This budget requests $380 million in 1998 to fully fund upfront new projects and $228 million for 1998 and $575 million for 1999–2002 to fully fund ongoing projects that can be completed in 2002 or earlier. These funds finance construction, rehabilitation, and related activity for water resources development projects that provide navigation, flood control, water supply, hydroelectric, and other benefits.

Department of Commerce

This budget requests $503 million for 1998 and $2,332 million in advance appropriations for 1999–2003 for capital asset acquisitions in the National Oceanic and Atmospheric Administration (NOAA). These acquisitions support the largest modernization in the history of the National Weather Service. The modernization is well underway and demonstrating improvements in weather forecasts and warnings that lead to lives and property saved. The budget supports this multi-year effort to develop and deploy advanced technology, including advanced radar equipment, other ground observing systems, and geostationary and polar-orbiting satellites that will greatly improve the timeliness and accuracy of severe weather and flood warnings while reducing staffing requirements. The total request of $3,989 million in budget authority for 1998–2010 will complete the systems acquisition related to the modernization of the National Weather Service, procure the current and follow-on geostationary satellite series, the current polar orbiting satellite system, and several construction projects including construction of a new fisheries laboratory and science center.

Department of Energy

This budget proposes full upfront funding of $2.3 billion in budget authority for 1998 for major asset acquisitions for defense, science, and energy activities in the Department of Energy.

Defense.—This budget requests $2.2 billion to complete useful segments of all new and ongoing construction projects supporting national security programs in the Department of Energy.

Weapons activities.—Funds are requested for twenty two projects that support the nuclear weapons activities mission. The largest project is the National Ignition Facility (NIF), which will be used to perform experiments, including inertial confinement fusion experiments, at high pressures and temperatures. The budget requests $876 million to complete NIF, which will be located at the Lawrence Livermore National Laboratory. Other major projects include the Dual Axis Radiographic Hydrodynamic Facility at the Los Alamos National Laboratory, the Contained Firing Facility Addition at the Lawrence Livermore National Laboratory, the Chemical and Materials Laboratory Upgrade at Los Alamos National Laboratory and infrastructure improvement projects at several facilities.

Environmental management.—Funds are requested for twenty-five projects that support the defense environmental management mission. Waste management projects include improvements to hazardous/radioactive tank farm systems at the Savannah River and Hanford sites, landfill construction at Oak Ridge, construction of the initial tank retrieval system for high level waste at the Hanford site, a new hazardous waste treatment and processing facility at the Pantex Plant and a decontamination and waste treatment facility at Lawrence Livermore National Laboratory. In the nuclear material and facility stabilization program, projects include spent nuclear fuel dry storage at Idaho National Engineering Laboratory, a plutonium stabilization system for the Hanford Site, an actinide packaging and storage facility at Savannah River, a spent nuclear fuel canister storage and stabilization facility at Hanford, and utility system upgrades at Idaho.

Naval reactors development.—Funds are requested for four small projects to upgrade infrastructure at the Department of Energy's Bettis and Knolls laboratories in support of naval reactors development.

Science Assets Acquisition (High-Energy and Nuclear Physics).—This budget requests $127 million for five projects that support the general science mission. Completion of two new accelerator facilities, the Relativistic Heavy Ion Collider at Brookhaven National Laboratory and the Main Injector at Fermi National Laboratory (Fermilab), will provide significant new capabilities for exploring the physics of nuclear and sub-nuclear matter. Two small projects provide for engineering and prototyping neutrino and colliding beam experiments at Fermilab. The final project will replace 30-year old switching gear at the Stanford Linear Accelerator Center's master substation.

Energy Assets Acquisition.—This budget requests $42 million in 1998 for seventeen research and infrastructure projects that support the energy mission. Eleven projects rectify environment, safety, and health hazards or renovate or replace inefficient general purpose facilities at Oak Ridge, Argonne, Lawrence, Berkeley, and Brookhaven National Laboratories. Three projects add energy research capabilities at the Combustion Research Facility (Sandia National Laboratories, Livermore), National Renewable Energy Laboratory, and Los

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

(Budget authority in millions of dollars)

	Regular appro-priations 1998	Advance appropriations					
		1999	2000	2001	2002	2003	Sum 1999–2003
ARMY CORPS OF ENGINEERS							
Construction:							
Projects with full upfront funding [1]	380	....	....	....	....	....	....
Projects with advance appropriations [2]	228	277	177	89	32	....	575
Subtotal, Army Corps of Engineers	608	277	177	89	32	....	575
DEPARTMENT OF COMMERCE							
National Oceanic and Atmospheric Administration: Capital Assets Acquisition: [3]							
Projects with advance appropriations [2]	503	724	551	480	375	202	2,332
DEPARTMENT OF ENERGY							
National Defense Assets Acquisition: Projects with full upfront funding [1]	2,166	....	....	....	....	....	....
Science Assets Acquisition: Projects with full upfront funding [1]	127	....	....	....	....	....	....
Energy Assets Acquisition: Projects with full upfront funding [1]	42	....	....	....	....	....	....
Subtotal, Department of Energy	2,335	....	....	....	....	....	....
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
National Institutes of Health: Projects with advance appropriations [2]	90	90	40	....	....	....	130
Indian Health Service: Projects with advance appropriations [2]	39	39	31	....	....	....	70
Subtotal, Department of Health and Human Services	129	129	71	....	....	....	200
DEPARTMENT OF THE INTERIOR							
Bureau of Reclamation: Water and Related Resources:							
Projects with full upfront funding [1]	17	....	....	....	....	....	....
Projects with advance appropriations [2]	6	11	9	....	1	....	21
Subtotal, Bureau of Reclamation	23	11	9	....	1	....	21
National Park Service: Projects with advance appropriations: [2]							
Construction	52	48	35	20	31	26	160
Everglades Restoration Fund	100	100	100	100	....	....	300
Subtotal, National Park Service	152	148	135	120	31	26	460
Subtotal, Department of the Interior	175	159	144	120	32	26	481
DEPARTMENT OF JUSTICE							
Federal Bureau of Investigation: Salaries and expenses: Projects with advance appropriations [2]	84	48	....	....	....	....	48
DEPARTMENT OF TRANSPORTATION							
Federal Aviation Administration: Facilities and Equipment: [3]							
Projects with advance appropriations [2]	679	675	724	424	206	118	2,147
DEPARTMENT OF THE TREASURY							
Internal Revenue Service: Information Technology Investments: Projects with advance appropriations [2]	500	500	....	....	....	....	500
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION							
Human Space Flight: Projects with advance appropriations: [2] International Space Station	2,121	2,109	1,915	1,597	1,147	....	6,768
Science, Aeronautics, and Technology: Projects with advance appropriations: [2]							
Space Infrared Telescope Facility (SIRTF)	81	135	130	117	26	....	408
Stratospheric Observatory for Infrared Astronomy (SOFIA)	46	57	49	32	....	....	138
X–33 Experimental Launch Vehicle	330	314	75	....	....	....	389
Subtotal, science, aeronautics, and technology	457	505	254	150	26	....	934
Mission Support: Projects with advance appropriations: [2] Tracking and Data Relay Satellite (TDRS)—H, I, J	158	120	58	70	98	53	399
Subtotal, NASA	2,736	2,735	2,226	1,817	1,271	53	8,101
Total	**7,749**	**5,247**	**3,893**	**2,930**	**1,916**	**399**	**14,384**

[1] Budget authority to complete the project is requested in the budget year.
[2] Budget authority to complete the project is requested partly in the budget year and partly in future years in advance appropriations.
[3] This budget requests advance appropriations for years beyond 2003 for these programs.

Alamos National Laboratory. In addition, three waste-related projects are included: a low-level waste handling project at Oak Ridge National Laboratory, a spent nuclear fuels project at Idaho National Engineering Laboratory, and a facility for depleted uranium storage at K–25 in Oak Ridge.

Department of Health and Human Services

This budget requests advance appropriations for three construction projects in the Department of Health and Human Services. The first project, the Clinical Research Center of the National Institutes of Health (NIH), is an advanced clinical research facility that will house laboratories and hospital beds under one roof. This will allow the continuation of the best possible clinical research at NIH. Congress enacted an initial $90 million for the Clinical Research Center in 1997, and this budget requests budget authority of $90 million for 1998 and advance appropriations for the remaining $130 million for 1999 and 2000.

This budget also requests $39 million in appropriations for 1998 and $70 million in advance appropriations over the two years 1999–2000 for construction of two Indian Health Service facilities, both of which will replace antiquated hospitals currently in use. The funds will finance a proposed new hospital to serve the Fort Defiance area of the Navajo reservation in Arizona and a new ambulatory care center to serve the Hopi reservation, also in Arizona.

Department of the Interior

This budget requests $175 million in 1998 budget authority and $481 million in advance appropriations for 1999–2003 to fully fund projects in the Bureau of Reclamation and the National Park Service.

Bureau of Reclamation.—This budget requests $23 million in regular appropriations for 1998 for the Bureau of Reclamation and $21 million over the years 1999–2001 in advance appropriations to fully fund five water resources projects. These funds will finance the modification of an existing dam to meet current safety criteria, river front and levee work to reduce flood damages, and drainwater reuse facilities to improve aquifer water quality.

National Park Service.—The National Park Service needs to build or restore its buildings and other structures over the next few years. Funding stability is particularly needed for the National Park Service (NPS) to restore the Elwha River in Olympic National Park, Washington, by acquiring and removing two dams. Before NPS can acquire the dams, the Secretary of the Interior must determine that funds to complete restoration are available. In addition to $8 million already appropriated and $25 million requested in regular appropriations for 1998, advance appropriations of $78 million after 1998 would fully fund the $111 million project and provide the funding stability needed for the Secretary to determine that funds are available. Advance appropriations are also requested for seven other parks that have an ongoing project requiring out-year funding: Sequoia National Park ($16 million); Independence National Historical Park ($11 million); Lincoln and Jefferson Memorials ($9 million); Washington Monument ($2 million); Riis Park in Gateway National Recreation Area ($5.5 million); Minuteman National Historical Park ($1.2 million); and Everglades National Park ($31.5 million starting in 2002). For 1998 the budget requests $27 million in regular appropriations for these projects.

This budget proposes a specific fund to provide a steady source of funding for land acquisition and related activities furthering Everglades restoration, including a critical water management project to modify the flow of water into Everglades National Park. This budget requests regular appropriations of $100 million for 1998 and advance appropriations of $100 million annually through 2001, of which $59.2 million would be used for the Everglades Modified Water Delivery project. An additional $16 million in 2002 and $15.5 million in 2003 in advance appropriations are included in the National Park Service construction account to complete funding for the $91 million project.

Department of Justice

This budget requests $84 million in budget authority for 1998 and $48 million in advance appropriations for 1999 to complete automation of the FBI fingerprint system.

Department of Transportation

Federal Aviation Administration.—This Budget requests $679 million in 1998 and an additional $2.1 billion for 1999–2003, with additional requests through 2005, for 13 multi-year capital projects to improve and modernize the FAA's air traffic control, communications, and aviation weather information systems. These projects are: Aviation Weather Services Improvements, Terminal Digital Radar, Terminal Automation (STARS), Wide Area Augmentation System for GPS, Display System Replacement, Weather and Radar Processor, Voice Switching and Control System, Tower Automation Program, Oceanic Automation System, Aeronautical Data Link, Operational and Supportability Implementation System (OASIS), Northern California TRACON, and Alaskan NAS Interfacility Communications System.

Department of the Treasury

Internal Revenue Service.—This budget requests $500 million in budget authority for 1998 and $500 million in advance appropriations for 1999 to finance information technology investments beginning in 1999. During 1997 and 1998, the IRS and the Treasury Department are significantly modifying the business plans for modernizing the IRS tax administration and systems by focusing on reengineering work processes and exploring private sector technology opportunities. These efforts will ensure that future capital investments by the IRS will improve customer service by providing alternative means of filing returns and paying taxes, improve telephone service for taxpayers; and give employees immediate access to complete information and modern tools to do their jobs.

National Aeronautics and Space Administration (NASA)

This budget requests $2.7 billion in budget authority for 1998 and $8.1 billion in advance appropriations over the years 1999–2003 to fully fund capital asset acquisitions and related project costs in NASA.

Human Space Flight (International Space Station).—This budget requests $2.1 billion in 1998 and $6.8 billion in advance appropriations over the years 1999–2002 to fully fund the remaining costs of the International Space Station. This will be an international laboratory in low earth orbit on which American, Russian, Canadian, European, and Japanese astronauts will conduct unique scientific and technological investigations in a microgravity environment. During 1993 the program underwent a major redesign to reduce program costs. The first launch to begin construction of the Station is scheduled for late 1997 and final assembly by 2002. Advance appropriations will enable NASA to complete the program as promised, on schedule, and within the $2.1 billion annual and $17.4 billion total program constraints. Congress has already appropriated $8.5 billion through 1997.

Science, Aeronautics, and Technology.—This budget requests $457 million in budget authority for 1998 and $934 million in advance appropriations over the years 1999–2002 to fully fund its activities.

Space Infrared Telescope Facility (SIRTF).—SIRTF is the last of four major space observatories being built by NASA. It has been the highest priority new mission in astrophysics for many years and will conduct infrared astronomy from space. The project will provide major improvements in sensitivity over previous infrared missions and will enable observations of previously hidden portions of the universe. SIRTF is presently planning for launch in 2002, and is expected to have a 2.5-year lifetime. The Administration is requesting $489 million from 1998 through 2002 to build and launch the telescope.

Stratospheric Observatory for Infrared Astronomy (SOFIA).—SOFIA will fly in the Earth's stratosphere, between 41,000 and 45,000 feet, carrying a 98-inch (2.5 meter) telescope to view objects in the universe in the infrared region of the electromagnetic spectrum. At this altitude, in the clear, dry environment on the very edge of space, SOFIA will enable scientists to study radiant heat patterns from stars, planets and other celestial sources. With up to 160 flights annually and operational lifetime in excess of 20 years, SOFIA will be able to conduct a wide array of scientific investigations and provide hands-on, real-world educational opportunities for an anticipated 500 teachers and students. Total development cost will be $235 million, with $51 million already appropriated and the remaining $184 million being sought for 1998 through 2001. The first flight is expected in 2001.

X–33 Experimental Launch Vehicle.—The X–33 is a half-scale experimental launch vehicle that is intended to pave the way for a full scale reusable launch vehicle after the turn of the century. Such a vehicle could dramatically reduce the cost of putting payloads into space. The X–33 is scheduled to make as many as fifteen flights during a 10-month period, beginning in March 1999. It will fly up to 15 times the speed of sound at altitudes approaching 50 miles. Total project cost for development and flight tests is $1,076 million. Congress appropriated $357 million through 1997 and the Administration is requesting $719 million for the remaining funds for 1998 through 2000.

Mission Support.—The Tracking and Data Relay Satellite (TDRS) (H, I, J). system is a constellation of geosynchronous satellites that primarily provides NASA's communications needs between its spacecrafts in low-earth orbit and associated ground controllers. TDRS satellites H, I and J will replace satellites currently in orbit starting in 1999. Total cost for the development of the three spacecrafts and the associated launch services is $937 million. Congress has appropriated $380 million through 1997 and the Administration is requesting the remaining $557 million from 1998 through 2003 in regular and advance appropriations.

Appendix to Part II: PRINCIPLES OF BUDGETING FOR CAPITAL ASSET ACQUISITIONS

Introduction and Summary

The Administration plans to use the following principles in budgeting for capital asset acquisitions. These principles address planning, costs and benefits, financing, and risk management requirements that should be satisfied before a proposal for the acquisition of capital assets can be included in the Administration's budget. A Glossary describes key terms. A "Capital Programming Guide" is being developed that will provide detailed information on future planning and acquisition of capital assets.

The principles are organized in the following four sections:

A. Planning. This section focuses on the need to ensure that capital assets support core/priority missions of the agency; the assets have demonstrated a projected return on investment that is clearly equal to or better than alternative uses of available public resources; the risk associated with the assets is understood and managed at all stages; and the acquisition is implemented in phased, successive segments, unless it can be demonstrated there are significant economies of scale at acceptable risk from funding more than one segment or there are multiple units that need to be acquired at the same time.

B. Costs and Benefits. This section emphasizes that the asset should be justified primarily by benefit-cost analysis, including life-cycle costs; that all costs are understood in advance; and that cost, schedule, and performance goals are identified that can be measured using an earned value management system or similar system.

C. Principles of Financing. This section stresses that useful segments are to be fully funded with regular or advance appropriations or both, enforced by a proposed new Budget Enforcement Act scorekeeping rule; that as a general rule, planning segments should be financed separately from procurement of the asset; and that agencies are encouraged to aggregate assets in capital acquisition accounts and take other steps to accommodate lumpiness or "spikes" in funding for justified acquisitions.

D. Risk Management. This section is to help ensure that risk is analyzed and managed carefully in the acquisition of the asset. Strategies can include separate accounts for capital asset acquisitions, the use of apportionment to encourage sound management, and the selection of efficient types of contracts and pricing mechanisms in order to allocate risk appropriately between the contractor and the Government. In addition cost, schedule, and performance goals are to be controlled and monitored by using an earned value management system or a similar system; and if progress toward these goals is not met there is a formal review process to evaluate whether the acquisition should continue or be terminated.

A Glossary defines key terms, including capital assets. As defined here, capital assets are land, structures, equipment, and intellectual property (including software) that are used by the Federal Government, including weapon systems. Not included are grants to States or others for their acquisition of capital assets.

A. Planning

Investments in major capital assets proposed for funding in the Administration's budget should:

1. support core/priority mission functions that need to be performed by the Federal Government;
2. be undertaken by the requesting agency because no alternative private sector or governmental source can support the function more efficiently;
3. support work processes that have been simplified or otherwise redesigned to reduce costs, improve effectiveness, and make maximum use of commercial, off-the-shelf technology;
4. demonstrate a projected return on the investment that is clearly equal to or better than alternative uses of available public resources. Return may include: improved mission performance in accordance with measures developed pursuant to the Government Performance and Results Act; reduced cost; increased quality, speed, or flexibility; and increased customer and employee satisfaction. Return should be adjusted for such risk factors as the project's technical complexity, the agency's management capacity, the likelihood of cost overruns, and the consequences of under- or non-performance.
5. for information technology investments, be consistent with Federal, agency, and bureau information architectures which: integrate agency work processes and information flows with technology to achieve the agency's strategic goals; reflect the agency's technology vision and year 2000 compliance plan; and specify standards that enable information exchange and resource sharing, while retaining flexibility in the choice of suppliers and in the design of local work processes;
6. reduce risk by: avoiding or isolating custom-designed components to minimize the potential adverse consequences on the overall project; using fully tested pilots, simulations, or prototype implementations when necessary before going to production; establishing clear measures and accountability for project progress; and, securing substantial involvement and buy-in throughout the project from the program officials who will use the system;

7. be implemented in phased, successive segments as narrow in scope and brief in duration as practicable, each of which solves a specific part of an overall mission problem and delivers a measurable net benefit independent of future segments, unless it can be demonstrated that there are significant economies of scale at acceptable risk from funding more than one segment or there are multiple units that need to be acquired at the same time; and
8. employ an acquisition strategy that appropriately allocates risk between the Government and the contractor, effectively uses competition, ties contract payments to accomplishments, and takes maximum advantage of commercial technology.

Prototypes require the same justification as other capital assets.

As a general presumption, OMB will recommend new or continued funding only for those capital asset investments that satisfy these criteria. Funding for those projects will be recommended on a phased basis by segment, unless it can be demonstrated that there are significant economies of scale at acceptable risk from funding more than one segment or there are multiple units that need to be acquired at the same time. (For more information, see the discussion of "economically and programmatically separable segments," in OMB Circular A–11, Part 3, "Planning, Budgeting and Acquisition of Fixed Assets," July 1996, and the Glossary entry, "capital project and useful segments of a capital project.")

OMB recognizes that many agencies are in the middle of ongoing projects, and they may not be able immediately to satisfy the criteria. For those projects that do not satisfy the criteria, OMB will consider requests to use 1997 and 1998 funds to finance additional planning, as necessary, to support the establishment of realistic cost, schedule, and performance goals for the completion of the project. This planning could include: the redesign of work processes, the evaluation of alternative solutions, the development of information system architectures, and, if necessary, the purchase and evaluation of prototypes. Realistic goals are necessary for agency portfolio analysis to determine the viability of the project, to provide the basis for fully funding the project to completion, and setting the baseline for management accountability to deliver the project within goals.

Because OMB considers this information essential to agencies' long-term success, OMB will use this information both in preparing the Administration's budget and, in conjunction with cost, schedule, and performance data, as apportionments are made. Agencies are encouraged to work with their OMB representative to arrive at a mutually satisfactory process, format, and timetable for providing the requested information.

B. Costs and Benefits

The justification of the project should evaluate and discuss the extent to which the project meets the above criteria and should also include:

1. an analysis of the project's total life-cycle costs and benefits, including the total budget authority required for the asset, consistent with policies described in OMB Circular A–94: "Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs" (October 1992);
2. an analysis of the risk of the project including how risks will be isolated, minimized, monitored, and controlled, and, for major programs, an evaluation and estimate by the Chief Financial Officer of the probability of achieving the proposed goals;
3. if, after the planning phase, the procurement is proposed for funding in segments, an analysis showing that the proposed segment is economically and programmatically justified—that is, it is programmatically useful if no further investments are funded, and in this application its benefits exceed its costs; and
4. show cost, schedule, and performance goals for the project (or the useful segment being proposed) that can be measured throughout the acquisition process using an earned value management system or similar system. Earned value is described in OMB Circular A–11, Part 3, "Planning, Budgeting and Acquisition of Fixed Assets," (July 1996), Appendix 300C.

C. Principles of Financing

Principle 1: Full Funding

Budget authority sufficient to complete a useful segment of a capital project (or the entire capital project, if it is not divisible into useful segments) must be appropriated before any obligations for the useful segment (or project) may be incurred.

Enforcement: This budget proposes a new Budget Enforcement Act scorekeeping rule to enforce this principle. The proposed rule is the following:

"An appropriations act that provides only partial funding for a useful segment of a capital project will be scored for the estimated total budget authority for the useful segment in the fiscal year in which the partial funding is provided, unless the appropriation language clearly prohibits obligations from being incurred until complete funding for the useful segment is provided.

"A useful segment of a capital project is defined as a component of a capital project that provides either:

- information that allows the agency to plan the capital project, develop the design, and assess the benefits, costs, and risks before proceeding to full

acquisition of the useful asset (or canceling the acquisition). This information comes from activities, or planning segments, that include but are not limited to market research of available solutions, architectural drawings, geological studies, engineering and design studies, and prototypes. Because of uncertainty regarding the identification of separate planning segments for research and development activities, the application of full funding concepts to research and development planning will need more study pending preparation of the 1999 budget; or
- a useful asset for which the benefits exceed the costs even if no further funding is appropriated."

Explanation: Good budgeting requires that appropriations for the full costs of asset acquisition be enacted in advance to help ensure that all costs and benefits are fully taken into account at the time decisions are made to provide resources. Full funding with regular appropriations in the budget year also leads to tradeoffs within the budget year with spending for other capital assets and with spending for purposes other than capital assets. Full funding increases the opportunity to use performance-based fixed price contracts, allows for more efficient work planning and management of the capital project, and increases the accountability for the achievement of the baseline goals.

When full funding is not followed and capital projects or useful segments are funded in increments, without certainty if or when future funding will be available, the result is sometimes poor planning, acquisition of assets not fully justified, higher acquisition costs, cancellation of major projects, the loss of sunk costs, or inadequate funding to maintain and operate the assets.

Principle 2: Regular and Advance Appropriations

Regular appropriations for the full funding of a capital project or a useful segment of a capital project in the budget year are preferred. If this results in spikes that, in the judgment of OMB, cannot be accommodated by the agency or the Congress, a combination of regular and advance appropriations that together provide full funding for a capital project or a useful segment should be proposed in the budget.

Explanation: Principle 1 (Full Funding) is met as long as a combination of regular and advance appropriations provide budget authority sufficient to complete the capital project or useful segment. Full funding in the budget year with regular appropriations alone is preferred because it leads to tradeoffs within the budget year with spending for other capital assets and with spending for purposes other than capital assets. In contrast, full funding for a capital project over several years with regular appropriations for the first year and advance appropriations for subsequent years may bias tradeoffs in the budget year in favor of the proposed asset because with advance appropriations the full cost of the asset is not included in the budget year. Advance appropriations, because they are scored in the year they become available for obligation, may constrain the budget authority and outlays available for regular appropriations of that year.

If, however, the lumpiness caused by regular appropriations cannot be accommodated within an agency or Appropriations Subcommittee, advance appropriations can ameliorate that problem while still providing that all of the budget authority is enacted in advance for the capital project or useful segment. The latter helps ensure that agencies develop appropriate plans and budgets and that all costs and benefits are identified prior to providing resources. In addition, amounts of advance appropriations can be matched to funding requirements for completing natural components of the useful segment. Advance appropriations have the same benefits as regular appropriations for improved planning, management, and accountability of the project.

Principle 3: Separate Funding of Planning Segments

As a general rule, planning segments of a capital project should be financed separately from the procurement of a useful asset.

Explanation: The agency must have information that allows it to plan the capital project, develop the design, and assess the benefits, costs, and risks before proceeding to procurement of the useful asset. This is especially important for high risk acquisitions. This information comes from activities, or planning segments, that include but are not limited to market research of available solutions, architectural drawings, geological studies, engineering and design studies, and prototypes. The construction of a prototype that is a capital asset, because of its cost and risk, should be justified and planned as carefully as the project itself. The process of gathering information for a capital project may consist of one or more planning segments, depending on the nature of the asset. Funding these segments separately will help ensure that the necessary information is available to establish cost, schedule, and performance goals before proceeding to procurement.

If budget authority for planning segments and procurement of the useful asset are enacted together, OMB may wish to apportion budget authority for one or several planning segments separately from procurement of the useful asset.

Principle 4: Accommodation of Lumpiness or "Spikes" and Separate Capital Acquisition Accounts

To accommodate lumpiness or "spikes" in funding justified capital acquisitions, agencies, working with OMB, are encouraged to aggregate financing for capital asset acquisitions in one or several separate capital acquisition budget accounts within the agency, to the extent possible within the agency's total budget request.

Explanation: Large, temporary, year-to-year increases in budget authority, sometimes called lumps or spikes, may create a bias against the acquisition of justified capital assets. Agencies, working with OMB, should seek ways to avoid this bias and accommodate such spikes for justified acquisitions. Aggregation of capital acquisitions in separate accounts may:

- reduce spikes within an agency or bureau by providing roughly the same level of spending for acquisitions each year;
- help to identify the source of spikes and to explain them. Capital acquisitions are more lumpy than operating expenses; and with a capital acquisition account, it can be seen that an increase in operating expenses is not being hidden and attributed to one-time asset purchases;
- reduce the pressure for capital spikes to crowd out operating expenses; and
- improve justification and make proposals easier to evaluate, since capital acquisitions are generally analyzed in a different manner than operating expenses (e.g., capital acquisitions have a longer time horizon of benefits and life-cycle costs).

D. Risk Management

Risk management should be central to the planning, budgeting, and acquisition process. Failure to analyze and manage the inherent risk in all capital asset acquisitions may contribute to cost overruns, schedule shortfalls, and acquisitions that fail to perform as expected. For each major capital project a risk analysis that includes how risks will be isolated, minimized, monitored, and controlled may help prevent these problems.

The project cost, schedule and performance goals established through the planning phase of the project are the basis for approval to procure the asset and the basis for assessing risk. During the procurement phase performance-based management systems (earned value or similar system) must be used to provide contractor and Government management visibility on the achievement of, or deviation from, goals until the asset is accepted and operational. If goals are not being met, performance-based management systems allow for early identification of problems, potential corrective actions, and changes to the original goals needed to complete the project and necessary for agency portfolio analysis decisions. These systems also allow for Administration decisions to recommend meaningful modifications for increased funding to the Congress, or termination of the project, based on its revised expected return on investment in comparison to alternative uses of the funds. Agencies must ensure that the necessary acquisition strategies are implemented to reduce the risk of cost escalation and the risk of failure to achieve schedule and performance goals. These strategies may include:

1. having budget authority appropriated in separate capital asset acquisition accounts;
2. apportioning budget authority for a useful segment;
3. establishing thresholds for cost, schedule, and performance goals of the acquisition, including return on investment, which if not met may result in cancellation of the acquisition;
4. selecting types of contracts and pricing mechanisms that are efficient and that provide incentives to contractors in order to allocate risk appropriately between the contractor and the Government;
5. monitoring cost, schedule, and performance goals for the project (or the useful segment being proposed) using an earned value management system or similar system. Earned value is described in OMB Circular A–11, Part 3, "Planning, Budgeting and Acquisition of Fixed Assets" (July 1996), Appendix 300C; and
6. if progress is not within 90 percent of goals, or if new information is available that would indicate a greater return on investment from alternative uses of funds, institute senior management review of the project through portfolio analysis to determine the continued viability of the project with modifications, or the termination of the project, and the start of exploration for alternative solutions if it is necessary to fill a gap in agency strategic goals and objectives.

E. Glossary

Appropriations

An appropriation provides budget authority that permits Government officials to incur obligations that result in immediate or future outlays of Government funds.

Regular annual appropriations: These appropriations are:

- enacted normally in the current year;
- scored entirely in the budget year; and
- available for obligation in the budget year and subsequent years if specified in the language. (See "Availability," below.)

Advance appropriations: Advance appropriations may be accompanied by regular annual appropriations to provide funds available for obligation in the budget year as well as subsequent years. Advance appropriations are:

- enacted normally in the current year;
- scored after the budget year (e.g., in each of one, two, or more later years, depending on the language); and
- available for obligation in the year scored and subsequent years if specified in the language. (See "Availability," below.)

Availability: Appropriations made in appropriations acts are available for obligation only in the budget year unless the language specifies that an appropriation is available for a longer period. If the language specifies that the funds are to remain available until the end of a certain year beyond the budget year, the availability is said to be "multi-year." If the language specifies that the funds are to remain available until expended, the availability is said to be "no-year." Appropriations for major procurements and construction projects are typically made available for multiple years or until expended.

Capital Assets

Capital assets are land, structures, equipment, and intellectual property (including software) that are used by the Federal Government and have an estimated useful life of two years or more. Capital assets exclude items acquired for resale in the ordinary course of operations or held for the purpose of physical consumption such as operating materials and supplies. The cost of a capital asset includes both its purchase price and all other costs incurred to bring it to a form and location suitable for its intended use.

Capital assets may be acquired in different ways: through purchase, construction, or manufacture; through a lease-purchase or other capital lease, regardless of whether title has passed to the Federal Government; through an operating lease for an asset with an estimated useful life of two years or more; or through exchange. Capital assets include leasehold improvements and land rights; assets owned by the Federal Government but located in a foreign country or held by others (such as Federal contractors, state and local governments, or colleges and universities); and assets whose ownership is shared by the Federal Government with other entities. Capital assets include not only the assets as initially acquired but also additions; improvements; replacements; rearrangements and reinstallations; and major repairs but not ordinary repairs and maintenance.

Examples of capital assets include the following, but are not limited to them:

- office buildings, hospitals, laboratories, schools, and prisons;
- dams, power plants, and water resources projects;
- furniture, elevators, and printing presses;
- motor vehicles, airplanes, and ships;
- satellites and space exploration equipment;
- information technology hardware and software; and
- Department of Defense weapons systems.

Capital assets may or may not be capitalized (i.e., recorded in an entity's balance sheet) under Federal accounting standards. Examples of capital assets not capitalized are Department of Defense weapons systems, heritage assets, stewardship land, and some software.

Capital assets do not include grants for acquiring capital assets made to state and local governments or other entities (such as National Science Foundation grants to universities or Department of Transportation grants to AMTRAK). Capital assets also do not include intangible assets such as the knowledge resulting from research and development or the human capital resulting from education and training, although capital assets do include land, structures, equipment, and intellectual property (including software) that the Federal Government uses in research and development and education and training.

Capital Project and Useful Segments of a Capital Project

The total capital project, or acquisition of a capital asset, includes useful segments that are either planning segments or useful assets.

Planning segments: A planning segment of a capital project provides information that allows the agency to develop the design; assess the benefits, costs, and risks; and establish realistic baseline cost, schedule, and performance goals before proceeding to full acquisition of the useful asset (or canceling the acquisition). This information comes from activities, or planning segments, that include but are not limited to market research of available solutions, architectural drawings, geological studies, engineering and design studies, and prototypes. The process of gathering information for a capital project may consist of one or more planning segments, depending on the nature of the asset. If the project includes a prototype that is a capital asset, the prototype may itself be one segment or may be divisible into more than one segment. Because of uncertainty regarding the identification of separate planning segments for research and development activities, the application of full funding concepts to research and development planning will need more study pending preparation of the 1999 budget.

Useful asset: A useful asset is an economically and programmatically separate segment of the asset procurement stage of the capital project that provides an asset for which the benefits exceed the costs, even if no further funding is appropriated. The total capital asset procurement may include one or more useful assets, although it may not be possible to divide all procurements in this way. Illustrations follow:

Illustration 1: If the construction of a building meets the justification criteria and has benefits greater than its costs without further investment, then the construction of that building is a "useful segment." Excavation is not a useful segment because no useful asset results from the excavation alone if no further funding becomes available. For a campus of several buildings, a useful segment is one complete building if that building has programmatic benefits that exceed its costs regardless of whether the other buildings are constructed, even though that building may not be at its maximum use.

Illustration 2: If the full acquisition is for several items (e.g., aircraft), the useful segment would be the number of complete aircraft required to achieve benefits that exceed costs even if no further funding becomes available. In contrast, some portion of several aircraft (e.g., engines for five aircraft) would not be a useful segment if no further funding is available, nor would one aircraft be a useful segment if two or more are required for benefits to exceed costs.

Illustration 3: For information technology, a module (the information technology equivalent of "useful segment") is separable if it is useful in itself without subsequent modules. The module should be designed so that it can be enhanced or integrated with subsequent modules if future funding becomes available.

Earned Value

Earned value refers to a performance-based management system for establishing baseline cost, schedule, and performance goals for a capital project and measuring progress against the goals. Earned value is described in OMB Circular A–11, Part 3, "Planning, Budgeting and Acquisition of Fixed Assets" (July 1996), Appendix 300C.

Funding

Full funding: Full funding means that appropriations—regular appropriations or advance appropriations—are enacted that are sufficient in total to complete a useful segment of a capital project before any obligations may be incurred for that segment. Full funding for an entire capital project is required if the project cannot be divided into more than one useful segment. If the asset can be divided into more than one useful segment, full funding for a project may be desirable, but is not required to constitute full funding.

Incremental (partial) funding: Incremental (partial) funding means that appropriations—regular appropriations or advance appropriations—are enacted for just part of a useful segment of a capital project, if the project has useful segments, or for part of the capital project as a whole, if it is not divisible into useful segments. Under incremental funding for a capital asset, which is not permitted under these principles, the funds could be obligated to start the segment (or project) despite the fact that they are insufficient to complete a useful segment or project.

Risk Management

Risk management is an organized method of identifying and measuring risk and developing, selecting, and managing options for handling these risks. Before beginning any procurement, managers should review and revise as needed the acquisition plan to ensure that risk management techniques considered in the planning phase are still appropriate.

There are three key principles for managing risk when procuring capital assets: (1) avoiding or limiting the amount of development work; (2) making effective use of competition and financial incentives; and (3) establishing a performance-based acquisition management system that provides for accountability for program successes and failures, such as an earned value system or similar system.

There are several types of risk an agency should consider as part of risk management. The types of risk include:

- schedule risk;
- cost risk;
- technical feasibility;
- risk of technical obsolescence;
- dependencies between a new project and other projects or systems (e.g., closed architectures); and
- risk of creating a monopoly for future procurement.

Part III: FEDERALLY FINANCED CAPITAL STOCKS

Federal investment spending creates a "stock" of capital that is available in the future for productive use. Each year, Federal investment outlays add to the stock of capital. At the same time, however, wear and tear and obsolescence reduce it. This section presents very rough measures over time of three different kinds of capital stocks financed by the Federal Government: public physical capital, research and development (R&D), and education.

Federal spending for physical assets adds to the Nation's capital stock of tangible assets, such as roads, buildings, and aircraft carriers. These assets deliver a flow of services over their lifetime. The capital depreciates as the asset is used, wears out, or becomes obsolete.

Federal spending for the conduct of research, development, and education adds to an "intangible" asset, the Nation's stock of knowledge. Although financed by the Federal Government, the research and development or education can be performed by Federal or State government laboratories, universities and other nonprofit organizations, or private industry. Research and development covers a wide range of activities, from the investigation of subatomic particles to the exploration of outer space; it can be "basic" research without particular applications in mind, or it can have a highly specific practical use. Similarly, education includes a wide variety of programs, assisting people of all ages beginning with pre-school education and extending through graduate studies and adult education. Like physical assets, the capital stocks of R&D and education provide services over a number of years and depreciate as they become outdated.

For this analysis, physical and R&D capital stocks are estimated using the perpetual inventory method. In this method, the estimates are based on the sum of net investment in prior years. Each year's Federal outlays are treated as gross investment, adding to the capital stock; depreciation and discards reduce the capital stock. Gross investment less depreciation and discards is net investment. A limitation of the perpetual inventory method is that investment spending is not necessarily an accurate measure of the value of the asset created. However, alternative methods for measuring asset value, such as direct surveys of current market worth or indirect estimation based on an expected rate of return, are difficult to apply to assets that do not have a private market, such as highways or weapons systems.

In contrast to physical and R&D stocks, the estimate of the education stock is based on the replacement cost method. Data on the total years of education of the U.S. population are combined with data on the cost of education and the Federal share of education spending to yield the cost of replacing the Federal share of the Nation's stock of education.

Additional detail about the methods used to estimate capital stocks appears in a methodological note at the end of this section. It should be stressed that these estimates are rough approximations, and provide a basis only for making broad generalizations. Errors may arise from uncertainty about the useful lives and depreciation rates of different types of assets, incomplete data for historical outlays, and imprecision in the deflators used to express costs in constant dollars.

The Stock of Physical Capital

This section presents data on stocks of physical capital assets and estimates of the depreciation on these assets.

Trends.—Table 6–6 shows the value of the net federally financed physical capital stock since 1960, in constant fiscal year 1992 dollars.[3] After rising in the 1960s, the total stock held constant through the 1970s and began rising again in the early 1980s. The stock reached a high of $1,497 billion in 1995 and is estimated to decline slightly to $1,454 billion by 1998. In 1996, the national defense capital stock accounted for $672 billion, or 45 percent of the total, and nondefense stocks for $819 billion, or 55 percent of the total.

Real stocks of defense and nondefense capital show very different trends. Nondefense stocks have grown consistently since 1970, increasing from $366 billion in 1970 to $819 billion in 1996. With the investments proposed in the budget, nondefense stocks are estimated to grow to $847 billion in 1998. During the 1970s, the nondefense capital stock grew at an average annual rate of 4.5 percent. In the 1980s, however, the growth rate slowed to just over half that rate, or 2.3 percent annually, with growth continuing at about that rate since then.

Real national defense stocks began in 1970 at a relatively high level, and declined steadily throughout the decade, as depreciation from the Vietnam era exceeded new investment in military construction and weapons procurement. Starting in the early 1980s, however, a large defense buildup began to increase the stock of defense capital. By 1988, the defense stock had exceeded its size at the height of the Vietnam War. In the last few years, depreciation on this increased stock and a slower pace of defense investment have begun to reduce the stock somewhat from its recent levels. The stock is estimated to fall from $672 billion in 1996 to $607 billion in 1998.

Another trend in the Federal physical capital stocks is the shift from direct Federal assets to grant-financed assets. In 1960, 49 percent of federally financed nondefense capital was owned by the Federal Government, and 51 percent was owned by State and local governments but financed by Federal grants. Expansion in Federal grants for highways and other state and local capital, coupled with relatively slow growth in direct

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

Table 6–6. NET STOCK OF FEDERALLY FINANCED PHYSICAL CAPITAL

(In billions of 1992 dollars)

Fiscal Year	Total	National Defense	Nondefense								
			Total Non-defense	Direct Federal Capital			Capital Financed by Federal Grants				
				Total	Water and Power	Other	Total	Transpor-tation	Community and Re-gional	Natural Resources	Other
Five year intervals:											
1960	785	581	205	101	62	39	104	68	16	12	8
1965	864	583	281	119	71	47	162	123	19	11	10
1970	963	597	366	131	80	52	235	178	28	12	16
1975	959	513	446	143	89	54	303	212	49	23	19
1980	1,007	440	567	165	105	60	402	249	83	52	18
1985	1,155	513	642	183	111	72	459	278	99	66	16
Annual data:											
1990	1,405	691	714	211	114	97	503	311	104	73	16
1991	1,443	715	728	217	114	102	511	316	103	74	17
1992	1,473	728	745	227	116	110	518	322	103	75	18
1993	1,491	729	761	235	116	118	527	329	103	75	21
1994	1,496	718	778	240	116	124	538	336	103	75	24
1995	1,497	698	799	247	116	131	552	344	104	76	29
1996	1,491	672	819	254	115	139	565	351	105	75	34
1997 est.	1,479	641	838	261	114	147	577	358	106	74	40
1998 est.	1,454	607	847	261	112	149	586	363	106	73	45

Federal investments by agencies such as the Bureau of Reclamation and Corps of Engineers, shifted the composition of the stock substantially. In 1996, 31 percent of the nondefense stock was owned by the Federal Government and 69 percent by State and local governments.

The growth in the stock of physical capital financed by grants has come in several areas. The growth in the stock for transportation is largely grants for highways, including the Interstate Highway System. The growth in community and regional development stocks occurred largely with the enactment of the community development block grant in the early 1970s. The value of this capital stock has been unchanged in the past few years. The growth in the natural resources area occurred primarily because of construction grants for sewage treatment facilities. The value of this federally financed stock has also been relatively stable since the mid-1980s.

Table 6–7 shows nondefense physical capital outlays both gross and net of depreciation since 1960. Total nondefense net investment has been consistently positive over the period covered by the table, indicating that new investment has exceeded depreciation on the existing stock. The reduced amount of net investment in 1998 reflects the sale of the United States Enrichment Corporation and the privatization of the Elk Hills gas and oil field. For some categories in the table, such as water and power programs, net investment has been negative in some years, indicating that new investment has not been sufficient to offset estimated depreciation. The net investment in this table is the change in the net nondefense physical capital stock displayed in Table 6–6.

The Stock of Research and Development Capital

This section presents data on the stock of research and development, taking into account adjustments for its depreciation.

Trends.—As shown in Table 6–8, the R&D capital stock financed by Federal outlays is estimated to be $792 billion in 1996 in constant 1992 dollars. About two-fifths is the stock of basic research knowledge; about three-fifths is the stock of applied research and development.

The total federally financed R&D stock in 1996 was about evenly divided between defense and nondefense. Although investment in defense R&D has exceeded that of nondefense R&D in every year since 1979, the nondefense R&D stock is actually the larger of the two, because of the different emphasis on basic research and applied research and development. Defense R&D spending is heavily concentrated in applied research and development, which depreciates much more quickly than basic research. The stock of applied research and development is assumed to depreciate at a ten percent geometric rate, while basic research is assumed not to depreciate at all.

The defense R&D stock rose slowly during the 1970s, as gross outlays for R&D trended down in constant dollars and the stock created in the 1960s depreciated. A renewed emphasis on defense R&D spending from 1980 through 1989 led to a more rapid growth of the R&D stock. Since then, defense R&D outlays have tapered off, depreciation has grown, and, as a result, the net defense R&D stock has stabilized.

The growth of the nondefense R&D stock slowed from the 1970s to the late 1980s, from an annual rate of 3.7 percent in the 1970s to a rate of 1.8 percent from 1980 to 1988. Gross investment in real terms fell during much of the 1980s, and about three-fourths of new

Table 6–7. COMPOSITION OF GROSS AND NET FEDERAL AND FEDERALLY FINANCED NONDEFENSE PUBLIC PHYSICAL INVESTMENT

(In billions of 1992 dollars)

Fiscal Year	Total nondefense investment			Direct Federal investment					Investment financed by Federal grants						
							Composition of net investment					Composition of net investment			
	Gross	Depreciation	Net	Gross	Depreciation	Net	Water and power	Other	Gross	Depreciation	Net	Transportation (mainly highways)	Community and regional development	Natural resources and environment	Other
Five year intervals:															
1960	21.2	7.9	13.3	6.2	3.9	2.3	1.2	1.1	15.0	4.0	11.0	11.2	–0.4	–0.2	0.4
1965	30.4	10.7	19.6	9.2	4.8	4.4	1.9	2.5	21.2	6.0	15.2	13.5	1.5	–*	0.3
1970	30.1	14.3	15.9	6.4	5.7	0.7	0.9	–0.2	23.7	8.6	15.1	9.3	4.1	0.4	1.3
1975	31.5	17.6	13.9	9.3	6.4	2.9	2.5	0.4	22.2	11.2	11.1	4.1	3.1	3.6	0.4
1980	44.8	20.6	24.2	11.3	6.9	4.4	2.6	1.8	33.5	13.7	19.7	8.3	6.1	5.9	–0.5
1985	42.7	24.8	17.9	13.3	7.9	5.4	0.9	4.5	29.4	16.9	12.5	8.1	2.7	2.2	–0.5
Annual data:															
1990	43.0	29.7	13.4	15.2	9.6	5.6	0.8	4.8	27.8	20.1	7.7	5.9	0.1	0.8	0.9
1991	44.5	30.7	13.7	16.1	10.1	6.1	0.2	5.8	28.3	20.7	7.7	5.7	–0.1	0.9	1.1
1992	49.3	31.9	17.4	20.3	10.6	9.7	1.6	8.0	29.1	21.3	7.7	5.7	–0.1	0.7	1.5
1993	49.7	33.2	16.6	19.2	11.2	8.0	0.3	7.6	30.6	22.0	8.6	6.6	–0.4	0.3	2.1
1994	51.3	34.4	16.9	17.1	11.7	5.4	–0.7	6.1	34.2	22.7	11.5	7.2	0.2	0.1	3.9
1995	56.4	35.7	20.7	19.0	12.2	6.8	0.2	6.6	37.4	23.5	13.9	8.1	0.8	0.5	4.5
1996	57.2	37.1	20.1	20.0	12.7	7.3	–0.7	8.0	37.2	24.3	12.9	7.4	0.9	–0.6	5.2
1997 est.	57.1	38.5	18.7	20.1	13.3	6.8	–1.4	8.1	37.0	25.1	11.9	6.4	0.9	–0.9	5.5
1998 est.	48.9	39.6	9.3	14.0	13.8	0.2	–1.9	2.1	35.0	25.8	9.1	4.9	0.4	–1.2	4.9

*$50 million or less.

Table 6–8. NET STOCK OF FEDERALLY FINANCED RESEARCH AND DEVELOPMENT [1]

(In billions of 1992 dollars)

Fiscal Year	National Defense			Nondefense			Total Federal		
	Total	Basic Research	Applied Research and Development	Total	Basic Research	Applied Research and Development	Total	Basic Research	Applied Research and Development
Five year intervals:									
1970	235	14	221	194	61	133	429	75	354
1975	249	19	230	237	88	149	486	107	379
1980	252	22	229	280	119	161	532	141	390
1985	287	27	260	304	157	148	592	184	408
Annual data:									
1990	357	32	325	342	205	137	699	237	461
1991	361	33	328	354	216	138	716	249	466
1992	365	34	331	367	227	139	732	262	470
1993	368	36	333	380	239	142	748	274	474
1994	371	37	334	393	250	144	764	287	477
1995	372	38	334	407	260	147	779	298	480
1996	374	39	335	418	271	147	792	310	482
1997 est.	375	40	334	431	282	148	805	323	483
1998 est.	373	42	332	444	293	150	817	335	482

[1] Excludes outlays for physical capital for research and development, which are included in Table 6–5.

outlays went to replacing depreciated R&D. Since 1988, however, nondefense R&D outlays have been on an upward trend while depreciation has edged down. As a result, the net nondefense R&D capital stock has grown more rapidly.

The Stock of Education Capital

This section presents estimates of the stock of education capital financed by the Federal government.

As shown in Table 6–9, the federally financed education stock is estimated at $803 billion in 1996 in constant 1992 dollars, rising to $850 billion in 1998. The vast majority of the Nation's education stock is financed by State and local governments, and by students and their families themselves. This federally financed portion of the stock represents about 3 percent of the Nation's total education stock.[4] Nearly three-quarters is for elementary and secondary education, while the remaining one quarter is for higher education.

Despite a slowdown in growth during the early 1980s, the stock grew at an average annual rate of 5.0 percent from 1970 to 1996, and the expansion of the education stock is projected to continue under this budget.

[4] For estimates of the total education stock, see Table 2–4 in Chapter 2, "Stewardship: Toward a Federal Balance Sheet."

Table 6–9. NET STOCK OF FEDERALLY FINANCED EDUCATION CAPITAL

(In billions of 1992 dollars)

Fiscal Year	Total Education Stock	Elementary and Secondary Education	Higher Education
Five year intervals:			
1960	70	52	18
1965	99	73	26
1970	224	179	46
1975	307	251	57
1980	414	326	88
1985	510	383	126
Annual data:			
1990	661	490	171
1991	682	503	179
1992	701	515	186
1993	726	528	198
1994	748	543	205
1995	777	557	221
1996	803	572	232
1997 est.	824	585	240
1998 est.	850	600	251

Methodological Note

This note provides further technical detail about the estimation of the capital stock series presented in Tables 6–6 through 6–9.

As stated previously, the capital stock estimates are very rough approximations. Sources of possible error include:

The historical outlay series.—The historical outlay series for physical capital was based on budget records since 1940 and was extended back to 1915 using data from selected sources. There are no consistent outlay data on physical capital for this earlier period, and the estimates are approximations. In addition, the historical outlay series in the budget for physical capital extending back to 1940 may be incomplete. The historical outlay series for the conduct of research and development began in the early 1950s and required selected sources to be extended back to 1940. In addition, separate outlay data for basic research and applied R&D were not available for any years and had to be estimated from obligations and budget authority. For education, data for Federal outlays from the budget were combined with data for non-Federal spending from the institution or jurisdiction receiving Federal funds, which may introduce error because of differing fiscal years and confusion about whether the Federal Government was the original source of funding.

Price adjustments.—The prices for the components of the Federal stock of physical, R&D, and education capital have increased through time, but the rates of increase are not accurately known. Estimates of costs in fiscal year 1992 prices were made through the application of price deflators from the National Income and Product Accounts (NIPAs), but these should be considered only approximations of the costs of these assets in 1992 prices. Although source data for the NIPA deflators were revised in January 1996 as part of a comprehensive statistical revision, the revised data only extended back to 1960. Price measures prior to 1960 were estimated based on pre-revision data.

Depreciation.—The useful lives of physical, R&D, and education capital, as well as the pattern by which they depreciate, are very uncertain. This is compounded by using depreciation rates for broad classes of assets, which do not apply uniformly to all the components of each group. As a result, the depreciation estimates should also be considered approximations.

Research continues on the best methods to estimate these capital stocks. The estimates presented in the text could change as better information becomes available on the underlying investment data and as improved methods are developed for estimating the stocks based on those data.

Physical Capital Stocks

For many years, current and constant-cost data on the stock of most forms of public and private physical capital—e.g., roads, factories, and housing—have been estimated annually by the Bureau of Economic Analysis (BEA) in the Department of Commerce. With the January 1996 comprehensive revision of the NIPAs, government investment has taken increased prominence. Government investment in physical capital is now measured separately from consumption expenditures, and government consumption includes a measure of the consumption of the existing capital stock. In addition, estimates of depreciation are improved based on the results of recent empirical research.[5]

The BEA data are not directly linked to the Federal budget, do not extend to the years covered by the budg-

[5] The revisions for government investment and depreciation methods are discussed in "Preview of the Comprehensive Revision of the National Income and Product Accounts: Recognition of Government Investment and Incorporation of a New Methodology for Calculating Depreciation", *Survey of Current Business,* September 1995, pp. 33–41. BEA's most recent published estimates of capital stocks, prepared before the revisions, are contained in "Fixed Reproducible Tangible Wealth in the United States", *Survey of Current Business,* August 1994, pp. 54–62.

et, and do not classify as Federal the capital financed but not owned by the Federal Government. For budgetary purposes, OMB prepares separate estimates.

Method of estimation.—The estimates were developed from the OMB historical data base for physical capital outlays and grants to State and local governments for physical capital. These are the same major public physical capital outlays presented in Part I. This data base extends back to 1940 and was supplemented by rough estimates for 1915–1939.

The deflators used to convert historical outlays to constant 1992 dollars were based on composite NIPA deflators for Federal, State, and local consumption of durables and gross investment. Data consistent with the January 1996 NIPA revisions were only available back to fiscal year 1960, so deflators prior to 1960 were extrapolated based on pre-revision NIPA data extending back to 1930. For 1915 through 1929, deflators were estimated from Census Bureau historical statistics on constant price public capital formation.

The resulting series was adjusted for depreciation. The data were depreciated on a straight-line basis over the following assumed useful lives: 46 years for water and power projects; 40 years for other direct Federal construction and capital financed by grants (primarily highways); and 16 years for defense procurement and major nondefense equipment.

Research and Development Capital Stocks

Method of estimation.—The estimates were developed from a data base for the conduct of research and development largely consistent with the data in the *Historical Tables.* Although there is no consistent time series on basic and applied R&D for defense and nondefense outlays back to 1940, it was possible to estimate the data using obligations and budget authority. The data are for the conduct of R&D only and exclude outlays for physical capital for research and development, because those are included in the estimates of physical capital. Nominal outlays were deflated by the chained price index for gross domestic product (GDP) in fiscal year 1992 dollars to obtain estimates of constant dollar R&D spending.

The appropriate depreciation rate of intangible R&D capital is even more uncertain than that of physical capital. Empirical evidence is inconclusive. It was assumed that basic research capital does not depreciate and that applied research and development capital has a ten percent geometric depreciation rate. These are the same assumptions used in a study published by the Bureau of Labor Statistics estimating the R&D stock financed by private industry.[6] More recent experimental work at the Bureau of Economic Analysis, extending estimates of tangible capital stocks to R&D, used slightly different assumptions. This work assumed straight-line depreciation for all R&D over a useful life of 18 years, which is roughly equivalent to a geometric depreciation rate of 11 percent. The slightly higher depreciation rate and its extension to basic research would result in smaller stocks than the method used here.[7]

Education Capital Stocks

Method of estimation.—The estimates of the federally financed education capital stock in Table 6–9 were calculated by first estimating the Nation's total stock of education capital, based on the current replacement cost of the total years of education of the population. To derive the Federal share of this total stock, the Federal share of total educational expenditures was applied to the total amount. The percent in any year was estimated by averaging the prior years' share of Federal education outlays in total education costs. For more information, refer to the technical note in Chapter 2, "Stewardship: Toward a Federal Balance Sheet."

The stock of capital estimated in Table 6–9 is based only on spending for education. Stocks created by other human capital investment outlays included in Table 6–1, such as job training and vocational rehabilitation, were not calculated because of the lack of historical data prior to 1962 and the absence of estimates of depreciation rates.

[6] See U.S. Department of Labor, Bureau of Labor Statistics, *The Impact of Research and Development on Productivity Growth, Bulletin 2331,* September 1989.

[7] See "A Satellite Account for Research and Development", *Survey of Current Business,* November 1994, pp. 37–71.

Part IV: ALTERNATIVE CAPITAL BUDGET AND CAPITAL EXPENDITURE PRESENTATIONS

A capital budget would separate Federal expenditures into two categories: spending for investment and all other spending. In this sense, Part I of the present chapter provides a capital budget for the Federal Government, distinguishing outlays that yield long-term benefits from all others. But alternative capital budget presentations have also been suggested.

The Federal budget finances investment for two quite different types of reasons. It invests in capital—such as office buildings, computers, and weapons systems—that primarily contributes to its ability to provide governmental services to the public; some of these services, in turn, are designed to increase economic growth. And it invests in capital—such as highways, education, and research—that contributes more directly to the economic growth of the Nation. Most of the capital in the second category, unlike the first, is not owned or controlled by the Federal Government. In the discussion that follows, the first is called "Federal capital" and the second is called "national capital." Table 6–10 compares total Federal investment as defined in this chapter with investment in Federal capital, which was defined as "capital assets" in Part II of this chapter, and with investment in national capital.

Capital budgets and other changes in Federal budgeting have been suggested from time to time for the Government's investment in both Federal and national capital. These proposals differ widely in coverage, depending on the rationale for the suggestion. Some would include all the investment shown in Table 6–1, or more, whereas others would be narrower in various ways. These proposals also differ in other respects, such as whether investment would be financed by borrowing and whether the non-investment budget would necessarily be balanced. Some of these proposals are discussed below and illustrated by alternative capital budget and other capital expenditure presentations, although the discussion does not address matters of implementation such as the effect on the Budget Enforcement Act. The planning and budgeting process for capital assets, which is a different subject, is discussed

Table 6–10. ALTERNATIVE DEFINITIONS OF INVESTMENT OUTLAYS, 1998

(In millions of dollars)

	All Federal investment	Federal capital	National capital
Construction and rehabilitation:			
Grants:			
Transportation	24,486	....	24,486
Natural resources and environment	2,194	....	2,192
Community and regional development	5,811	....	1,087
Housing assistance	5,999	....	....
Other grants	183	....	99
Direct Federal:			
National defense	4,522	4,522	....
General science, space, and technology	423	335	423
Natural resources and environment	3,699	2,215	3,476
Energy	1,147	1,147	1,147
Transportation	675	344	675
Veterans and other health facilities	1,418	1,418	1,418
Postal Service	1,251	1,251	1,251
GSA real property activities	1,262	1,262	....
Other construction	2,347	1,440	599
Total construction and rehabilitation	55,417	13,934	36,853
Acquisition of major equipment (direct):			
National defense	43,408	43,408	....
Postal Service	1,378	1,378	1,378
Air transportation	1,903	1,903	1,903
Other	3,474	3,156	2,139
Total major equipment	50,163	49,845	5,420
Purchase or sale of land and structures	–3,962	–3,962	....
Other physical assets (grants)	1,208	....	....
Total physical investment	102,826	59,817	42,344
Research and development:			
Defense	37,416	....	1,153
Nondefense	32,790	....	32,167
Total research and development	70,206	....	33,320
Education and training	45,630	....	45,172
Total investment outlays	218,662	59,817	120,836

in Part II of this chapter together with the steps this Administration is taking to improve it.

Investment in Federal Capital

The goal of investment in Federal capital is to deliver Government services as efficiently and effectively as possible. The Congress allocates resources to Federal agencies to accomplish a wide variety of programmatic goals. Because these goals are diverse and most are not measured in dollars, they are difficult to compare with each other. Policy judgments must be made as to their relative importance.

Once amounts have been allocated for one of these goals, however, analysis may be able to assist in choosing the most efficient and effective means of delivering service. This is the context in which decisions are made on the amount of investment in Federal capital. For example, budget proposals for the Department of Justice must consider whether to increase the number of FBI agents, the amount of justice assistance grants to State and local governments, or the number of Federal prisons in order to accomplish the department's objectives. The optimal amount of investment in Federal capital derives from these decisions. There is no efficient target for total investment in Federal capital as such.

The universe of Federal capital encompasses federally owned capital assets. It excludes Federal grants to States for infrastructure, such as highways, and it excludes intangible investment, such as education and research. Investment in Federal capital in 1998 is estimated to be $60 billion, or 27 percent of the total Federal investment outlays shown in Table 6–1. Of the investment in Federal capital, 80 percent is for defense and 20 percent for nondefense purposes.

A Capital Budget for Capital Assets

Discussion of a capital budget has often centered on Federal capital, called "capital assets" in Part II of this chapter—buildings, other construction, and equipment that support the delivery of Federal services. This includes capital commonly available from the commercial sector, such as office buildings, computers, military family housing, veterans hospitals, research and development facilities, and associated equipment; it also includes special purpose capital such as weapons systems, military bases, the space station, and dams. This definition excludes capital that the Federal Government has financed but does not own.[8]

Some capital budget proposals would partition the unified budget into a capital budget, an operating budget, and a total budget. Table 6–11 illustrates such a capital budget for capital assets as defined above. It is accompanied by an operating budget and a total budget. The operating budget consists of all expenditures except those included in the capital budget, plus depreciation on the stock of assets of the type purchased through the capital budget. The capital budget consists of expenditures for capital assets and, on the income side of the account, depreciation. The total budget is the present unified budget, largely based on cash for its measure of transactions, which records all outlays and receipts of the Federal Government. It consolidates the operating and capital budgets by adding them together and netting out depreciation as an intragovernmental transaction. The operating budget deficit is higher than the unified budget deficit, reflecting both the relatively small Federal investment in new fixed assets and the offsetting effect of depreciation on the existing stock. The figures in Table 6–11 and the subsequent tables of this section are rough estimates, intended only to be illustrative and to provide a basis for broad generalizations.

Table 6–11. CAPITAL, OPERATING, AND UNIFIED BUDGETS: FEDERAL CAPITAL, 1998 [1]

(In billions of dollars)

Operating Budget	
Receipts	1,567
Expenses:	
Depreciation	99
Other	1,628
Subtotal, expenses	1,727
Surplus or deficit (–)	–160
Capital Budget	
Income: depreciation	99
Capital expenditures	60
Surplus or deficit (–)	39
Unified Budget	
Receipts	1,567
Outlays	1,687
Surplus or deficit (–)	–121

[1] Historical data to estimate the capital stocks and calculate depreciation are not readily available for Federal capital. Depreciation estimates were based on the assumption that outlays for Federal capital were a constant percentage of the larger categories in which such outlays were classified. They are also subject to the limitations explained in Part III of this chapter. Depreciation is measured in terms of current cost.

Some proposals for a capital budget would exclude defense capital (other than military family housing). These exclusions—weapons systems, military bases, and so forth—would comprise nearly four-fifths of the expenditures shown in the capital budget of Table 6–11. If they were excluded, the operating deficit would essentially be the same as the unified budget deficit: about $1 billion higher than the unified budget deficit instead of $39 billion higher as shown above for the complete coverage of Federal capital. Excluding defense makes such a large difference because of its large relative size and the recent pattern of capital asset purchases. The large buildup that began in the early 1980s raised the capital stock and depreciation; the buildup was followed by a sharp decline in purchases, while the capital stock and depreciation have declined more slowly. (See the previous section of this chapter.)

[8] This definition of "capital assets" is broader than the definition of "fixed assets" used in last year's budget. Expenditures for capital assets in 1998 under this definition are $60 billion, as shown in Tables 6–10 and 6–11, compared to $18 billion under the previous definition. Almost the entire difference is due to weapons systems and other specialized defense investment.

Budget Discipline and a Capital Budget

Many proposals for a capital budget, though not all, would effectively dispense with the unified budget and make expenditure decisions on capital asset acquisitions in terms of the operating budget instead. When the Government proposed to purchase a capital asset, the operating budget would include only the estimated depreciation. For example, suppose that an agency proposed to buy a $50 million building at the beginning of the year with an estimated life of 25 years and with depreciation calculated by the straightline method. Operating expense in the budget year would increase by $2 million, or only 4 percent of the asset cost. The same amount of depreciation would be recorded as an increase in operating expense for each year of the asset's life.[9]

Recording the annual depreciation in the operating budget each year would provide little control over the decision about whether to invest in the first place. Most Federal investments are sunk costs and as a practical matter cannot be recovered by selling or renting the asset. At the same time, there is a significant risk that the need for a capital asset may change over a period of years, because either the need was not permanent, it was initially misjudged, or other needs become more important. Since the cost is sunk, however, control cannot be exercised later on by comparing the annual benefit of the asset services with depreciation and interest and then selling the asset if its annual services are not worth this expense. Control can only be exercised up front when the Government commits itself to the full sunk cost. By spreading the real cost of the project over time, however, use of the operating budget for expenditure decisions would make the budgetary cost of the capital asset appear very cheap when decisions were being made that compared it to alternative expenditures. As a result, there would be an incentive to purchase capital assets with little regard for need, and also with little regard for the least-cost method of acquisition.

A budget is a financial plan for allocating resources—deciding how much the Federal Government should spend in total, program by program, and for the parts of each program. The budgetary system provides a process for proposing policies, making decisions, implementing them, and reporting the results. The budget needs to measure costs accurately so that decision makers can compare the cost of a program with its benefit, the cost of one program with another, and the cost of alternative methods of reaching a specified goal. These costs need to be fully included in the budget up front, when the spending decision is made, so that executive and congressional decision makers have the information and the incentive to take the total costs into account.

[9] The amount of depreciation recorded as an expense in the budget year might be overstated by this illustration. First, most assets are purchased after the beginning of the year, in which case less than a full year's depreciation would be recorded. Second, assets may be constructed or built to order, in which case no depreciation would be recorded until the work was completed and the asset put into service. This could be several years after the initial expenditure.

The unified budget does this for investment. By recording investment on a cash basis, it causes the total cost to be compared up front in a rough and ready way with the total expected future net benefits. Since the budget measures only cost, the benefits with which these costs are compared, based on policy makers' judgment, must be presented in supplementary materials. Such a comparison of total cost with benefits is consistent with the formal method of cost-benefit analysis of capital projects in government, in which the full cost of a capital asset as the cash is paid out is compared with the full stream of future benefits (all in terms of present values).[10] This comparison is also consistent with common business practice, in which capital budgeting decisions for the most part are made by comparing cash flows. The cash outflow for the full purchase price is compared with expected future cash inflows, either through a relatively sophisticated technique of discounted cash flows—such as net present value or internal rate of return—or through cruder methods such as payback periods.[11] Regardless of the specific technique adopted, it usually requires comparing future returns with the entire cost of the asset up front—not spread over time through annual depreciation.[12]

Practice Outside the Federal Government

The proponents of making investment decisions on the basis of an operating budget with depreciation have sometimes claimed that this is the common practice outside the Federal Government. However, while the practice of others may differ from the Federal budget and the terms "capital budget" and "capital budgeting" are often used, these terms do not normally mean that capital asset acquisitions are decided on the basis of annual depreciation cost. The use of these terms in business and State government also does not mean that businesses and States finance all their investment by borrowing. Nor does it mean that under a capital budget the extent of borrowing by the Federal Government to finance investment would be limited by the same forces that constrain business and State borrowing for investment.

Private business firms call their investment decision making process "capital budgeting," and they record the resulting planned expenditures in a "capital budget." However, decisions are normally based on up-front comparisons of the cash outflows needed to make

[10] For example, see Edward M. Gramlich, *A Guide to Benefit-Cost Analysis* (2nd ed.; Englewood Cliffs: Prentice Hall, 1990), chap. 6; or Joseph E. Stiglitz, *Economics of the Public Sector* (2nd ed.; New York: Norton, 1988), chap. 10. This theory is applied in formal OMB instructions to Federal agencies in OMB Circular No. A–-94, *Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs* (October 29, 1992). General Accounting Office, *Discount Rate Policy*, GAO/OCE-17.1.1 (May 1991), discusses the appropriate discount rate for such analysis but not the foundation of the analysis itself, which is implicitly assumed.

[11] For a full textbook analysis of capital budgeting techniques in business, see Harold Bierman, Jr., and Seymour Smidt, *The Capital Budgeting Decision* (7th ed.; New York: Macmillan, 1988). Shorter analyses may be found, for example, in Charles T. Horngren and George Foster, *Cost Accounting* (6th ed.; Englewood Cliffs: Prentice-Hall, 1987), chap. 19 and 20; and in Surendra S. Singhvi, "The Capital Budgeting Process" and "The Capital Expenditure Evaluation Methods," chap. 19 and 20 in Robert Rachlin and H.W. Allen Sweeny, *Handbook of Budgeting* (3rd ed.; New York: Wiley, 1993).

[12] A survey of business practice conducted a few years ago found that such techniques are predominant. See Glenn H. Petry and James Sprow, "The Theory and Practice of Finance in the 1990s," *The Quarterly Review of Economics and Finance*, vol. 33 (Winter 1993), pp. 359–82. Petry and Sprow also found that such techniques are recommended by the most widely used textbooks in managerial finance.

the investment with the resulting cash inflows expected in the future, as explained above, and the capital budget records the period-by-period cash outflows proposed for capital projects.[13] This supports the business's goal of deciding upon and controlling the use of its resources.

The cash-based focus of business budgeting for capital is in contrast to business financial statements—the income statement and balance sheet—which use accrual accounting for a different purpose, namely to record how well the business is meeting its objectives of earning profit and accumulating wealth for its owners. For this purpose, the income statement shows the profit in a year from earning revenue net of the expenses incurred. These expenses include depreciation, which is an allocation of the cost of capital assets over their estimated useful life. With similar objectives in mind, the Office of Management and Budget, the Treasury Department, and the General Accounting Office have adopted the use of depreciation on general property, plant, and equipment owned by the Federal Government as a measure of expense in financial statements and cost accounting for Federal agencies.[14]

Businesses finance investment from net income as well as borrowing. When they borrow to finance investment, they are constrained in ways that Federal borrowing is not. The amount that a business borrows is limited by its own profit motive and the market's assessment of its capacity to repay. The greater a business's indebtedness, other things equal, the more risky is any additional borrowing and the higher is the cost of funds it must pay. Since the profit motive ensures that a business will not want to borrow unless the expected return is at least as high as the cost of funds, the amount of investment that a business will want to finance is limited; it has an incentive to borrow only for projects where the expected return is as high or higher than the cost of funds. Furthermore, if the risk is great enough, a business may not be able to find a lender.

No such constraint limits the Federal Government—either in the total amount of its borrowing for investment, or in its choice of which assets to buy—because of its sovereign power to tax and the wide economic base that it taxes. It can tax to pay for investment; and, if it borrows, its power to tax ensures that the credit market will judge U.S. Treasury securities free from any risk of default even if it borrows "excessively" or for projects that do not seem worthwhile.

Most ***States*** also have a "capital budget," but the operating budget is not like the operating budget envisaged by proponents of making Federal investment decisions on the basis of depreciation. State capital budgets differ widely in many respects but generally relate some of the State's purchases of capital assets to borrowing and other earmarked means of financing. For the debt-financed portion of investment, the interest and repayment of principal are usually recorded in the operating budget. For the portion of investment purchased in the capital budget but financed by Federal grants or by taxes, which may be substantial, State operating budgets do not record any amount. No State operating budget is charged for depreciation.[15]

States also do not record depreciation expense in the financial accounting statements for governmental funds. They record depreciation expense only in their proprietary (commercial-type) funds and in those trust funds where net income, expense, or capital maintenance is measured.[16]

State borrowing to finance investment, like business borrowing, is subject to limitations that do not apply to Federal borrowing. Like business borrowing, it is constrained by the credit market's assessment of the State's capacity to repay. Furthermore, it is usually designated for specified investments, and it is almost always subject to constitutional limits or referendum requirements.

Other ***developed nations*** tend to show a more systematic breakdown between investment and operating expenditures within their budgets than does the United States, even while they record capital expenditures on a cash basis within the same budget totals. For example, the United Kingdom shows the capital spending within each agency total and displays the sum of capital spending for the government as a whole. However, a survey by the Congressional Budget Office in 1993 found that all developed nations except Chile and New Zealand budget on a cash basis.[17] New Zealand, moreover, while budgeting on an accrual basis that generally includes depreciation, requires the equivalent of appropriations for the full cost up front before a department can make net additions to its fixed assets; and it budgets for infrastructure assets that it owns on the basis of cash expenditure rather than depreciation.[18] Some countries—including Sweden, Denmark, and Finland—formerly had separate capital budgets but abandoned them a number of years ago.[19]

[13] A business capital budget is depicted in Glenn A. Welsch *et al., Budgeting: Profit Planning and Control* (5th ed.; Englewood Cliffs: Prentice Hall, 1988), pp. 396–99.

[14] Office of Management and Budget, Statement of Federal Financial Accounting Standards No. 6, *Accounting for Property, Plant, and Equipment* (November 30, 1995), pp. 5–14 and 34–35. Depreciation would not be used as a measure of expense for weapons systems, space exploration equipment, and other "Federal mission property" or for heritage assets. Depreciation also would not be used as a measure of expense for physical property financed by the Federal Government but owned by State and local governments, or for investment that the Federal Government financed in human capital and research and development.

[15] The characteristics of State capital budgets were examined in a survey of State budget officers for all 50 States in 1986. See Lawrence W. Hush and Kathleen Peroff, "The Variety of State Capital Budgets: A Survey," *Public Budgeting and Finance* (Summer 1988), pp. 67–79. More detailed results are available in an unpublished OMB document, "State Capital Budgets" (July 7, 1987). Two GAO reports examined State capital budgets and reached similar conclusions on the issues in question. See *Budget Issues: Capital Budgeting Practices in the States*, GAO/AFMD–86–63FS (July 1986), and *Budget Issues: State Practices for Financing Capital Projects*, GAO/AFMD–89–64 (July 1989).

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

[17] Robert W. Hartman, Statement before the Subcommittee on Economic Development, Committee on Public Works and Transportation, U.S. House of Representatives (May 26, 1993). Hartman stated: "to our knowledge, only two developed countries, Chile and New Zealand, recognize depreciation in their budgets." The United Kingdom has announced plans to budget on an accrual basis, including the depreciation for capital assets, beginning with its budget for 2001–02.

[18] New Zealand's use of depreciation in its budget is discussed in GAO, *Budget Issues: The Role of Depreciation in Budgeting for Certain Federal Investments*, GAO/AIMD–95–34 (February 1995), pp. 13 and 16–17.

[19] The budgets in Sweden, Great Britain, Germany, and France are described in GAO, *Budget Issues: Budgeting Practices in West Germany, France, Sweden, and Great Britain*, GAO/AFMD–87–8FS (November 1986). Sweden had separate capital and operating budgets from 1937 to 1981, together with a total consolidated budget from 1956 onwards. The reasons for abandoning the capital budget are discussed briefly in the GAO report and more extensively by a government commission established to recommend changes in the

Conclusions

It is for reasons such as these that the General Accounting Office issued a report in 1993 that criticized budgeting for capital in terms of depreciation. Although the criticisms were in the context of what is termed "national capital" in this chapter, they apply equally to "Federal capital."

> "Depreciation is not a practical alternative for the Congress and the administration to use in making decisions on the appropriate level of spending intended to enhance the nation's long-term economic growth for several reasons. Currently, the law requires agencies to have budget authority before they can obligate or spend funds. Unless the full amount of budget authority is appropriated up front, the ability to control decisions when total resources are committed to a particular use is reduced. Appropriating only annual depreciation, which is only a fraction of the total cost of an investment, raises this control issue."[20]

After further study of the role of depreciation in budgeting for national capital, GAO reiterated that conclusion in another study in 1995.[21] "The greatest disadvantage ... was that depreciation would result in a loss of budgetary control under an obligation-based budgeting system."[22] Although that study also focused primarily on what is termed "national capital" in this chapter, its analysis applies equally to "Federal capital." Last year GAO extended its conclusions to Federal capital as well. "If depreciation were recorded in the federal budget in place of cash requirements for capital spending, this would undermine Congress' ability to control expenditures because only a small fraction of an asset's cost would be included in the year when a decision was made to acquire it."[23]

Investment in National Capital

A Target for National Investment

The Federal Government's investment in national capital has a much broader and more varied form than its investment in Federal capital. The Government's goal is to support and accelerate sustainable economic growth for the Nation as a whole and in some instances for specific regions or groups of people. The Government's investment concerns for the Nation are two-fold:

- *The effect of its own investment in national capital on the output and income that the economy can produce.* Reducing expenditure on consumption and increasing expenditure on investment that supports economic growth is a major priority for the Administration. It has reordered priorities in its budgets by proposing increases in selected investments.
- *The effect of Federal taxation, borrowing, and other policies on private investment.* The Administration's deficit reduction policy has brought about an expansion of private investment, most notably in producers' durable equipment.

In its 1993 report, *Incorporating an Investment Component in the Federal Budget,* the General Accounting Office (GAO) recommended establishing an investment component within the unified budget—but not a separate capital budget or the use of depreciation—for this type of investment.[24] GAO defined this investment as "federal spending, either direct or through grants, that is directly intended to enhance the private sector's long-term productivity."[25] To increase investment—both public and private—GAO recommended establishing targets for the level of Federal investment and for a declining path of unified budget deficits over time.[26] Such a target for investment in national capital would focus attention on policies for growth, encourage a conscious decision about the overall level of growth-enhancing investment, and make it easier to set spending priorities in terms of policy goals for aggregate formation of national capital. GAO reiterated its recommendation in another report in 1995.[27]

Table 6–12. UNIFIED BUDGET WITH NATIONAL INVESTMENT COMPONENT, 1998

(In billions of dollars)

Receipts	1,567
Outlays:	
National investment	121
Other	1,567
Subtotal, outlays	1,687
Surplus or deficit (–)	–121

Table 6–12 illustrates the unified budget reorganized as GAO recommends to have a separate component for investment in national capital. This component is roughly estimated to be $121 billion in 1998. It includes infrastructure outlays financed by Federal grants to State and local governments, such as highways and sewer projects, as well as direct Federal purchases of infrastructure, such as electric power generation equipment. It also includes intangible investment for nondefense research and development, for basic research financed through defense, and for education and training. Much of this expenditure consists of grants and credit assistance to State and local governments, nonprofit organizations, or individuals. Only 12 percent of national investment consists of assets to be owned by the Federal Government. Military investment and some

Swedish budget system. One reason was that borrowing was no longer based on the distinction between current and capital budgets. See Sweden, Ministry of Finance, *Proposal for a Reform of the Swedish Budget System: A Summary of the Report of the Budget Commission Published by the Ministry of Finance* (Stockholm, 1974), chapter 10.

[20] GAO, *Budget Issues: Incorporating an Investment Component in the Federal Budget,* GAO/AIMD–94–40 (November 1993), p. 11. GAO had made the same recommendation in earlier reports but with less extensive analysis.

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

[22] *Ibid.*, p. 17. Also see pp. 1–2 and 16–19.

[23] GAO, *Budget Issues: Budgeting for Federal Capital,* GAO/AIMD–97–5 (November 1996), p. 28. Also see p. 4.

[24] *Incorporating an Investment Component in the Federal Budget,* pp. 1–2, 9–10, and 15.

[25] *Ibid.*, pp. 1 and 5.

[26] *Ibid.*, pp. 2 and 13–16.

[27] *The Role of Depreciation in Budgeting for Certain Investments,* pp. 2 and 19–20.

other "capital assets" as defined previously are excluded, because that investment does not primarily enhance economic growth.

A Capital Budget for National Investment

Table 6–13 roughly illustrates what a capital budget and operating budget would look like under this definition of investment—although it must be emphasized that this is *not* GAO's recommendation. Some proponents of a capital budget would make spending decisions within the framework of such a capital budget and operating budget. But the limitations that apply to the use of depreciation in deciding on investment decisions for Federal capital apply even more strongly in deciding on investment decisions for national capital. Most national capital is neither owned nor controlled by the Federal Government. Such investments are sunk costs completely and can be controlled only by decisions made up front when the Government commits itself to the expenditure.[28]

Table 6–13. CAPITAL, OPERATING, AND UNIFIED BUDGETS: NATIONAL CAPITAL, 1998 [1]

(In billions of dollars)

Operating Budget	
Receipts	1,536
Expenses:	
Depreciation [2]	77
Other	1,567
Subtotal, expenses	1,644
Surplus or deficit (–)	–108
Capital Budget	
Income:	
Depreciation [2]	77
Earmarked tax receipts [3]	31
Subtotal, income	108
Capital expenditures	121
Surplus or deficit (–)	–12
Unified Budget	
Receipts	1,567
Outlays	1,687
Surplus or deficit (–)	–121

[1] For the purpose of this illustrative table only, education and training outlays are arbitrarily depreciated over 30 years by the straight-line method. This differs from the treatment of education and training elsewhere in this chapter and in Chapter 2. All depreciation estimates are subject to the limitations explained in Part III of this chapter. Depreciation is measured in terms of current cost.

[2] Excludes depreciation on capital financed by earmarked tax receipts allocated to the capital budget.

[3] Consists of tax receipts of the highway and airport and airways trust funds, which are user charges earmarked for financing capital expenditures.

In addition to these basic limitations, the definition of investment is more malleable for national capital than Federal capital. Many programs promise long-term intangible benefits to the Nation, and depreciation rates are much harder to determine for intangible investment such as research and education than they are for physical investment such as highways and office buildings. These and other definitional questions are hard to resolve. The answers could significantly affect budget decisions, because they would determine whether the budget would record all or only a small part of the cost of a decision when policy makers were comparing the budgetary cost of a project with their judgment of its benefits. The process of reaching an answer with a capital budget would open the door to manipulation, because there would be an incentive to make the operating expenses and deficit look smaller by classifying outlays as investment and using low depreciation rates. This would "justify" more spending by the program or the Government overall.[29]

A Capital Budget and the Analysis of Saving and Investment

Data from the Federal budget may be classified in many different ways, including analyses of the Government's direct effects on saving and investment. As Parts I and III of this chapter have shown, the unified budget provides data that can be used to calculate Federal investment outlays and federally financed capital stocks. However, the budget totals themselves do not make this distinction. In particular, the budget surplus or deficit does not measure the Government's contribution to the nation's net saving (i.e., saving net of depreciation). A capital budget, it is sometimes contended, is needed for this purpose.

This purpose, however, is now fulfilled by the Federal sector of the national income and product accounts (NIPAs). The NIPA Federal sector is designed to measure the impact of Federal receipts, expenditures, and deficit on the national economy. It is part of an integrated set of measures of aggregate U.S. economic activity that is prepared by the Bureau of Economic Analysis in the Department of Commerce in order to measure gross domestic product (GDP), the income generated in its production, and many other variables used in macroeconomic analysis. The NIPA Federal sector for past periods is published monthly in the *Survey of Current Business* with separate releases for historical data. Estimates for the President's proposed budget through the budget year are normally published in the budget documents. The NIPA translation of the budget, rather than the budget itself, is ordinarily used by economists to analyze the effect of Government fiscal policy on the aggregate economy.[30]

Until last year the NIPA Federal sector did not divide government purchases of goods and services between consumption and investment. With the comprehensive revision of the national income and product accounts in early 1996, it now makes that distinction.[31] The

[28] GAO's conclusions about the loss of budgetary control that were quoted at the end of the section on Federal capital came from studies that predominantly considered "national capital."

[29] These problems are also pointed out in GAO, *Incorporating an Investment Component in the Federal Budget*, pp. 11–12. They are discussed more extensively with respect to highway grants, research and development, and human capital in GAO, *The Role of Depreciation in Budgeting for Certain Federal Investments*, pp. 11–14. GAO found no government that budgets for the depreciation of infrastructure (whether or not owned by that government), human capital, or research and development (except that New Zealand budgets for the depreciation of research and development if it results in a product that is intended to be used or marketed).

[30] See chapter 17 of this volume, "National Income and Product Accounts," for the NIPA current account of the Federal Government based on the budget estimates for 1997 and 1998, and for a discussion of the NIPA Federal sector and its relationship to the budget.

[31] This distinction is also made in the national income accounts of most other countries and in the System of National Accounts (SNA), which is guidance prepared by the United

revised NIPA Federal sector is a current account or an operating account for the Federal Government. The current account excludes expenditures for structures and equipment owned by the Federal Government; it includes depreciation on the federally owned stock of structures and equipment as a measure of the cost of using capital assets and thus as part of the Federal Government's current expenditures. It applies this treatment to a comprehensive definition of federally owned structures and equipment, both defense and non-defense, similar to the definition of "capital assets" in this chapter.[32] The NIPA "current surplus or deficit" of the Federal Government thus measures the Government's direct contribution to the Nation's net saving (given the definition of investment that is employed). The 1998 Federal sector deficit is estimated to be increased $14 billion by including depreciation rather than gross investment, because depreciation of federally owned structures and equipment is currently more than gross investment. A capital budget is not needed to capture this effect.

Borrowing to Finance a Capital Budget

A further issue raised by a capital budget is the financing of capital expenditures. Some have argued that the Government ought to balance the operating budget and borrow to finance the capital budget—capital expenditures less depreciation. The rationale is that if the Government borrows for net investment and the rate of return exceeds the interest rate, the additional debt does not add a burden onto future generations. Instead, the burden of paying interest on the debt and repaying its principal is spread over the generations that will benefit from the investment. The additional debt is "justified" by the additional assets.

This argument is at best a justification to borrow to finance *net* investment, after depreciation is subtracted from *gross* outlays, not to borrow to finance *gross* investment. To the extent that capital is used up during the year, there are no additional assets to justify additional debt. If the Government borrows to finance *gross* investment, the additional debt exceeds the additional capital assets. The Government is thus adding onto the amount of future debt service without providing the additional capital that would produce the additional income needed to service that debt.

This justification, furthermore, requires that depreciation be measured in terms of current cost, not historical cost. When prices change, historical cost depreciation does not measure the extent to which the capital stock is used up each year.

Nations and other international organizations. Definitions of investment may vary. Other countries and the SNA do not include the purchase of military equipment as investment.

[32] The revised NIPA Federal sector is explained in *Survey of Current Business,* "Preview of the Comprehensive Revision of the National Income and Product Accounts: Recognition of Government Investment and Incorporation of a New Methodology for Calculating Depreciation" (September 1995), pp. 33–39. Investment does not include expenditures on research and development or on education and training. Government enterprises are treated differently from general government. The NIPA State and local sector has been revised in the same way and includes depreciation on structures and equipment owned by State and local governments that were financed by Federal grants as well as by their own resources.

As a broad generalization, Tables 6–11 and 6–13 suggest that this rationale would not currently justify much Federal borrowing, if any at all, under the two capital budgets roughly illustrated in this chapter. For *Federal capital,* Table 6–11 indicates that current cost depreciation is more than gross investment for Federal capital—the capital budget surplus is $39 billion (or $1 billion excluding defense capital). The rationale of borrowing to finance net investment would not justify the Federal Government borrowing at all to finance its investment in Federal capital; instead, it would have to repay debt in this amount. Together with balancing the operating budget, this would approximately require the Government to eliminate its 1998 borrowing of $121 billion (the unified budget deficit) and also repay debt of $39 billion—a total difference of $160 billion. For *national capital,* table 6–13 indicates that current cost depreciation (plus the excise taxes earmarked to finance capital expenditures for highways and airports and airways[33]) is less than gross investment but almost as large—the capital budget deficit is $12 billion. The rationale of borrowing to finance net investment would justify the Federal Government borrowing only this amount to finance its investment in national capital. Together with balancing the operating budget, this would approximately require the Government to reduce its borrowing in 1998 from $121 billion (the unified budget deficit) to $12 billion.

Even with depreciation calculated in current cost, the rationale for borrowing to finance net investment is not persuasive. The Federal Government, unlike a business or household, is responsible not only for its own affairs but also for the general welfare of the Nation. To maintain and accelerate national economic growth and development, the Government needs to sustain private investment as well as its own national investment. For more than the last decade, however, net national saving and investment have been low, both by historical standards and in comparison to the amounts needed to achieve the Administration's goals for accelerated growth.

To the extent that the Government finances its own investment in a way that results in lower private investment, the net increase of total investment in the economy is less than the increase from the additional Federal capital outlays alone. The net increase in total investment is significantly less if the Federal investment is financed by borrowing than if it is financed by taxation, because borrowing primarily draws upon the saving available for private (and State and local) investment whereas much of taxation instead comes out of private consumption. Therefore, the net effect of Federal investment on economic growth would be reduced if it were financed by borrowing. This would be the result even if the rate of return on Federal investment was higher than the rate of return on private investment. For example, if a Federal investment that yielded a 15 percent rate of return crowded out

[33] The capital budget deficit would be about $13 billion larger if current cost depreciation were used instead of earmarked excise taxes for highways and airports and airways.

private investment that yielded 10 percent, the net social return would still be positive but it would only be 5 percent.[34]

The first budget of this Administration was a bold step to increase the saving available for private investment while also increasing Federal investment for national capital. The deficit has been cut by nearly two-thirds during the past four years, and available resources have been shifted to investment in education and training and in science and technology. The present budget goes further, proposing budget balance by 2002 while protecting high priority investments. A capital budget is not a justification to relax current and proposed budget constraints. Any easing would undo the gains from the deficit reduction already achieved and the further gains from balancing the budget by 2002.

[34] GAO considered deficit financing of investment but did not recommend it. See *Incorporating an Investment Component in the Federal Budget*, pp. 12–13.

Part V: SUPPLEMENTAL PHYSICAL CAPITAL INFORMATION

The Federal Capital Investment Program Information Act of 1984 (Title II of Public Law 98–501; hereafter referred to as the Act) requires that the budget include projections of Federal physical capital spending and information regarding recent assessments of public civilian physical capital needs. This section is submitted to fulfill that requirement.

This section is organized in two major parts. The first part projects Federal outlays for public physical capital and the second part presents information regarding public civilian physical capital needs.

Projections of Federal Outlays For Public Physical Capital

Federal public physical capital spending is defined here to be the same as the "major public physical capital investment" category in Part I of this chapter. It covers spending for construction and rehabilitation, acquisition of major equipment, and other physical assets. This section excludes outlays for human capital, such as the conduct of education and training, and outlays for the conduct of research and development.

The projections are done generally on a current services basis, which means they are based on 1997 enacted appropriations and adjusted for inflation in later years. The current services concept is discussed in Chapter 16, "Current Services Estimates."

Federal public physical capital spending was $115.9 billion in 1996 and is projected to increase to $126.3 billion by 2007 on a current services basis. The largest components are for national defense and for roadways and bridges, which together accounted for more than two-thirds of Federal public physical capital spending in 1996.

Table 6–14 shows projected current services outlays for Federal physical capital by the major categories specified in the Act. Total Federal outlays for transportation-related physical capital were $28.1 billion in 1996, and current services outlays are estimated to increase to $32.7 billion by 2007. Outlays for nondefense housing and buildings were $11.7 billion in 1996 and are estimated to be $11.7 billion in 2007 also. Physical capital outlays for other nondefense categories were $21.1 billion in 1996 and are projected to be $22.8 billion by 2007. For national defense, this spending was $55.0 billion in 1996 and is estimated on a current services basis to be $59.1 billion in 2007.

Table 6–14. CURRENT SERVICES OUTLAY PROJECTIONS FOR FEDERAL PHYSICAL CAPITAL SPENDING

(In billions of dollars)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Nondefense:												
Transportation-related categories:												
Roadways and bridges	19.7	19.6	19.8	20.0	20.2	20.4	20.7	21.4	21.8	22.3	22.9	23.4
Airports and airway facilities	4.2	3.5	3.5	3.5	3.5	3.6	3.8	3.9	4.0	4.1	4.2	4.4
Mass transportation systems	3.7	3.9	2.9	3.4	3.3	3.7	3.7	3.7	3.8	3.9	4.0	4.1
Railroads	0.6	0.5	0.6	0.7	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.8
Subtotal, transportation	28.1	27.5	26.9	27.6	27.7	28.3	28.9	29.7	30.4	31.1	31.9	32.7
Housing and buildings categories:												
Federally assisted housing	6.8	7.2	6.6	6.2	6.1	6.1	6.1	6.3	6.3	6.4	6.5	6.6
Hospitals	1.8	1.7	1.6	1.6	1.6	1.7	1.7	1.8	1.9	1.9	2.0	2.1
Public buildings [1]	3.1	3.1	3.0	3.1	3.5	3.3	3.1	2.7	2.7	2.8	2.9	3.1
Subtotal, housing and buildings	11.7	12.0	11.1	10.8	11.2	11.1	11.0	10.8	10.9	11.2	11.4	11.7
Other nondefense categories:												
Wastewater treatment and related facilities	2.8	2.5	2.0	2.3	2.7	3.0	2.9	3.0	3.1	3.1	3.2	1.5
Water resources projects	2.3	2.4	2.1	2.2	2.3	2.3	2.4	2.4	2.5	2.6	2.6	2.7
Space and communications facilities	3.1	4.6	3.7	4.1	2.3	2.2	3.9	4.0	4.1	4.2	4.3	4.5
Energy programs	2.1	1.6	1.5	1.5	1.5	1.5	1.6	1.7	1.6	1.7	1.7	1.7
Community development programs	5.3	5.8	5.4	5.6	5.4	5.5	5.6	5.8	5.9	6.1	6.2	6.4
Other nondefense	5.4	5.8	1.6	5.9	6.1	6.1	6.3	6.5	6.7	6.9	7.1	6.0
Subtotal, other nondefense	21.1	22.7	16.3	21.5	20.2	20.6	22.6	23.4	23.9	24.6	25.2	22.8
Subtotal, nondefense	60.9	62.2	54.3	59.9	59.1	59.9	62.5	63.8	65.2	66.8	68.5	67.2
National defense	55.0	50.7	48.5	49.9	51.2	52.1	52.7	54.3	54.7	56.1	57.6	59.1
Total	**115.9**	**112.8**	**102.8**	**109.8**	**110.3**	**112.0**	**115.2**	**118.1**	**119.9**	**123.0**	**126.1**	**126.3**

[1] Excludes outlays for public buildings that are included in other categories in this table.

Table 6–15 shows current services projections on a constant dollar basis, using fiscal year 1992 as the base year.

For outlay details for most programs, see the items included in major public physical capital in tables 6–2 and 6–3.

Public Civilian Capital Needs Assessments

The Act requires information regarding the state of major Federal infrastructure programs, including highways and bridges, airports and airway facilities, mass transit, railroads, federally assisted housing, hospitals, water resources projects, and space and communications investments. Funding levels, long-term projections, policy issues, needs assessments, and critiques, are required for each category.

Capital needs assessments change little from year to year, in part due to the long-term nature of the facilities themselves, and in part due to the consistency of the analytical techniques used to develop the assessments and the comparatively steady but slow changes in underlying demographics. As a result, the practice has arisen in reports in previous years to refer to earlier discussions, where the relevant information had been carefully presented and changes had been minimal.

The needs assessment material in reports of earlier years is incorporated this year largely by reference to earlier editions and by reference to other needs assessments. The needs analyses, their major components, and their critical evaluations have been fully covered in past Supplements, such as the 1990 Supplement to Special Analysis D.

It should be noted that the needs assessment data referenced here have not been determined on the basis of cost-benefit analysis. Rather, the data reflect the level of investment necessary to meet a predefined standard (such as maintenance of existing highway conditions). The estimates do not address whether the benefits of each investment would actually be greater than its cost or whether there are more cost-effective alternatives to capital investment, such as initiatives to reduce demand or use existing assets more efficiently. Before investing in physical capital, it is necessary to compare the cost of each project with its estimated benefits, within the overall constraints on Federal spending.

Table 6–15. CURRENT SERVICES OUTLAY PROJECTIONS FOR FEDERAL PHYSICAL CAPITAL SPENDING

(In billions of constant 1992 dollars)

	1996 actual	Estimate					
		1997	1998	1999	2000	2001	2002
Nondefense:							
Transportation-related categories:							
Roadways and bridges	18.1	17.6	17.4	17.1	16.8	16.5	16.4
Airports and airway facilities	4.0	3.3	3.1	3.1	3.0	3.0	3.1
Mass transportation systems	3.4	3.5	2.6	2.9	2.8	3.0	2.9
Railroads	0.6	0.5	0.6	0.7	0.5	0.5	0.5
Subtotal, transportation	26.1	24.9	23.7	23.7	23.2	23.1	23.0
Housing and buildings categories:							
Federally assisted housing	6.3	6.5	5.8	5.3	5.1	5.0	4.9
Hospitals	1.8	1.6	1.5	1.4	1.4	1.4	1.5
Public buildings [1]	3.0	3.0	2.7	2.8	3.0	2.8	2.6
Subtotal, housing and buildings	11.1	11.1	10.0	9.5	9.5	9.2	8.9
Other nondefense categories:							
Wastewater treatment and related facilities	2.6	2.3	1.8	2.0	2.2	2.4	2.3
Water resources projects	2.2	2.3	1.9	2.0	2.0	2.0	2.0
Space and communications facilities	3.0	4.3	3.4	3.7	2.0	1.9	3.2
Energy programs	2.1	1.5	1.4	1.3	1.3	1.3	1.3
Community development programs	4.9	5.2	4.7	4.8	4.5	4.5	4.5
Other nondefense	5.2	5.4	1.4	5.3	5.3	5.2	5.2
Subtotal, other nondefense	20.1	21.0	14.6	19.0	17.4	17.2	18.5
Subtotal, nondefense	57.2	57.0	48.3	52.2	50.1	49.5	50.4
National defense	50.0	45.0	42.0	42.1	42.1	41.7	41.2
Total	**107.3**	**101.9**	**90.3**	**94.3**	**92.2**	**91.3**	**91.5**

[1] Excludes outlays for public buildings that are included in other categories in this table.

Significant Factors Affecting Infrastructure Needs Assessments

Highways

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

Airports and Airway Facilities

1. Airports in the National Plan of Integrated Airport Systems with scheduled passenger traffic	554
2. Air traffic control towers	476
3. Airport development eligible under airport improvement program for period 1993–1997	$29.7 billion ($9.4 billion for capacity) (1992 dollars)

Mass Transportation Systems

1. Yearly cost to maintain condition and performance of rail facilities over a period of 20 years	$4.2 billion (1993 dollars)
2. Yearly cost to replace and maintain the urban, rural, and special services bus fleet and facilities	$3.7 billion (1993 dollars)

Wastewater Treatment

1. Total remaining needs of sewage treatment facilities	$127.1 billion (1992 dollars)
2. Total Federal expenditures under the Clean Water Act of 1972 through 1996	$67 billion
3. Percent of population served by centralized treatment facilities that benefits from at least secondary sewage treatment systems	94 percent
4. States and territories served by State Revolving Funds	51

Housing

1. Total unsubsidized very low income renter households with worst case needs (5.3 million*)	
A. In severely substandard units	0.4 million
B. With a rent burden greater than 50 percent	5.0 million

*The total is less than the sum because some renter families have both problems.

Indian Health (IHS) Care Facilities

1. IHS hospital occupancy rates (1996)	44.6 percent
2. Average length of stay, IHS hospitals (days) (1996)	4.2
3. Hospital admissions (1995)	56,796
4. Outpatient visits (1995)	4,156,146
5. Population (1997)	1,434,529

Department of Veterans Affairs (VA) Hospitals (1996)

1. Hospitals	173
2. Outpatient clinics	404
3. Domiciliaries	39
4. Centers for veterans	203
5. VA owned nursing home beds	15,712

Water Resources

Water resources projects include navigation (deepwater ports and inland waterways); flood and storm damage protection; irrigation; hydropower; municipal and industrial water supply; recreation; fish and wildlife mitigation, enhancement, and restoration; and soil conservation.

Potential water resources investment needs typically consist of the set of projects that pass both a benefit-cost test for economic feasibility and a test for environmental acceptability. In the case of fish and wildlife mitigation or restoration projects, the set of eligible projects includes those that pass a cost-effectiveness test.

Investment Needs Assessment References

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7. RESEARCH AND DEVELOPMENT EXPENDITURES

Technological innovation has accounted for at least half of the Nation's productivity growth in the last 50 years. We enjoy the fruits of this innovation every day in the many technologies we have come to depend on for our way of life, including lasers, computers, x-rays, teflon, weather and communication satellites, jet aircraft, microwave ovens, solar-electric cells, and human insulin. These advances have generated millions of high-skilled, high-wage jobs and significantly improved our quality of life. Because our investments in research and development (R&D) have paid such rich dividends, the Administration is proposing $72.7 billion in R&D activities in 1998. Of this total, civilian R&D will be funded at $34.3 billion, a $1.2 billion or four-percent increase over 1997 and an 18-percent increase since 1993. University-based research will increase to roughly $12.9 billion, a $529 million or four percent increase over 1997. Chapter Four of the *Budget* includes a discussion that contains more information on R&D activities.

Table 7–1. FEDERAL RESEARCH AND DEVELOPMENT EXPENDITURES

(Outlays, dollar amounts in millions)

	1993[1] actual	1997 estimate	1998 proposed	Dollar change 1997 to 1998	Percent change 1997 to 1998
By Agency:					
Defense	38,035	36,902	35,479	–1,423	–4%
Health and Human Services	9,660	12,323	13,169	+846	+7%
National Aeronautics and Space Administration	8,885	9,182	9,308	+126	+1%
Energy	6,945	6,540	6,746	+206	+3%
National Science Foundation	1,842	2,448	2,448	0	0%
Agriculture	1,455	1,522	1,539	+17	+1%
Commerce	607	885	841	–44	–5%
Interior	636	590	600	+10	+2%
Environmental Protection Agency	519	494	527	+33	+7%
Other	1,736	1,928	2,009	+81	+4%
Total	**70,320**	**72,814**	**72,666**	**–148**	**0%**
By R&D Theme:					
Basic Research	12,625	14,625	14,882	+257	+2%
Applied Research	12,437	14,252	14,540	+288	+2%
Development	42,625	41,408	40,503	–905	–2%
Equipment	NA	973	993	+20	+2%
Facilities	2,633	1,556	1,748	+192	+12%
Total	**70,320**	**72,814**	**72,666**	**–148**	**0%**
By Civilian Theme:					
Basic Research	11,370	13,494	13,729	+235	+2%
Applied Research	8,511	10,212	10,569	+357	+3%
Development	7,374	7,651	8,211	+560	+7%
Equipment	NA	530	539	+9	+2%
Facilities	1,749	1,217	1,282	+65	+5%
Subtotal	**29,004**	**33,104**	**34,330**	**+1,226**	**+4%**
By Defense Theme:					
Basic Research	1,255	1,131	1,153	+22	+2%
Applied Research	3,926	4,040	3,971	–69	–2%
Development	35,250	33,757	32,292	–1,465	–4%
Equipment	NA	443	454	+11	+2%
Facilities	885	339	466	+127	+37%
Subtotal	**41,316**	**39,710**	**38,336**	**–1,374**	**–3%**
R&D Support to Universities	**10,463**	**12,364**	**12,893**	**+529**	**+4%**

NA = Not applicable.

[1] Equipment and Facilities were not collected separately in 1993.

8. UNDERWRITING FEDERAL CREDIT AND INSURANCE

The Federal Government continues to be the largest financial institution in the United States, with a face value of $6.0 trillion outstanding at the end of 1996. Of this, $165 billion is direct loans, $805 billion is loan guarantees, and $5.0 trillion is insurance. Including Government-sponsored enterprises (GSEs), the total Federal and federally assisted credit and insurance outstanding is $7.7 trillion.

These diverse financial programs offer credit for education, housing, business, and exports, and offer insurance for deposits, pensions, and other risks. They are now facing two challenges. Like all other Federal programs, they are operating in a period of tight budgetary constraints. And they are seeking to redefine their purpose and improve their effectiveness in the context of rapidly evolving private financial markets, that are making some of their functions less necessary and generating both new risks and new opportunities.

The introduction to this chapter summarizes key changes in financial markets and their effects on Federal programs. Its first section is a cross-cutting analysis of the rationale for a continued Federal role in providing credit and insurance, performance measures for credit programs, and criteria for re-engineering credit programs so as to enhance their benefits in relation to costs. The second section reviews Federal credit programs and GSEs for four sectors: education, housing, business and community development, and exports, noting the rationale and goals of these programs, and analyzing the efforts to improve their effectiveness. The final section of the chapter assesses recent developments in Federal deposit insurance, pension guarantees, and disaster insurance.

Evolving Financial Markets

Financial markets have been evolving rapidly in recent years. Both intermediaries—banks and the many non-bank firms engaged in financial services—and capital markets have been reaching out to new clients that they did not serve a few years ago. Competition for business within and across industry lines has become more intense as legal and regulatory restrictions segmenting financial markets have eased. Massive databanks and increasingly sophisticated analytical methods are being used to find creditworthy borrowers among people and businesses previously thought ineligible for private credit. These systems are under development and may still screen out some creditworthy clients, but they are also a relatively inexpensive way of screening new potential borrowers.

Moreover, funds are flowing more readily to their most productive uses across the country and around the world. Interstate banking and branching are nationwide except for a few states that have opted out. Capital market financing is available to smaller companies and for a broader range of purposes than before. Secondary markets are the main source of financing for mortgages, and a rapidly growing source of financing for household durables, consumer credit, and small business loans. Nonbanks and nonfinancial firms that sell construction, equipment, and supplies are helping to funnel funds from capital markets to small clients in cities and in rural areas.

Fast and cheaper information and communications systems have revolutionized "back office" functions. These can be consolidated to achieve economies of scale and located anywhere in the world where capable help is available and economical. From these locations, communications can bring the "back office" to the front line on a computer terminal in the office of any realtor or supplier or in any storefront or kiosk. From a timely information base, credit servicing and workout have become much more efficient, driven by benefit/cost calculations.

Impact on Federal Programs

These changes are affecting the roles, the risks, and the operations of Federal credit and insurance programs.

- In some cases, private credit and insurance markets may evolve sufficiently to take over functions that were previously left to Federal programs. More likely, they may take away the best risks among those who have been borrowing from the Government or with its guarantee, leaving the Federal program facing a smaller pool of riskier clients. If the Government is aware of this in time, the result may be new benefit/cost calculations that might help to redesign—or to end—the program. If the Government is caught unaware, the result may be greater cost for the taxpayers.
- At the same time, Federal programs can take advantage of the growing private capability. They can leverage it to provide additional assistance to their clients. With careful attention to the incentives faced by the private sector, they can develop a variety of partnerships with private entities. And they can contract with the private sector wherever it can provide specific credit servicing, collection, or asset disposition services more efficiently.

Insurance programs, too, are affected by the evolution of the financial marketplace. That is most obvious for deposit insurance, which now backs a recovered, consolidating industry, but one that has assumed the risks inherent in providing a growing array of increasingly sophisticated services, including many off-balance sheet activities, often on a world-wide basis. It is also true for pensions, where the Government guarantees defined benefit plans, but defined contribution plans play an increasing role—attracting the support of younger workers in an aging workforce. And it is true for disaster insurance, where private firms are gaining a better understanding of their risks and exploring ways to diversify them in capital markets.

In this changing environment for Federal credit and insurance programs, this chapter asks three questions. First, what is our current understanding of the roles of these programs? Second, how well are they achieving their goals? And finally, could these programs be re-engineered to achieve greater benefits in relation to costs? The third question marks the beginning of a research project, cutting across all programs, which will continue over the next year.

I. A Cross-cutting Assessment

The Federal Role

In most lines of credit and insurance, the private market efficiently allocates resources to meet societal demands, and Federal intervention is unnecessary. However, there are situations where Federal intervention may improve on the market outcome. The following are six standard situations where this may be the case,[1] together with some examples of Federal programs that seek to address them.

- *Information failures* occur when there is an asymmetry in the information available to different agents in the marketplace. A common Federal intervention in such cases is to require the more knowledgeable agent, such as a financial institution, to provide certain information to the other, for example, the borrower or investor. A different sort of information failure occurs when the private market deems it too risky to develop a new financial instrument or market. This is rare nowadays, but it is worth remembering that the Federal Government developed the market for amortized, fixed-rate mortgages and started other innovations in housing finance.
- *Externalities* occur when people or entities either do not pay the full cost of their activities (e.g., pollution) or do not receive the full return. Federal credit assistance for students is justified in part because, although people with more education are likely to have higher income and even better health, they do not receive the full benefits of their education. Their colleagues at work, the residents of their community, and the citizens of the Nation also benefit from their greater knowledge and productivity.
- *Economic disequilibrium* is a third rationale for Federal intervention. This is one rationale for deposit insurance. If many banks and thrifts are hurt simultaneously by an economic shock, such as accelerating inflation, and depositors have a hard time knowing which ones may become insolvent, deposit insurance prevents a contagious rush to withdraw deposits that could harm the whole economy.
- *Failure of competition,* resulting from barriers to entry, economies of scale, or foreign government intervention, may also argue for Federal intervention—for example, by reducing barriers to entry, as has often been done recently, by negotiating to eliminate or reduce foreign government subsidies, or by providing countervailing Federal credit assistance to American exporters.
- *Incomplete markets* occur if producers do not provide credit or insurance even though customers might be willing to pay for it. One example would be catastrophic insurance, where there is a small risk of a very large loss; a disaster that occurred sooner rather than later could bankrupt the insurer even if premiums were set at an appropriate level. Another example is caused by "moral hazard" problems, where the borrower or insured could behave so as to take advantage of the lender or insurer. This is the case for pension guarantees, where sponsors might underfund plans, and for deposit insurance, where banks might take more risk to earn a higher return. In these cases, the Government's legal and regulatory powers provide an advantage in comparison with a private insurer.
- In addition to correcting market failures, Federal credit programs are often used to *redistribute resources* by providing subsidies from the general taxpayer to disadvantaged segments of the population or regions.

In reviewing its credit and insurance programs, the Federal Government must continually reassess whether the direct and indirect benefits to the economy exceed the direct and indirect costs. This assessment should include the costs associated with redirecting scarce resources away from other investments. In some situations, the market may have recently become capable of providing financial services, and older Federal programs may need to be modified or ended to allow private markets to develop. Private providers in similar circumstances might go bankrupt, merge, or change their line of business; for Federal programs, a policy decision and usually a change in law are needed to eliminate overcapacity. In other instances, Federal programs may be redesigned to encourage the development of private credit market institutions or to target Federal assistance more efficiently to groups still unable to obtain credit and insurance in the private market.

[1] Economics textbooks also list pure public goods, like national defense, where it is difficult or impossible to exclude people from sharing the full benefits of the goods or services once they have been produced. It is hard to imagine credit or insurance examples in this category.

What Are We Trying to Achieve?

If the main Federal role is to provide credit and insurance that private markets would not provide—to stretch the boundaries in providing credit and insurance—the Federal goal is to achieve a net impact that benefits society. Together, these objectives make the standard for success of a Federal credit or insurance program even more daunting than for a private credit or insurance firm.

For credit and insurance, as for all other programs, implementation of the Government Performance and Results Act (GPRA) will help to assess whether programs are achieving their intended results in practice—and will improve the odds for success. GPRA requires agencies to develop strategic plans in consultation with the Executive, the Congress, and interested parties; this process should refine and focus agency missions. The strategic plans set long-range goals, annual performance plans set milestones to be reached in the coming year, and annual performance reports will measure agency progress toward achieving their goals.

GPRA defines four kinds of measures for assessing programs: inputs (the resources used), outputs (the goods or services produced), outcomes (the gross effects on society achieved by the program), and net impacts (the effects net of those that would have occurred in the absence of the program, e.g., with private financing). For credit and insurance programs, interesting interrelationships among these measures provide the keys to program success.

Net impacts measure the net effect of the program on intended outcomes compared with what would have occurred in the absence of the program; they exclude, for example, effects that would have been achieved with private credit in the absence of the program. Among the net impacts toward which Federal credit programs strive are: a net increase in college graduates, a net increase in home ownership, a net increase in small businesses, a net increase in exports, and a net increase in jobs.

For credit programs, the first key to achieving any of these net impacts is outreach. In the spirit of the Federal role, programs need to identify borrowers who would not get private credit. They need to reach out to under-served populations (e.g., low-income or minority people) and neighborhoods (urban and rural). They need to encourage the start-up of new activities (e.g., beginning farmers, new businesses, new exporters). And they need to reach their legislatively targeted populations (students, veterans). Federal lending is often directed to higher risk borrowers, or for higher risk purposes. In order to assist certain target groups or encourage certain activities, credit may be extended for longer periods or at a lower cost to the borrower.

Achieving program objectives, however, also means finding ways to assist those borrowers at the boundary of private credit markets to repay their loans. This is not just a financial goal; it is necessary to achieve the program's social purpose. Education that enhances income is associated with repayment of student loans. Home ownership requires mortgage repayment. Remaining in business with a good credit rating requires repayment of small business, farm, and export loans. And loan repayment is inherent in program cost-effectiveness. Moreover, when the Federal Government bears risk for less creditworthy borrowers and does so in a way that fails to assist them to repay, they struggle with high debt burdens and are left with poor credit records.

With implementation of the Federal Credit Reform Act of 1990, Federal credit programs began to reconcile the tension between giving help to certain groups or for certain purposes and "business-like" financial management. With the implementation of GPRA, they may begin to see program success and financial success as two facets of the same goal. The challenge is usually to identify "boundary" borrowers and to structure the loan and its servicing (including technical assistance) so as to pull those borrowers toward financial and programmatic success. In some cases, savings from improved credit program management may be reinvested to pull more borrowers across that boundary.

Outputs and Outcomes, therefore, have an interrelationship which is crucial to the performance of credit programs. The most obvious output of Federal credit programs is the number and value of direct loans originated or loans guaranteed. But volume alone does not achieve the objectives of Federal credit programs; indeed, large volume or market share may be a sign of displacement of private lenders. Loans must have certain characteristics in order to achieve the desired outcomes and net impacts; these characteristics are therefore part of desired program output.

Because of the Federal role, output measures should include an estimate of the percent of loans or guarantees originated going to borrowers who would otherwise not have access to private credit, and the percent of loans or guarantees originated going to specific target groups (e.g., veterans) or for specific purposes. Because of the Federal goal, output measures should include the percent of loans or guarantees that are current. This should be compared with the percent that were expected to be current at this point in the repayment cycle.

To assess the latter, program data should be analyzed to determine whether repayment prospects are enhanced by particular characteristics of loan structure (such as higher initial borrower equity), of loan origination (such as verifying borrower financial status), of loan servicing (such as prompt counseling), or of guarantee conditions (such as lender risk-sharing). When such characteristics help to control the cost of credit programs and to achieve desired outcomes, then these characteristics should be measured as part of the program's output.

The linkage between such output characteristics and the outcomes of Federal credit programs is not always fully recognized. For example, one desired outcome is to reach under-served populations or neighborhoods; to achieve this outcome, it would be useful to monitor whether loans are going to borrowers who would not otherwise have access to credit or to specific target groups. Other desired outcomes include supporting investment important to the economy, encouraging start-up of new activities, or contributing to sustained economic development. To achieve these outcomes, it would be useful to monitor whether the program's loans and operating procedures have characteristics that would enhance borrower repayment.

Inputs. Program cost is also a performance measure. For credit and insurance programs, it is a continuing challenge to understand and control the risks that the Government assumes and to measure the inherent cost. This is especially true in view of the rapid changes in financial markets discussed above and the increasingly complex financial instruments.

The net present value subsidy cost of Federal credit programs, cumulated over time for each cohort of the program's loans or loan guarantees, is the main input. Another is the administrative cost of the program, including the cost of credit extension, direct loan servicing and guaranteed loan monitoring, collecting on delinquent loans and collateral, and other administrative costs such as policymaking or systems development.

The relationship between subsidy and administrative costs is another crucial one for the success of credit programs. Careful servicing of loans, for example, can reduce default costs, and perhaps total program costs. So good servicing is good financial management for the taxpayer. But good servicing is also an art, which can—by helping borrowers to repay—help to achieve the program's performance objectives. Private servicing of loans offers many examples of the gains from matching repayment to the borrower's flow of income, treating borrowers in different circumstances differently, and in other ways maximizing the borrower's chances to make good.

In sum, there are three relationships that seem to hold the key to excellence in credit program performance: the relationship between repayment and the achievement of program objectives, the relationship between the characteristics of credit program outputs and desired outcomes, and the relationship between subsidy cost and good servicing and program administration. Another important key to success is the speed with which the program adapts to market changes, including its ability to provoke or harness private markets to meet the Federal goals.

Principles for Re-engineering

In order to improve the effectiveness of Federal credit programs, OMB will be working with agencies over the next year to identify ways to re-engineer credit management. In particular, this effort will focus on improving servicing, will consider consolidation of functions such as data collection and asset disposition, will rely on the private sector when that would improve efficiency, will devise incentives to improve management and reduce cost, and will ensure the development of detailed data for program management and subsidy estimation.

The focus will be on managing the servicing, workout, and sale of any collateral as efficiently as possible. For example, why does the Federal Government pay claims on guaranteed loans and handle the workout, instead of leaving this to the originating lender? Why does the Government take over collateral? How do the timing and results of our asset disposition compare with private practice? Why do we make loans to finance purchases of collateral? What incentives and penalties would be useful for programs and program staff? For guaranteed loan originators? For contractors who service Federal loans or dispose of collateral?

A tentative set of principles for re-engineering credit programs has been developed that builds on OMB Circular A–129 and initial research. These will be circulated for agency comment and modified by lessons learned from additional research over the next year. The resulting principles are intended to improve the performance of Federal credit programs in the years ahead. Because private markets are extending credit where it was formerly unavailable, and because there is little purpose to re-engineering programs which are not justified, these principles start with basic questions of program justification. But their main focus is on how programs should be carried out.

Program Justification

1. *Credit assistance should be provided only when it has been demonstrated that private credit markets cannot achieve clearly defined Federal objectives.* What is the objective? Is access to private credit available? If not, why not? If so, why and to what extent should private terms and conditions be supplemented or subsidized?

2. *Credit assistance should be provided only when it is the best means to achieve Federal objectives.* Can private credit markets be developed? Can market imperfections be overcome by information, regulatory changes, or other means? Would small grants for downpayments, capitalization for State, local, or non-profit revolving funds, or other approaches be more efficient?

3. *Credit assistance should be provided only when its benefits exceed its cost.* Analyze benefits and costs in accordance with OMB Circular A–94.

Program Design

4. *Credit programs should minimize substitution for private credit.* What features of program design minimize displacement? Encourage and supplement private lending? To what extent is credit for this objective expanded by this program compared with what would be available in the absence of the program? What is the economic cost of the lending bumped from the credit queue?

5. *Credit programs should stretch their resources and better meet their objectives by controlling the risk of default.* What features of program design minimize risk? Are there incentives and penalties for loan originators and servicers to minimize risk? What features of the loan contract, the process of origination, the quality of servicing, and the workout procedures minimize risk? Do borrowers have an equity interest? Is maturity shorter than the economic life of the asset financed? Are the timing and amount of payment matched with availability of resources? Is timely reminder and technical assistance provided? How well is risk understood, measured, and monitored?

6. *Credit programs should stretch their resources to better meet their objectives by minimizing cost; most should be self sustaining.* Do fees and interest cover the Government's cost, including administration? Are interest rates specified as a percent of market rates on comparable maturity Treasury securities? Are charges for riskier borrowers proportional to their higher cost?

Program Operations

7. *Credit programs should take advantage of the capacity, flexibility, and expertise available in competitive private markets unless the benefits of direct Federal operations can be shown to exceed the cost.* Private financial institutions may offer convenient access for borrowers, potential for graduation to private credit, economies of scale, ready adjustment to changing volume or location of loans, and knowledge of current credit conditions and techniques.

8. *The lender (in the case of a loan guarantee), the servicer, and the providers of workout and asset disposition services should have a stake in the successful and timely repayment of the loan or collections on claims and collateral.* Originators of guaranteed loans should bear a share of each dollar of default loss, and—unless other arrangements can be shown to be more cost-effective—should be responsible for handling workout. Each contract should include incentives for good performance, and penalties, including loss of business, for poor performance. The duration and scope of each contract or agreement should be limited so as to maximize specialization and competition, unless those are offset by economies of scale in operations and monitoring.

9. *Criteria should be established for lender participation in Federal loan guarantee programs, servicers, and providers of workout and asset disposition services.* These should include financial and capital requirements for lenders and servicers not regulated by a Federal financial institution regulatory agency, and may include fidelity/surety bonding and/or errors and omissions insurance, qualification requirements for officers and staff, and requirements of good standing and performance in relation to other contracts and debts. Lenders transferring and/or assigning servicing, and lenders or servicers transferring and/or assigning workout or asset disposition must use only entities which have qualified under the Federal participation criteria.

10. *When there are economies of scope or scale, the data gathering and analysis, servicing, debt collection, workout, asset disposition, or other functions of specific credit programs should be combined or coordinated.* The sequence of operations should be streamlined, and accountability for each step clearly defined.

Program Monitoring

11. *Each program should maintain or receive monthly loan-by-loan transaction data and a system whereby this information triggers servicing, workout, and follow-up actions.* These data shall be linked by loan number to an analytical database showing characteristics of loans, borrowers, projects financed, financial information, credit ratings, and other data in a form suitable for use in subsidy estimation and loan pricing.

12. *Each program should design and carry out steps to foresee problems, and to inspect, audit, and assess the program's operations.* Methods should be benchmarked against the best practices used elsewhere. The program and its lenders, servicers, and other contractors should experiment with and assess ways in which the effectiveness or efficiency of the program might be improved or costs reduced.

II. Credit in Four Sectors

Education Credit Programs and GSEs

Student Loans

The Federal Government helps to finance student loans through two major programs: the Federal Family Education Loan (FFEL) program and the Federal Direct Student Loan (FDSL) program. Eligible institutions of higher education include public and private 2-year and 4-year institutions as well as vocational training schools. Schools may choose to participate in either program. Loans are available to students and their parents regardless of income. Borrowers with lower family incomes are eligible for higher interest subsidies.

Overall student loan volume is expected to increase by almost 40 percent over the next five years. In 1997, lending (excluding amounts for promissory notes that never result in loans) is expected to be $34 billion, of which $7 billion is for consolidation of existing loans and the remainder is for new loans. By 2002, lending is expected to increase to $47 billion, of which $10 billion is for consolidations. The projected volume increase continues current trends, which have seen loan levels rise dramatically over the past 10 years. The principal causes of this increase—both to date and in the future—are steadily rising educational costs, higher loan limits, and a growing population of eligible borrowers.

The Federal Family Education Loan program provides loans to students and parents through a complex administrative structure involving over 7,000 lenders, 32 State and private guaranty agencies, 90 participants in the secondary markets, and 7,300 participating schools. Under FFEL, banks lend private capital to students and parents, guaranty agencies insure the loans, and the Federal Government reinsures the loans against borrower default. In addition to paying for defaults, the Federal Government provides interest and administrative subsidies to banks and guaranty agencies.

The Federal Direct Student Loan program was authorized by the Student Loan Reform Act of 1993 to enable students and parents more easily to obtain and repay loans than was possible under the FFEL program. Under FDSL, the Federal Government provides loans directly to borrowers, thus eliminating the reinsurance and subsidization of private lenders. The program has several key advantages over the FFEL program:

- Borrowers may choose from a variety of repayment options, including income contingent repayment. This gives them a wider range of options in pursuing public service careers and managing their finances.
- Application and repayment processes are streamlined for borrowers and schools, eliminating substantial paperwork and long lines at campus financial aid offices.
- Loan servicing and default collection is handled by contractors selected through competitive bidding processes. This ensures that the Federal Government obtains high quality administrative services at the lowest price possible. The FFEL program, by contrast, guarantees payments to all participating lenders and guaranty agencies based on fixed rates set by law, without regard to how well their services are performed.
- The simplified program structure is more manageable and significantly less vulnerable to fraud and abuse. In 1995, the Inspector General issued a clean audit opinion of the program, the first time a clean audit has ever been received by any of the Department's student loan programs.

Reform proposals. The Administration continues to support allowing individual institutions to choose whether to participate in FFEL or FDSL. To improve both programs for students and taxpayers, the 1998 Budget includes proposals for reducing borrower fees, matching subsidies more closely with lender costs, and restructuring the guaranty agency system. These proposed changes will achieve savings of $3.5 billion over five years.

The U.S. General Accounting Office and Federal courts have acknowledged that the Federal Government is the actual guarantor of loans made under FFEL. The State and non-profit intermediaries in FFEL act as agents of the Federal Government; there are no non-Federal funds at risk. Guaranty agencies are not independent guarantors, but are in fact administrators of the Federal guarantee. The Administration proposes to end a system in which the guaranty agencies hold Federal funds from which they pay default claims. Instead, direct Federal payments will cover default claims. Guaranty agencies therefore no longer need to hold Federal funds in reserve, making possible the return of $2.5 billion in reserve funds over five years.

To improve accountability for the Federal guarantee, the Secretary's agreements with guaranty agencies will be revised and will be subject to periodic recertification. They will include specific, publicly released performance information—confirmed by reliable audits—to ensure the submission of timely, accurate, and consistent data for management purposes. The Secretary will have authority to move to a system of performance-based contracts for the administration of the guarantee, rather than designation of intermediary agencies.

The Department of Education continues to work to reduce default costs and to eliminate excessive subsidies to financial intermediaries. In the "gatekeeping" operation—that is, the process for certifying schools for eligibility for Federal student aid—the Department is attempting to identify high-risk institutions and target its regulatory and enforcement efforts on these institutions. Through its legislative proposals, it attempts to reduce defaults through revised incentives to lenders and guaranty agencies, and increased lender risk-sharing—from 2 percent to 5 percent. To minimize unnecessary subsidies to lenders, the Administration proposes to continue the current policy of providing a lower interest rate when students are in school, reflecting lenders' lower servicing costs during that period. This also reduces interest payments by parents and some students.

Performance Measures and Management. The Department of Education has collected longitudinal data showing that student loans enable college students from low-income backgrounds to progress academically and attain college degrees at the same rate as middle-income students whose families have had sufficient financial resources to avoid borrowing. Work continues on performance indicators for a broad spectrum of policy objectives that are comparable for both the direct and guaranteed programs. These indicators will measure efficiency, Federal costs, and financial management, as well as borrower and institutional satisfaction. The Department is engaged in an extensive review of its information technology systems needed to manage the student loan programs, in accord with requirements of the Information Technology Management Reform Act of 1995, to ensure that investments in these systems are cost effective and provide high quality service to users.

Sallie Mae and Connie Lee

Sallie Mae. The Student Loan Marketing Association is a for-profit, shareholder-owned corporation chartered by Congress in 1972. Its purpose is to expand funds available for student loans by providing liquidity to lenders participating in the FFEL program. Sallie Mae purchases insured student loans from eligible lenders and makes warehousing advances (secured loans to lenders). It currently holds about one-third of all outstanding guaranteed student loans. Sallie Mae also has authority to finance academic facilities and equipment.

Connie Lee. The College Construction Loan Insurance Association was created by the Higher Education Amendments of 1986 to insure and reinsure the financing of postsecondary education facilities. In 1988, the Department of Education helped provide initial financing of the corporation by purchasing, with appropriated funds, $19 million of newly issued common stock. Subsequently, the corporation sold additional stock to institutional investors.

Privatization. Legislation has been enacted to privatize (or terminate) both education GSEs.

In response to an Administration proposal to privatize Sallie Mae, Congress passed and the President signed on September 30, 1996, legislation laying out a process for restructuring Sallie Mae and eventually cutting its ties to the Federal Government. Under the new law, the shareholders have a choice. If they vote within eighteen months to restructure Sallie Mae, a holding company would be established that would own the outstanding Sallie Mae common shares. There are no limits in the statute on the types of business in which this holding company could engage. Sallie Mae's funds and assets would be maintained separately from the funds and assets of the holding company, and could be used only for Sallie Mae's GSE activities. Sallie Mae could continue to buy student loans until September 30, 2007, and would cease to exist on September 30, 2008. If the shareholders vote not to authorize the restructuring, Sallie Mae is required to submit a plan by July 1, 2007, for winding up its GSE activities by July 1, 2013, on which day Sallie Mae would cease to exist.

In 1996, the Administration proposed and Congress approved legislation to privatize Connie Lee by repealing the corporation's enabling legislation and requiring the Federal Government to sell, and Connie Lee to purchase, the corporation's federally owned stock. This sale will occur during fiscal year 1997, and proceeds will be used to finance public elementary and secondary school facility construction and repair within the District of Columbia. The corporation will continue to insure debt of educational institutions, including Historically Black Colleges and Universities and academic institutions which have lower investment-grade credit ratings. Free from previous Federal restrictions, the corporation will be able to guarantee bonds in other market sectors and diversify into new products and services.

Housing Credit Programs and GSEs

The Government provides loans and loan guarantees to expand access to home ownership to people who would not qualify for a conventional mortgage. It also helps to finance rental housing for low-income persons. Housing credit programs run by the Departments of Housing and Urban Development (HUD), Agriculture (USDA), and Veterans Affairs (VA) supported over $100 billion in loan and loan guarantee commitments in 1996, helping over 1.3 million households.

Federal Housing Administration

The Federal Housing Administration (FHA) provides mortgage insurance that expands access to homeownership to people who lack the savings, income, or credit history to qualify for a private mortgage. It also provides credit to finance the purchase, construction, and rehabilitation of rental housing for low-income persons.

FHA's Mutual Mortgage Insurance (MMI) Fund helps increase access to single-family mortgage credit. In 1996, the MMI Fund guaranteed over $59 billion in mortgages for over 739,000 households. Total MMI Fund insurance outstanding at the end of 1996 was $364 billion. Fees and premiums paid to the MMI Fund fully offset program costs; thus, the program is self-sustaining without an annual credit subsidy appropriation from Congress. FHA's General Insurance and Special Risk Insurance (GI/SRI) Fund provides for a number of specialized mortgage insurance programs, including the insurance of loans for property improvements, as well as for cooperatives, condominiums, housing for the elderly, rental housing, and hospitals. In 1996, the GI/SRI Fund guaranteed over $12 billion in mortgages for over 301,000 households. The GI/SRI fund requires a credit subsidy appropriation for the cost of multi-family insurance. In addition, the budget projects $5 billion of net insurance costs for multi-family projects will be recognized over the next three years. The Administration's Portfolio Reengineering proposal will help to reduce both these mandatory insurance costs and future discretionary rental assistance costs for these properties.

First-time homebuyers make up over two-thirds of FHA's insurance business each year. Very low-income and minority homebuyers, and buyers living in underserved areas are a growing proportion of FHA's single-family business. In 1995, 29 percent of FHA mortgage insurance was provided to African-American and Hispanic borrowers—an increase from 18 percent in 1992 and higher than the 14 percent in the entire conforming market. In 1995, 41 percent of FHA's insurance was provided in underserved areas—an increase from 36 percent in 1992 and higher than the 30 percent for the entire market's lending. In 1995, 18 percent of FHA's home purchase loans were made to very-low-income borrowers, while the comparable figure for the whole conforming market was 15 percent.

Reengineering FHA Programs. FHA is streamlining and reorganizing its single-family operation. At the beginning of 1996, the FHA single-family program was administered by a staff of about 2,200; over the next three years, staff levels are projected to decline dramatically, contributing significantly to achieving the Department's overall downsizing goals.

To ensure staff reductions are accomplished without diminishing performance, downsizing is being accomplished by prudent consolidation of functions much as private sector counterparts have undergone in the last decade, along with core business process reengineering, greater use of technology, and contracting out work more efficiently performed by the private sector. FHA has begun consolidating operations currently in 81 field offices into three Homeownership Centers. Two more are under consideration. New statutory authority to delegate endorsement responsibility to lenders is being implemented. Automated underwriting systems are being piloted. Three demonstrations using contractors to manage property disposition functions are also underway.

Sale of defaulted single-family and multifamily mortgages is another tool to reduce workload and allow a smaller staff to maintain focus. FHA has sold about 79,000 nonperforming mortgages over the past two years, for proceeds of $5.4 billion. These sales have allowed FHA to cut dramatically its backlog of troubled mortgages and focus its staff on such core functions as mortgage originations and prevention of future defaults. These sales have saved $1.6 billion for the Federal Government, compared to the estimated cost of holding the mortgages in FHA's portfolio. Proceeds above the estimated value to Government have been used to fund other initiatives and to reduce the deficit.

Starting in 1997, FHA intends to test the viability of sharing single-family mortgage risk between the Federal Government and other partners, including private mortgage insurers and State agencies. Pilot agreements are being negotiated. The Government's goal will be to pair the greater flexibility of the risk-sharing partner to innovate with new products and delivery systems to reach underserved markets with the Federal Government's capacity to assume risk. If an agreement offering the Government acceptable levels of risk, economic value, and public benefit is reached, the pilot will test the proposition that partners can provide greater efficiencies through counseling, underwriting, servicing and property disposition.

The Administration will continue to address long-standing problems in the properties which have FHA-insured mortgages and also receive rental subsidies for low-income tenants. Multi-family Portfolio Reengineering will generate $1.3 billion in discretionary savings over five years by reducing over-subsidized rents to market levels. However, this reduces project income and necessitates writing down the mortgages on these properties to the level that market rents will support—resulting in claims on the FHA fund. HUD will seek authority to use third-party partners to make this mortgage restructuring a proactive process that improves the quality of assisted housing and expands housing choices. Enacting this authority would produce $665 million in mandatory savings.

Current appropriations provisions support this objective by limiting, with some exceptions, renewal of assistance contracts to 120 percent of the applicable fair market rent. If these limitations continue, FHA will need enhanced authorities to manage mortgage restructurings for the large number of affected properties. Without such authority, FHA will not have the ability to realize potential savings from the restructuring.

Rural Housing Insurance Fund

While credit availability in rural communities has increased dramatically over the years, USDA's Rural Housing Service (RHS) credit programs are still needed. Many rural counties are served by only one or two banks, implying that credit may not be available on competitive terms. Moreover, many rural areas have substandard housing for low-income residents, and a lack of rental housing.

RHS provides subsidized single-family direct loans (502 direct) to very-low and low-income borrowers unable to get credit elsewhere to purchase, rehabilitate, or repair homes. Single-family loan guarantees (502 guarantee) cover up to 90 percent of an unsubsidized home loan. The multi-family direct loan program (515 direct) generally lends to private developers to construct and rehabilitate rental housing for low- and moderate-income households, elderly households, or handicapped individuals. RHS's direct loan programs offer interest rates below the Treasury rate; single-family direct loans can reach 100 percent of a home's appraised value. For 1998, the Administration estimates that the combined direct and guaranteed single-family housing loans of $4 billion (an increase of 22 percent over 1997) would allow for 64,000 new homeowners. The requested multi-family loan level of $150 million (unchanged from 1997 enacted) would provide 2,000 new rental units for rural Americans.

Improving Service and Reducing Costs. In 1997–98, RHS will install a new system that will centralize servicing for its 650,000 single-family direct loan borrowers, previously carried out in over 1,000 county offices. This should provide better servicing with 1,500 fewer employees. The National Performance Review anticipates this will save $250 million over five years.

Legislative proposals for 1998 would allow single-family direct loans to be refinanced using guarantees, thus helping borrowers to graduate to private credit. The refinanced loans would be relatively low-risk because the borrowers would have built up equity in their homes. Another proposal would require a "balloon payment" for the multi-family housing direct loan program. All new multi-family loans would have a 30-year term with payments based on a 50-year amortization. This would lower the subsidy rate, and match the loan term more closely to the asset's useful life, thus providing an incentive for the borrower to better maintain the property.

Department of Veterans Affairs

The Department of Veterans' Affairs (VA) assists veterans, members of the Selected Reserve, and active duty personnel to purchase and retain homes as a recognition of their service to the Nation. The main objective of VA's loan program is to facilitate mortgage lending by private lenders for the purchase, construction, or improvement of homes occupied by veterans and their families. More than 29 million veterans and service personnel are eligible for VA financing. The programs substitute the Federal guarantee for the borrower's downpayment. In 1996, VA will provide $2.9 billion in loan guarantees at a subsidy rate of 0.42 percent. For veterans unable to obtain private home financing with the guarantee, VA provides direct loans. In addition, through its "vendee loan" program, VA offers seller financing to purchasers of VA-owned properties acquired through defaults. In 1996, VA will provide $1.3 billion in direct loans at a subsidy of 1.76 percent.

The home loan program was originally created to assist service members returning from World War II in readjusting to civilian life. The program was designed to place veterans on equal terms with their civilian counterparts when they returned from the War. Since its creation, several legislative changes have modified the program. The amount of the entitlement has been increased, and the benefit extended to active-duty military and members of selective reserves. Approximately 20 percent of the population who use this benefit now are active-duty military, and the remaining 80 percent are veterans.

Improving Service and Efficiency. As the veterans population declines and technology improves, the quality of service should continue to improve. The program's goal is to provide veterans with complete and timely access to their loan guaranty benefit while minimizing the costs of the program. Ongoing studies will continue to assess the efficiency and effectiveness of the delivery of these programs.

VA's loan processing, loan servicing, and claims functions will continue to be consolidated from forty-five Regional offices across the United States to eight Regional Loan Centers (RLCs). This will improve responsiveness to customer needs and expectations, improve service delivery and benefit claims processing, and ensure the best value for the taxpayer's dollar. When completed in 2002, this consolidation is expected to save $26 million.

In 1998, VA plans to turn increasingly to automation to improve service delivery while decreasing operating costs in the home loan programs. Specifically, VA is developing Electronic Data Interchange (EDI) capability with lenders, servicers, and appraisers to automate loan processing and servicing.

Fannie Mae and Freddie Mac

Fannie Mac and Freddie Mac, the largest Government-sponsored enterprises (GSEs), are the dominant firms in the secondary market for conventional mortgages. As of September 1996, Fannie Mae and Freddie Mac had outstanding $1.4 trillion in mortgages purchased or guaranteed. These GSEs engage in two main lines of business: they issue and guarantee mortgage-backed securities (MBS), and they hold portfolios of mortgages, MBS, and other mortgage-related securities that they finance by borrowing.

The Federal Housing Enterprises Safety and Soundness Act of 1992 reformed Federal regulation of Fannie Mae and Freddie Mac. This Act created the Office of Federal Housing Enterprise Oversight (OFHEO) to manage the Government's exposure to risk by conducting examinations and setting risk-based capital requirements based on a stress test model. OFHEO has solicited public comment on a variety of issues related to a risk-based capital regulation and, in June 1996, published the first of two Notices of Proposed Rulemaking on risk-based capital.

As required by the 1992 Act, the Secretary of Housing and Urban Development issued a final regulation at the end of 1995 that established new goals for Fannie Mae and Freddie Mac to foster credit for lower-income families and under-served communities. The regulation requires each entity in 1997 through 1999 to devote 42 percent of its mortgage purchases to finance dwelling units that are affordable by low- and moderate-income families, 24 percent of its purchases to finance units in areas with low average incomes and high concentrations of minority residents, and 14 percent of its purchases to finance units that are special affordable housing for very-low-income families and low-income families living in low-income areas. During 1993–95, the GSEs were subject to transitional goals. As the final goals were substantially revised from the transitional goals, the level of the goals in 1996 was slightly lower than the level required during 1997–99 in order to provide an interim period for the GSEs to implement strategies to achieve them over time. Fannie Mae consistently achieved the required level of the three housing goals during the 1994–96 period. Freddie Mac achieved the low- and moderate-income goal and the special affordable housing goal in 1994 and 1995 but did not achieve the transitional geographically targeted goal, which was defined in terms of central cities. In 1996, Freddie Mac achieved the required level of performance for all three housing goals.

Fannie Mae and Freddie Mac have come under increasing scrutiny in recent years as they have increased their profits and size. This scrutiny was heightened in 1996 when the Department of the Treasury, the Department of Housing and Urban Development (HUD), the Congressional Budget Office, and the General Accounting Office each published studies of the desirability and feasibility of completely severing the ties between Fannie Mae and Freddie Mac and the Federal Government. Although none of the agencies recommended this, their studies identified the benefits and costs of Government sponsorship of these GSEs, assessed the relative magnitudes of those benefits and costs, attempted to reach an overall evaluation of current Federal policy, and analyzed the potential implications of various policy options. The reports agreed that regulation of Fannie Mae and Freddie Mac under the 1992 Act has been relatively brief, suggesting that it would be prudent to wait before reaching final judgments about the status quo.

The process used to adjust the ceilings on the size of the mortgages that Fannie Mae and Freddie Mac may purchase has also come under increasing scrutiny. Current law requires the GSEs to adjust the limits each year to reflect increases in average house prices. However, uncertainty has arisen over the proper adjustment to the loan limits. Legislation has been introduced to require Fannie Mae and Freddie Mac to limit increases in the ceiling to reflect any decreases that have occurred in house prices since the last increase. The GSEs recently adopted this policy voluntarily for 1997, choosing to increase the limit for 1–4 family mortgages by 3.7 percent to $214,600, rather than by the most recent increase in the index of 8.4 percent.

Federal Home Loan Bank System

The Federal Home Loan Bank System (FHLBS) was established in 1932 to provide liquidity to home mortgage lenders. The FHLBS carries out this mission by issuing debt and using the proceeds to make secured loans, called advances, to its members. Federally chartered thrifts are required to be FHLBS members, and membership is open to commercial banks, credit unions, and insurance companies on a voluntary basis. As of September 30, 1996, 6,023 financial institutions were FHLBS members, an increase of 319 over September 1995. About 65 percent of members are commercial banks, and 32 percent are thrifts; however, over 75 percent of outstanding FHLBS advances were held by thrifts as of September 30.

The FHLBS reported net income of $1.3 billion for the year ending September 30, 1996, up from $1.2 billion in the previous 12 months. Total System capital rose from $14.6 billion to $16.4 billion, and the ratio of capital to assets rose from 5.5 percent to 5.8 percent. Average return on equity was about 6.7 percent, after adjustment for payment of interest to the Resolution Funding Corporation (REFCorp). Outstanding advances to members reached $153 billion at September 30, 1996, up from $122 billion a year earlier. One reason for the large increase in advances may have been the use of FHLBS advances as a substitute for deposits. During most of 1996, a large disparity in deposit insurance premium rates existed for institutions insured by the Savings Association Insurance Fund and the Bank Insurance Fund; thrifts may have mitigated the high cost of deposit insurance by relying more heavily on FHLBS advances.

System investments other than advances stood at $124 billion, or about 44 percent of total assets, as of September 30, 1996; compared to a year earlier, investments have declined in both dollar terms and as a percentage of assets. The Federal Home Loan Banks are required by law to pay $300 million annually toward the cost of interest on bonds issued by the Resolution Funding Corporation. The need to generate income to meet this obligation and provide a competitive return on members' investment was a driving force behind the substantial increase in the System's investment activity in recent years. This need has thus encouraged the System to expose itself to new kinds of risk and resulted in a departure from the System's traditional focus of making advances to members.

In the past, the System's exposure to credit risk was virtually nonexistent. All advances to member institutions are collateralized, and the FHLBanks can call for additional or substitute collateral during the life of an advance. No FHLBank has ever experienced a loss on an advance. The System's expanding investment activities, however, have added new sources of risk. In addition, pilot programs to allow the FHLBanks to underwrite mortgages jointly with their members were approved this year by the Federal Housing Finance Board, the System's regulator. Through these programs, the FHLBS is taking on credit risk, which it has not previously assumed; this new source of risk could become significant if such programs expand. In addition, the pilot programs represent a departure from the FHLBanks' traditional role as a wholesale lender. Instead, the Banks are participating in retail lending for the first time and competing directly with non-GSEs.

The role and risks of the FHLBS must continue to be examined and monitored in the face of rapidly changing financial markets. Changes in housing finance markets, such as increasing securitization, have reduced the role of portfolio lenders. Of about $4 trillion in residential mortgage debt outstanding, only 14 percent is held directly by thrifts and 18 percent by commercial banks; about 47 percent is held or guaranteed by Fannie Mae, Freddie Mac, or Ginnie Mae. In addition, the Deposit Insurance Funds Act of 1996 calls for eliminating the Federal thrift charter by 1999; requirements that thrifts specialize in home mortgage lending are eased by the Economic Growth and Regulatory Paperwork Reduction Act of 1996. The role of the FHLBS should be reexamined in light of changes in housing finance markets, the System's recent shift away from its core mission of providing advances to members, and potential changes in the structure and activities of the industry served by the FHLBS.

Business and Rural Development Credit Programs and GSEs

Small Business Administration

Over the past four years, SBA has successfully expanded small businesses' access to capital despite fewer resources to operate its programs. While increasing loan volume by 38 percent (from $7.4 billion in 1993 to $10.2 billion 1996), SBA has reduced its staffing by 23 percent.

In its principal program, Section 7(a) General Business loans, SBA has introduced several initiatives to provide access to capital for the Nation's most underserved small businesses. The Low Documentation (LowDoc) initiative reduces the application form for 7(a) loans under $100,000 to a single sheet. The FasTrack pilot allows lenders to use their own forms in exchange for a reduced Government guarantee. These initiatives—and aggressive lending goals—have increased 7(a) loan volume to minority- and women-owned businesses from $1.8 billion (27 percent of 7(a) loan volume) in 1993 to $3.0 billion (39 percent) in 1996.

Reliance on private sector partners. With its portfolio growing from $20.7 billion in 1993 to $35.3 billion in 1996, SBA has relied increasingly on its private sector partners for loan servicing and liquidation, especially in the 7(a) program, which accounts for 75 percent of SBA business lending.

SBA's most experienced lenders are given unilateral authority to approve, service, and liquidate SBA-guaranteed loans under the Preferred Lender Program (PLP). Prior to 1996, in exchange for this authority, PLPs received a lower SBA guaranty (80 percent versus 90 percent for other lenders). Beginning in 1996, Congress set the maximum guaranty for all 7(a) loans—including PLP—at 80 percent. This change in legislation and SBA's goal of increasing its use of PLP lenders have led to a large increase in such lending. Loans approved through PLP lenders grew from $1.3 billion in 1995 (16 percent of loan volume) to $3.0 billion in 1996 (39 percent) and are estimated at $3.9 billion in 1997 (50 percent).

SBA also delegates servicing and liquidation authority in its LowDoc program. For defaulted loans, SBA requires that lenders liquidate all business chattel before SBA honors its guarantee. LowDoc loans accounted for 15 percent of 1996 7(a) loan volume (down from 21 percent in 1995.)

Altogether, through PLPs, LowDoc, and other programs, SBA has moved from delegating approximately 30 percent of servicing and liquidation authority for loans approved in 1993 to over 60 percent in 1997.

Liquidation improvement efforts. SBA has also strengthened its management of agency-serviced loan assets. In March 1996, SBA launched its Liquidation Improvement Project (LIP), an initiative to improve recoveries on agency-serviced defaulted business loan guarantees. Prior to LIP, agency field office performance was measured through lending goals, with no complementary goals for portfolio management, such as default and recovery levels. LIP established goals for loan servicing and liquidation—challenging field offices to increase recoveries by 20 percent.

Need for better oversight tools. Over the past four years, SBA has significantly increased loan volume, reduced staffing, and delegated authority to its private sector partners. During this same period, commercial small business lenders have become increasingly more sophisticated in identifying credit risk. Recognizing the profitability in small business lending, several lending institutions have recently announced aggressive small business lending goals. While these initiatives further expand small businesses' access to capital, they may also result in lending institutions making only higher risk loans through SBA loan guarantee programs.

These trends reinforce SBA's need for improved portfolio oversight tools. SBA, like many Federal agencies, continues to struggle with antiquated financial systems. SBA managers also lack access to timely and accurate analysis of portfolio trends and information on the performance of its private sector partners.

Reform Proposals. Recognizing the above trends, the Budget includes an aggressive plan to complete the shift of the SBA from a loan servicing to a lender oversight financial institution. SBA's proposals include: (1) delegating remaining 7(a) servicing and liquidation to its lending partners, (2) selling all direct loans and defaulted guarantees, and (3) making strategic investments in improving portfolio oversight tools.

Given the stringency of budgetary resources, these initiatives will allow SBA to focus on its performance goals of increasing access to capital, while relying on private lenders to perform functions where the private sector has historically been more efficient.

7(a) loan servicing and liquidation. In 1998, SBA proposes completing this trend toward reliance on its 7(a) lending partners. For all lending approved after 1997, SBA will require its 7(a) lenders to service and liquidate all defaulted loans. In addition, SBA will defer making claim payments on defaulted loans until after lenders have liquidated business chattel, which will reduce the net present value cost of claim payments.

Portfolio oversight. SBA will also invest $18 million in improving portfolio oversight. SBA's reduced staffing, growing portfolio, antiquated systems, and greater delegation of authority make a significant investment in portfolio management tools essential to ensure that the agency continues to meet its portfolio management responsibilities. This funding will allow SBA to recruit expertise in lender oversight, develop the necessary inhouse systems to support lender monitoring, and create a centralized corporate database. Drawing on the experience of financial institutions such as Fannie Mae and Freddie Mac, SBA will establish loan servicing performance goals for its field offices and private sector partners.

Loan asset sales. Completing its transition from loan servicing to lender oversight, SBA will sell its portfolio of defaulted guaranteed loans and direct loans in 1998 and 1999. The Disaster loan portfolio will be sold in 1999 and 2000, after an initial pilot sale of $100 million in 1998. Drawing on the experience of Federal agencies, such as the Resolution Trust Corporation, and SBA's analysis of its portfolio value resulting from its Liquidation Improvement Plan, the Administration estimates that SBA's business loan assets (face value of over $2 billion) can be sold at a net gain to the Government. The Administration estimates that SBA's disaster loans (face value of $7 billion) can also be sold to advantage.

Doing more with less. These proposals will allow SBA to continue to "do more with less". Through improved portfolio oversight, lender servicing of defaulted loans, and deferred claim payments, the Government's subsidy costs of SBA's 7(a) loan program is estimated to decline from 2.3 percent to 1.8 percent, reducing the Government's contribution to the cost of this program by $44 million. By investing $18 million in portfolio monitoring improvements in 1998, this proposal produces savings of $26 million in 1998 alone. Larger savings will be achieved in the following years as increasing reliance on lenders allows SBA to further reduce agency staffing. In a tight budgetary environment, these proposals ensure that SBA will continue to have the resources necessary to meet the agency's performance goals for expanding credit access.

USDA Rural Infrastructure and Business Development Programs

The Department of Agriculture (USDA) provides financial assistance to rural communities and businesses to provide safe drinking water and adequate wastewater treatment facilities, increase rural employment, and further diversify the rural economy. Grants, loans, and loan guarantees are available to communities for constructing facilities, such as health care clinics and day care centers, and water and wastewater systems. Direct loans to construct community facilities and water and wastewater facilities are available at lower interest rates for lower income communities. These programs are targeted to rural communities with fewer than 10,000 residents. Each program has low default rates.

USDA also provides grants, direct loans, and loan guarantees to assist small and large rural businesses in order to increase rural employment and further diversify the rural economy. Assistance amounts range from small grants up to $25 million loan guarantees. In December 1996, a regulation was published streamlining the application process for the Business and Industry loan guarantee program and shifting responsibility to private banks for the application process and credit analysis. A certified lender program was established to reduce the administrative burden for experienced lenders. In 1997, direct loans will be provided in areas where private lenders do not use the guarantee program, and to borrowers who do not qualify for guaranteed loans. USDA's assistance to rural businesses has grown significantly from $100 million in 1993 to over $700 million in 1996. At the lower program levels, the default rate for these programs was low; over the next year, a review of the current portfolio will be undertaken in order to verify whether that is continuing.

The delivery of these programs is proposed to be significantly changed in the Budget. The 1996 Farm Bill enacted the "Rural Community Assistance Program" (RCAP), which builds on the Administration's 1996 and 1997 budget proposals to modify the distribution of rural development funding in order to accommodate the diversity of rural America. Funding for 12 USDA rural development activities was consolidated into "performance partnerships" in order to target Federal assistance more flexibly to the highest-priority needs of the State. USDA State Directors will be authorized to allocate funding among programs, with advice from State Rural Development Councils, including representatives of Federal, State, local, and tribal governments, and the private sector. In addition to the flexible funding scheme proposed by the Administration, the RCAP includes authority for rural development block grants to the States.

Electric and Telecommunications Loans

USDA's rural electric and telephone borrowers range from multi-billion dollar cooperatives to local telephone companies with as little as one million dollars in assets. The intent of the program was to bring electric and telephone service to under-served rural areas. Today, over 99 percent of rural households have electricity, and 97 percent have telephones. The program makes new loans to maintain existing infrastructure and to modernize electric and telephone service.

The Federal risk associated with the over $40 billion loan portfolio in electric and telephone loans has been small historically. Several large defaults have occurred in the electric program, primarily as a result of nuclear power construction loans; a total of nearly $1 billion was written off by USDA in 1996. However, both the telephone and electric industries are moving into a more competitive environment. In the electric industry in particular, the Federal Government can expect to be faced with managing a loan portfolio where the security erodes as the industry deregulates. USDA intends to propose legislative changes to restructure its outstanding $30 billion loan portfolio of rural electric loans. USDA's principal concerns are the impact of deregulation on loan security, the ability of borrowers to repay as the industry changes, and the goal of "affordable, universal service". Many rural cooperatives are by their very nature high cost providers of electricity, since there are fewer subscribers per line-mile than in urban areas.

Loans to Farm Operators

Farm Service Agency (FSA) direct and guaranteed operating loans provide credit to farmers and ranchers for annual production expenses and purchases of livestock, machinery, and equipment. Direct and guaranteed farm ownership loans assist producers in acquiring their farming or ranching operations. As a condition of eligibility, direct loan borrowers must have been denied private credit at reasonable rates and terms, or they must be beginning or socially disadvantaged farmers. The program's goal is to serve those farmers who otherwise would not receive loans from the private sector at a reasonable cost. Loans are provided at Treasury rates or 5 percent. As a result, high defaults and delinquencies are inherent in the program.

FSA guaranteed farm loans are made to more creditworthy borrowers who have access to private credit markets. Because the private loan originators must retain 10 percent of the risk, care is exercised in examining borrower repayment ability. As a result, guaranteed farm loans have not experienced losses as high as those on direct loans.

The 1996 Farm Bill significantly changed many of the servicing requirements for delinquent borrowers. For example, the FSA no longer can make a new loan to a borrower who is delinquent on an existing loan. Borrowers who have previously received a FSA loan write-down or write-off are no longer eligible for additional loans. The 1998 Budget proposes to temper this requirement by allowing farmers to become eligible for assistance after 7 years. The 7-year reinstatement is consistent with commercial terms. Property acquired through foreclosure on direct loans must now be sold at auction within 105 days of acquisition and leasing of inventory property is no longer permitted except to beginning farmers. These changes will limit losses to the Federal Government. Prior to these changes, acquired property remained in inventory on average for five years before the FSA could dispose of it.

The Farm Credit System and Farmer Mac

The Farm Credit System (FCS) and the Federal Agricultural Mortgage Corporation (Farmer Mac) are GSEs that enhance credit availability for the agricultural sector. The FCS is a direct lender, financing its loans largely through bond sales in the national credit markets, while Farmer Mac facilitates a secondary market for agricultural loans. Both GSEs are exposed to agricultural commodity concentration risk, from which the FCS suffered in the 1980s. Direct lending institutions in the FCS are also geographically limited, often to areas dependent on one or a few commodities. In the 1980s, the downturn in the agricultural economy led the FCS to the brink of insolvency and precipitated legislation in 1987 to bailout the FCS—legislation that also created Farmer Mac.

The Nation's agricultural sector and its lenders are now on firmer ground: farm income and land prices have improved, increasing borrower repayment abilities and collateral values, and permitting lenders to augment their capital. Both interest rates and inflationary expectations are significantly lower. And management practices, especially with respect to credit usage by farmers and the credit standards used by lenders, are now applied more conservatively.

Another sign of the increasing health of agricultural finance is the greater share of farm credit now provided by the private sector, particularly commercial banks. From 1985 to 1995, commercial banks' share of all farm debt (real estate and non-real estate) increased from 23 percent to 39 percent, while the share for FCS declined from 29 percent to 24 percent and for USDA from 12 percent to 7 percent. However, FCS's non-real estate loan growth has recently been faster than that of commercial banks. By 1995, the System's market share had begun to creep upwards for the first time in over a decade.

The Farm Credit System

In 1995, FCS also had a record of annual income surpassing the $1 billion level for three years in a row. System loan volume has been gradually increasing in recent years, but the $60.9 billion at the end of September 1996 is still far below the high of over $80 billion in the early 1980s. Increases in accruing loan volume, declines in the cost of funds, and increases in capital have widened the FCS's net interest margin from less than one percent in 1987 to more than three percent for the 1993–95 period. Nonperforming assets declined from $14.3 billion in 1987 to $1.1 billion at the end of September 1996.

Improved asset conditions and income enabled FCS to post record capital levels; by September 30, 1996, capital stood at $10.6 billion. Two-thirds of this capital was surplus, rather than borrowed equity. Included in this capital are investments set aside to repay about $600 million of the $1.3 billion of 1987-authorized Federal assistance provided through the Financial Assistance Corporation (FAC), due beginning in 2003. The FCS has adopted an annual repayment mechanism to cover the remainder. It has retired all its high-coupon long-term debt, moved to marginal cost loan pricing, and adopted asset-liability management practices designed to reduce its interest rate risk.

Operating risk is also being reduced. Substantial wholesale and retail level consolidation has occurred in the structure of the FCS. In January 1988, there were 12 districts consisting of 36 banks plus 376 associations; by October 1996, there were only 6 districts, 8 banks and 227 associations. Due to restructuring implementation costs and the time required to make operating adjustments, the savings from this restructuring are just beginning to be realized. System staff levels declined by 14 percent over 1990–1995. With increasing loan volume and fewer problem assets, operating expenses as a percentage of loans outstanding have begun to decline.

The 1987 Act established the FCS Insurance Corporation (FCSIC) to ensure timely payment of interest and principal on FCS obligations. This supplemented the financial strength provided by the System's capital, the joint and several liability of all System banks for FCS obligations, and the Farm Credit Administration's enforcement authorities. The FCSIC collects insurance premiums from the FCS's banks and earns investment income, thereby providing funds to fulfill its mission. As of December 31, 1995, the assets in the Insurance Fund totaled $1.0 billion ($1.1 at September 30, 1996).

The Changing Role of the FCS. The System's original mission was to serve as a market force to ensure an adequate supply of competitively priced credit to the benefit of farmers. Loans to farmers and other eligible borrowers still comprise 72 percent of the System's portfolio. While the largest segment of the FCS's portfolio is still in farm real estate loans, the share has been gradually declining and is now about two-thirds of the farm lending portfolio.

Since its origination, FCS's authorities have been broadened, introducing 26 new types of lending such as expanded authorities for export and rural utilities financing, that have contributed to a growing volume of cooperative lending over the past 20 years. A surge in loans to finance processing, marketing, credit cooperatives, and rural utilities cooperatives increased the cooperatives' share of FCS's portfolio to almost 28 percent at year-end 1995.

The Farm Credit System is stronger now than it has been in years and its strength continues to grow. But primarily due to its concentration in agriculture, it continues to be exposed to structural changes in the agricultural and commercial banking sectors. In banking, consolidation is driven by adoption of computer/communications technology and by the breakup of statutory structures that have provided geographic and product line separations. In agriculture, vertical integration in the food system and the growth of input suppliers and other nontraditional creditor suppliers have tied farms to nonfarm businesses, increased the importance of nontraditional creditors in agricultural markets, and changed the way credit is provided.

Farmer Mac

Farmer Mac was established in 1987 to create and oversee a secondary market for, and to guarantee securities based on, farm real estate loans. The secondary market is intended to increase the availability of long-term credit for farmers and ranchers at stable interest rates, and improve the availability of credit for rural housing.

Since the 1987 Act, Farmer Mac has been authorized to issue its own debt securities, and to operate a secondary market in real estate and operating loans guaranteed by the Farm Service Agency ("Farmer Mac II"). The Farm Credit System Reform Act of 1996 further expanded its powers, transforming Farmer Mac from just a guarantor of securities formed from loan pools into a direct purchaser of mortgages in order to form pools to securitize.

The 1996 Act was passed in response to a steady erosion of Farmer Mac's capital base. Revenues from services as a guarantor, and a pooler under Farmer Mac II, did not meet expectations and showed no prospect of improvement. The new powers increase commercial banks' incentives to participate in Farmer Mac and allow Farmer Mac to serve as pooler.

However, these powers also subject the Corporation to more credit risk. Prior to the 1996 Act, Farmer Mac had little risk from defaults in the loan pools since a 10-percent subordinated interest in loans pooled was required to be held by originators or other entities outside the pool. As a direct purchaser of loans with no required subordination, Farmer Mac will be exposed to such losses, and must estimate them accurately for fee setting and for determining the appropriate level of capital reserves. The 1996 Act gave Farmer Mac three additional years to reach its minimum and critical capital requirements, and 2 years to raise capital to $25 million.

On December 20, 1996, Farmer Mac completed the public issuance and sale of approximately 1.4 million shares of non-voting common stock, generating new equity capital for the Corporation of about $32.4 million. Previously, in April 1996, a private sale of 320 thousand shares of Farmer Mac's non-voting common stock raised about $2.56 million. By year-end 1996, Farmer Mac's total capital was approximately $47.5 million, which exceeds the Corporation's regulatory minimum capital requirement ($6.4 million) and the 1996 statutory requirement ($25 million).

Additional steps have also been taken by Farmer Mac to minimize the potential for losses on securitized loans under the new authorities. These steps include: (1) establishment of a higher annual guarantee fee of 50 basis points on loans securitized, (2) maintenance of an adequate loan loss reserve to cover anticipated losses, and (3) applying loan underwriting standards that include a maximum loan-to-value ratio of 70 percent for loans up to $2.3 million and only 60 percent for loans between $2.3 million and $3.3 million.

International Credit Programs

Seven Federal agencies—the Departments of Agriculture, Defense, State, and Treasury and the Agency for International Development, the Export-Import Bank, and the Overseas Private Investment Corporation—provide direct loans, loan guarantees, and insurance to a variety of foreign private and sovereign borrowers. In 1996, the amount outstanding was over $80 billion.

Leveling the playing field. One important reason why the Federal Government provides credit in the international area is to help U.S. companies and organizations, large and small, win sales by matching the financial subsidies that foreign governments, largely in Europe and Japan, provide on behalf of their own national businesses in export and investment markets in the developing world. Export credit agencies (ECAs) have been established by many countries to provide official export credits; they often charge below market interest rates and fees to give their exporters a competitive advantage.

The Export-Import Bank of the U.S. (Eximbank) attempts to "level the playing field." Eximbank supports the sale of U.S. goods and services to foreign buyers to ensure that purchase decisions are based on market forces (i.e., price, quality, service, technology), and not on financial subsidies offered by other nations' ECAs or imperfections in private capital markets. Eximbank accounts for 30 percent of the $70 billion in medium- and long-term official export credits offered by G–7 ECAs in 1994 (latest OECD data)—far ahead of the next competitor at 18 percent (Germany). Eximbank is also first among major ECAs in providing the most unrestricted financing in almost twice as many markets as its nearest competitor.

Similarly, USDA's GSM–102 and 103 programs expand and maintain commercial agricultural exports by guaranteeing credit extended by private U.S. exporters or financial institutions. The GSM programs are targeted to countries where government guarantees are needed to help meet a "credit gap" between credit otherwise available from all sources and the desired level. The programs help to counter continuing competition from other countries that offer credit through ECAs or commodity marketing boards.

The increase in world trade and the globalization of capital markets has made ECAs somewhat less important in recent years. Although ECA financing of the G–7 increased from $230 billion in 1990 to $270 billion in 1994, official credits are a diminishing share of global capital flows; private flows now far outweigh government financing. OECD data for 1994 show that official credits represent only 2 percent of net resource flows to developing countries. IMF data show that total capital flows to developing countries hit a record $228 billion in 1995, but $211 billion (or 93 percent) were private capital flows.

Helping economies in transition. Another goal of the international credit programs is to provide financial assistance to foreign governments and private entities, largely in developing countries, where private financial organizations are reluctant to enter without government support.

In particular, the dramatic economic transformation that has been underway in Eastern and Central Europe since the early 1990s presents U.S. businesses with unprecedented opportunities matched by unprecedented risks. The U.S. Government operates several programs to mitigate these risks.

Since 1991, Eximbank has provided financing for exports to Russia and several Newly Independent States, as well as countries in Central Europe, to increase U.S. exports and assist the region's economic transformation. For example:

- In July 1993, Eximbank signed the Oil and Gas Framework Agreement under which Eximbank may provide $2 billion or more in financial assistance for purchases of U.S. equipment and services to revitalize Russia's energy sector.
- On November 8, 1994, Eximbank signed a Memorandum of Understanding with Gazprom, Russia's gas production and distribution company, which will open the way for Eximbank to support transactions involving at least $750 million in U.S. equipment and services for the rehabilitation of Russia's natural gas sector.
- On January 30, 1996, Eximbank signed a Memorandum of Understanding with the Russian state timber industry governmental entity, Roslesprom, which will open the way for the export of U.S. goods and services for the modernization of Russia's timber industry.

Eximbank provided over $2.7 billion in loans, guarantees, and insurance for deals in Russia/NIS between 1994 and 1996. Eximbank expects to provide more than $1 billion of additional credit in 1997 and 1998, primarily for oil, gas, timber, and various natural resource projects. In November 1996, Eximbank began considering applications from private Russian borrowers.

USDA's GSM export credit guarantee program is being used in transitional economies to aid development, while stimulating markets for US agricultural exports. New initiatives beginning in 1993 have sought to leverage private sector involvement in Russia, Poland, Latvia, Lithuania and Estonia, and stress high-value U.S. exports. Credit guaranteed to non-sovereign borrowers totaled $122 million from 1993 to the present, and its annual level has quadrupled during this period, with Russia's being the largest single initiative. Guarantees of $166 million are being offered in 1997, with a greater amount in 1998.

In addition, the GSM program guaranteed more than $750 million of public sector credit to transitional economies since 1993. Current levels of coverage will be made available in the future, commensurate with the shift to private sector activity in these economies.

Eximbank has also helped the U.S. Agency for International Development (USAID) administer a special one-time program for Ukraine that has provided U.S. exporters with trade credit insurance to finance approximately $150 million in exports of U.S. agricultural supplies and inputs to Ukraine.

Through its Urban and Environmental Credit Program (formerly entitled Housing Guaranty Program), USAID has also provided loan guarantees to Poland, the Czech Republic, and Hungary. These guarantees, which are accompanied by technical assistance, are designed to assist these countries in such areas as the development of mortgage instruments and lending procedures for the housing sector, in strengthening municipal finance through the development of new debt instruments, and in establishing market oriented systems for financing municipal infrastructure investments.

Re-engineering credit delivery. Through the Trade Promotion Coordinating Committee (TPCC), agencies providing export credit have developed a unified National Export Strategy, and they are working together to make the delivery of trade promotion support more effective and convenient for U.S. exporters.

U.S. Export Assistance Centers. A much stronger private-public partnership is being developed through the creation of the nationwide U.S. Export Assistance Centers (USEACs) Network. Eximbank teamed up with the Commerce Department and the Small Business Administration to establish these one-stop-shops. The USEACs have dramatically transformed the way Federal, state, and local international trade partners now work together and approach trade finance. By establishing a more rational, integrated network, leveraging resources and improving accessability to services, more small and medium-sized firms were able to obtain export financing through the USEACs in 1995–1996.

New Mechanisms. Small and medium-sized enterprises (SMEs) often cite access to trade finance as the key to export success, yet only 75 of the over 9,000 banks in the U.S. do substantial export financing and most smaller businesses do not have relationships with them. Even if the SMEs were willing to seek out relationships with these larger banks, the small size of their transactions can make it difficult for banks to provide them with the adequate trade financing assistance. The White House is studying the development of a program—modeled after the home mortgage market—which will address the availability of reasonably priced export (buyer) financing. It will entail small banks taking exporter performance risk, larger banks assessing the credit risk of foreign buyers, and private capital markets providing increased liquidity to the export finance sector. Eximbank, the Small Business Administration, and OMB will be working in 1997 with other Executive Branch agencies and private sector parties to refine this proposal.

Infrastructure Finance. The rapid privatization and deregulation of massive infrastructure projects—including power, telecommunications, and transportation systems—occurring in many developing countries has increased the demand for financing beyond what the private capital markets have been willing to provide. These project finance deals are complex transactions where the only source of debt repayment is the economic return generated by the project itself, rather than a sovereign nation or a private company. OPIC and Eximbank are often involved in the largest project financing transactions. In these cases, Eximbank and OPIC staff work to ensure that the project meets each agency's credit quality and other requirements. Eximbank and OPIC have been particularly successful at providing financial support for U.S. power generation suppliers in private power projects. Eximbank's and OPIC's support has provided several emerging markets with their initial success in private power. Since Eximbank's Project Finance Division was created in 1995, it has provided $2.3 billion of financing for nine private power projects with a total project cost of $8.3 billion and total generation capacity of 6,300 megawatts. Likewise in 1995, OPIC provided project finance or insurance support to ten power generation projects around the world.

Greater Emphasis on Private Buyers. As countries around the world have shifted from public to private buying in recent years, the GSM programs in USDA have been re-engineered to meet changing commercial needs and to increase US exports while minimizing the risk of default. The programs now provide greater flexibility by offering shorter maturities, broader commodity coverage, regional programming, and third-country banking. Two new credit programs have been developed to meet commercial credit gaps not met by GSM–102 and GSM–103: the supplier and the facility credit guarantee programs, which cover exports of consumer-ready products and construction of handling facilities (such as refrigeration at the dock). At the same time, creditworthiness criteria and program terms and conditions (e.g., amount of exposure per risk rating) have been tightened to minimize the risk of default. There has not been a major default in the GSM program in three years.

The U.S. Agency for International Development (USAID) is now exploring the possibility of using guarantees of private sector loans to finance up to $100 million of the approximately $280 million outstanding U.S. Government commitment to The U.S.-Russia Investment Fund (TUSRIF). Like other "enterprise funds" established by the U.S., TUSRIF is designed to assist the development of a market economy by providing financing and management support to businesses operating in Russia.

III. Insurance Programs

Deposit Insurance

Federal deposit insurance was instituted in the 1930s to provide coverage against depositor losses from failures of insured institutions. Deposit insurance also serves as a form of protection against widespread disruption in financial markets by reducing the probability that the failure of one financial institution will lead to a cascade of other failures. The Federal Deposit Insurance Corporation (FDIC) insures the deposits of banks and thrifts through two separate insurance funds, the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF). Deposits of credit unions are insured through the National Credit Union Administration (NCUA). Deposits are currently insured up to a limit of $100,000 per account. The FDIC insures deposits at over 9,500 commercial banks and almost 2,000 savings institutions, for a total of about $2.7 trillion in insured deposits. The NCUA insures about 11,500 credit unions with about $260 billion in insured deposits.

Current Industry and Insurance Fund Conditions. The 1980s and early 1990s were a turbulent period for the bank and thrift industries, with over 1,400 bank failures and 1,100 thrift failures. The Federal Government responded with the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) of 1989 and the Federal Deposit Insurance Corporation Improvement Act (FDICIA) of 1991. These legislative reforms, combined with more favorable economic conditions, helped to restore the health of depository institutions and the deposit insurance system. The FDIC currently classifies only 125 institutions with $15 billion in assets as "problem" institutions, compared to over 1,400 institutions with $800 billion in assets just 5 years ago.

During 1996, only 5 commercial banks with a total of $187 million in assets failed, and only 1 thrift with $34 million in assets failed. Eighteen credit unions with $15 million in assets failed during 1996. Although depository institutions and their Federal insurance funds are currently in good financial condition, an economic downturn could put significant pressure on the deposit insurance funds.

Banks have achieved very strong levels of earnings in the last few years, which enabled the industry to recapitalize BIF. BIF reached its statutorily designated reserve ratio of 1.25 percent in mid-1995. As a result, the FDIC lowered deposit insurance premiums for banks to a range from zero for the healthiest banks to 27 cents per $100 of deposits for the riskiest banks. Currently, almost 95 percent of commercial banks pay nothing for deposit insurance.

The earnings of the thrift industry have also showed significant improvement in the last few years. The industry remains in strong financial condition despite the imposition in the Deposit Insurance Funds Act of 1996 (DIFA) of a $4.5 billion special assessment to capitalize the SAIF. Thrifts paid $3.5 billion of the assessment, and banks with SAIF-insured deposits contributed $1 billion.

During most of 1996, thrifts paid deposit insurance premiums of 23 cents per $100 in deposits while most banks paid only the statutory minimum of $2,000 per year (this minimum has since been repealed). The DIFA was enacted to mitigate this disparity in deposit insurance premiums. DIFA required a special assessment on SAIF-insured deposits to immediately bring SAIF up to the required 1.25 percent reserve ratio. In addition, the Act required that the cost of interest on the Financing Corporation (FICO) bonds, which were issued in the late 1980s to pay for the early stages of the thrift crisis, be shared by banks and thrifts instead of being paid by thrifts alone. A small premium disparity will continue for the next 3 years because thrifts must bear a larger share of the FICO cost than banks until January 1, 2000, when banks and thrifts will begin to share the interest cost on a pro rata basis.

The DIFA also merges the BIF and SAIF on January 1, 1999 provided that no savings associations exist at that time. In other words, the merger is conditional on subsequent legislation to combine the bank and thrift charters. As required by the DIFA, the Administration will present its recommendations on the development of a common depository institution charter to Congress by March 31, 1997.

The National Credit Union Share Insurance Fund (NCUSIF) also remains strong with assets of $3.6 billion. Each insured credit union is required to deposit and maintain in the fund 1 percent of its member share accounts. In 1996, the income generated from the 1 percent deposit eliminated the need to assess an additional insurance premium. As of September 30, 1996, the Fund's equity ratio reached 1.32 percent, and in October 1996, the NCUA Board approved a $102 million dividend to reduce the Fund's equity ratio to the statutory ceiling of 1.30 percent. This was the second consecutive year in which the NCUA Board paid such a dividend. In addition, the NCUA Board waived insurance premiums for 1997.

Other Legislative and Regulatory Developments. The Economic Growth and Regulatory Paperwork Reduction Act of 1996 (EGRPRA) contained several provisions to ease the regulatory burden on depository institutions. For example, EGRPRA modified reporting requirements under the Real Estate Settlement Procedures Act and the Truth in Lending Act, provided for eventual repeal of civil liabilities under the Truth in Savings Act, expanded the exemption from Home Mortgage Disclosure Act reporting requirements, created expedited procedures for well-capitalized and well-managed bank holding companies to engage in non-banking activities, and expanded the number of small banks and thrifts that regulators are permitted to examine on an 18-month cycle instead of annually. The EGRPRA also expanded the definition of "qualified thrift investments" to include small business, credit card, and education lending; thrifts generally must hold at least 65 percent of their assets in these qualified thrift investments, which previously were largely limited to real estate-related assets.

In November 1996, the Office of the Comptroller of the Currency (OCC), which regulates national banks, finalized changes to its regulation on operating subsidiaries of national banks. The rule will allow national banks to conduct activities through operating subsidiaries that were formerly permissible only under a bank holding company structure. The extent of expanded powers that may be granted to national bank operating subsidiaries is still unclear, because the rule does not list specific activities that are approved; instead, the OCC will consider applications on a case-by-case basis.

The Federal Reserve has also proposed allowing bank holding companies and their non-banking subsidiaries to engage in a wider range of non-banking activities deemed "closely related to banking." In addition, the Federal Reserve Board in December 1996 increased the revenue limit from underwriting securities in "Section 20" subsidiaries of bank holding companies from 10 percent to 25 percent of total revenue.

Deposit Insurance in an Integrated Financial Services Market. Recent legislation and regulatory changes highlight the importance of financial modernization in a rapidly changing financial market. Depository institutions have faced increasing competition from non-bank providers of financial services in recent years. Legislative and regulatory changes that alter depository institution charters and/or expand the range of permissible activities for bank subsidiaries, holding companies, or affiliates will contribute toward the increasing integration and efficiency of the financial services industry.

Financial services modernization promotes competition and efficiency within the industry, which can foster the creation of new products and services and benefit consumers. However, expanded powers also could lead to greater risks, especially to the deposit insurance funds, which are supported by the full faith and credit of the Federal Government. Changes to the financial services industry must be consistent with safe and sound practices, provide protection for consumers, and, ultimately, preserve the Federal deposit insurance guarantee.

Pension Guarantees

The Pension Benefit Guaranty Corporation (PBGC) insures most defined benefit pension plans sponsored by private employers. PBGC steps in to pay the benefits guaranteed by law when a company with an underfunded pension plan becomes insolvent. PBGC's exposure to claims relates to the underfunding of pension plans, that is, to any amount by which expected future benefits exceed plan assets. In the near term, its loss exposure results from financially distressed firms with such underfunded plans. In the longer term, additional loss exposure results from firms which are currently healthy but become distressed, and from changes in the funding of plans and their investment results.

The number of plans insured by PBGC has been declining as small companies with defined benefit plans terminate them and shift to defined contribution plans. At the same time, the number of workers whose pensions are insured by PBGC has increased. In particular, the number of defined benefit pension plans with 1,000 or more participants has increased consistently—to 4,600 compared to 3,600 in 1980.

During the past four years, PBGC been working to prevent and mitigate losses. Under the Early Warning Program, it has negotiated more than 40 major settlements providing more than $14 billion in new pension contributions from companies and improving pension security for nearly 1.2 million people. In 1995, the Early Warning Program was one of the first six Federal programs to receive an award from the Ford Foundation and Harvard's Kennedy School of Government. The program also received the National Performance Review's Hammer Award. In 1996, PBGC expanded the Early Warning Program to include certain companies with single-employer plans underfunded by at least $5 million, as opposed to $25 million—the previous threshold. For the first time in PBGC's 22-year history, the single-employer insurance program will post a positive financial position for 1996.

The Retirement Protection Act of 1994 (RPA) improved PBGC's early intervention capability and was an important factor in achieving a number of the settlements discussed above. The law is beginning to strengthen PBGC's financial condition in other ways and to improve its operations. The RPA:

- requires companies to increase their contributions to underfunded plans over 10 to 15 years;
- relates more fairly the premiums that companies pay to PBGC's exposure by increasing insurance premiums for those pension plans that are the most underfunded;
- requires privately-held companies with seriously underfunded plans to give PBGC advance notice of any transactions that potentially are harmful to their plans. When this "Early Warning Program" shows benefits to pensioners to be seriously at risk, PBGC begins negotiating funding and other arrangements in order to forestall its taking over the plan.
- standardizes both the interest rates and the mortality tables that companies use to calculate: (1) any underfunding, (2) the premiums to PBGC, and (3) the companies' legally required funding contributions to their plans.
- expands PBGC's "missing participants" program. Some workers about to retire simply forget about the pensions they have earned at a job many years past; some plans may have become insolvent; and some plans may be unable to locate retirees. When a company either has failed or cannot locate a previous employee entitled to a pension, PBGC

endeavors to locate the missing participant, and then pays the benefits owed.

Overall, PBGC fared well in 1996. There were no major plan terminations during the year, and investment performance was strong. As part of the phase-in of the RPA, the most underfunded plans paid higher premiums. These risk-related premiums and higher pension underfunding increased premiums by more than 35 percent.

The multi-employer program guarantees pension benefits of certain unionized plans offered by many employers in an industry. In May 1996, the Administration proposed to increase the maximum guarantee level on pension benefits paid to retirees with 30 years of service. This maximum, which has not changed since 1980, would be increased from $5,580 to $12,870 per year. Although it passed the Senate, this provision was not enacted and is being proposed again. PBGC also entered into an agreement with sponsors of a multi-employer plan to protect pensions of 70,000 workers and retirees in the men's clothing industry.

Pension underfunding as estimated by PBGC increased from $31 billion as of December 1994 to $64 billion for December 1995. The increase was due largely to a sharp decline in interest rates from 7.2 percent at the end of 1994 to 5.3 percent at the end of 1995. This was the lowest year-end interest rate in the agency's 22-year history and the largest percentage decline from a year earlier. To calculate its exposure (i.e., its liability), PBGC applies the same interest rate and mortality assumptions that would have been used to purchase annuities at year-end. It estimates the cost of annuities to provide guaranteed benefits if the underfunded plans all terminated.

Two-thirds of all plans are sufficiently funded, and much of the underfunding is in plans sponsored by financially healthy firms. Underfunding is spread across all industries, with a heavier concentration in the steel, automobile, and transportation equipment industries. Over the long run, the recent reforms will improve pension funding.

Disaster Insurance

Flood Insurance

The Federal Government provides flood insurance through the National Flood Insurance Program (NFIP) administered by the Federal Emergency Management Agency (FEMA). This insurance is available to property owners living in communities that have adopted and enforced appropriate floodplain management measures. Insurance policies for structures built before a community joined the flood insurance program are subsidized by law, while policies for structures built after a community joins the NFIP are actuarially rated.

The Federal flood insurance program was created in the early 1970s when flood damage was increasing, and private insurance companies, with little information on flood risks by geographic area, had deemed the risk uninsurable. To address this concern, the NFIP was created to provide insurance coverage, to require building standards and other mitigation efforts to reduce losses, and to begin a flood hazard mapping project to quantify the risk of flooding in each geographic area. The program has been relatively successful in meeting these goals.

Flood insurance premiums grew by nearly 30 percent from October 1994 to October 1996, exceeding the growth goal set two years ago of 20 percent. The NFIP's "Cover America" initiative, a major marketing and advertising campaign, should continue to increase awareness of flood insurance and educate people about the risks of floods. FEMA plans to increase significantly the number of policies in force using three strategies: lender compliance, program simplification, and marketing.

The NFIP's Community Rating System (CRS) now allows policyholders in 910 communities to receive discounts of at least 5 percent on their premiums as a result of undertaking activities beyond those required by the NFIP to reduce flood losses, facilitate accurate insurance rating, and promote public awareness of flood insurance.

In 1997, the NFIP is implementing expanded mitigation insurance authorized by the National Flood Insurance Reform Act of 1994. The mandatory Increased Cost of Construction (ICC) coverage, which will take effect May 1, 1997, will allow substantially-damaged structures to be rebuilt in accordance with existing floodplain management requirements. This will reduce future losses and allow the structure to be actuarially rated.

In 1998, FEMA will continue efforts to reduce flood damage by educating Federal regulators about mandatory flood insurance purchase requirements for federally backed home and business loans on property located in flood hazard areas; simplifying policy language; using mitigation insurance to enable flood victims to rebuild to code, thereby reducing the cost and amount of future flood damage; and using flood insurance premium adjustments to encourage community and State mitigation activities beyond those required by the NFIP.

Crop Insurance

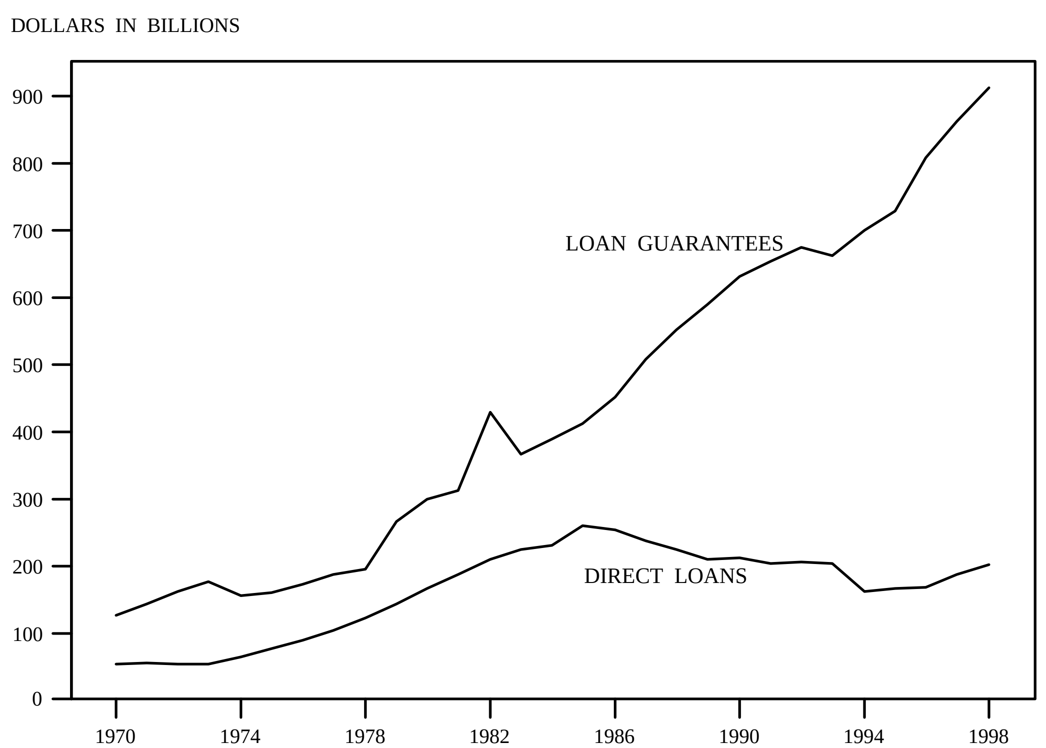
Subsidized Federal crop insurance administered by USDA assists farmers in managing catastrophic yield shortfalls due to adverse weather or other natural disasters. Private sector companies are unwilling to offer multi-peril crop insurance because losses tend to be correlated across geographic areas, and the companies are therefore exposed to large losses. For example, a drought will affect many farms at the same time. Damage from hail, on the other hand, tends to be more localized, and a private market for hail insurance has existed for over 100 years in the U.S..

The USDA crop insurance program is a cooperative effort between the Federal Government and the private insurance industry. The Federal Government reimburses private insurance companies for the administrative expenses associated with extending crop insurance and reinsures the private companies for excess insurance losses on all policies. Private companies sell and adjust crop insurance policies. The Federal Government also subsidizes premiums for farmers.

A major program reform was enacted in 1994 to address a growing problem caused by the repeated provision of Federal ad hoc agricultural disaster payments. Between 1980 and 1994, participation in the crop insurance program was kept low by the availability of post-event disaster aid to farmers from the Federal Government. Because disaster payments were no-cost grants, farmers had little incentive to purchase Federal crop insurance. As a result, the cost of ad hoc disaster payments rose over the past seven years, and the crop insurance program accumulated an $8 billion actuarial deficit. The 1994 reform repealed existing agricultural disaster payment authorities and authorized a new basic "catastrophic" insurance policy that indemnifies farmers at a rate roughly equal to the previous free disaster payments. The catastrophic policy is free to farmers except for an administrative fee. Private companies may sell and adjust the catastrophic portion of the crop insurance program, and also provide higher levels of coverage (which are also federally subsidized.) The reform was implemented in crop year 1995. and no ad hoc crop disaster assistance bill has been enacted since 1994. In 1995, 82 percent of eligible acres participated in the program (140 percent over 1994) with a face value of $27 billion.

The 1996 Farm Bill significantly changed the commodity programs and associated price and income support for farmers. The President's signing statement for the Farm Bill stated: "The fixed payments in the bill do not adjust to changes in market conditions, which would leave farmers, and the rural communities in which they live, vulnerable to reductions in crop prices or yields. I am firmly committed to submitting legislation and working with the Congress next year to strengthen the farm safety net". Accordingly, the 1998 Budget proposes to expand the crop insurance program to include "revenue insurance" coverage. Revenue insurance will protect farmers against lost revenue caused by low prices, low yields, or any combination of the two, thereby strengthening the farm income safety net. Currently, USDA is operating several pilot programs to test various revenue insurance products. These pilot products have been widely accepted by farmers in the areas where they are being tested, and the 1998 Budget would expand USDA's authorities to operate a revenue insurance program on a nationwide basis.

Chart 8-1. FACE VALUE OF FEDERAL CREDIT OUTSTANDING



Improving Debt Collection

A critical element in the cost of credit programs is the timing and the amount of recoveries of defaulted loans. Recoveries are an important measure of program performance.

At the end of 1996, total credit and other receivables of the Federal Government were $248 billion. Of that amount, $51 billion were delinquent; $43 billion have been delinquent for more than a year and collectibility is considered doubtful. Total delinquencies and the amount of debt that is more than one year delinquent did not change significantly from 1995 to 1996.

At each stage in the Government's credit and debt management process, there are specific tools that can be used to prevent default, convert delinquent accounts into repayment, and, if appropriate, enforce a claim through the judicial process. In 1996, over $3 billion was collected through offset, private collection agencies, and litigation.

The enactment of the Debt Collection Improvement Act significantly improves Treasury, Justice and loan making agencies' ability to maximize collections of delinquent debt by ensuring quick action, such as referral to private collection agencies and sharing of payment and collection information within and among Federal agencies when an account is 180 days or more overdue.The Act also provides agencies incentives to consolidate and cross-service in order to improve account monitoring and customer servicing.

Chart 8-2. KEY DEBT COLLECTION TOOLS
(Cumulative collections)

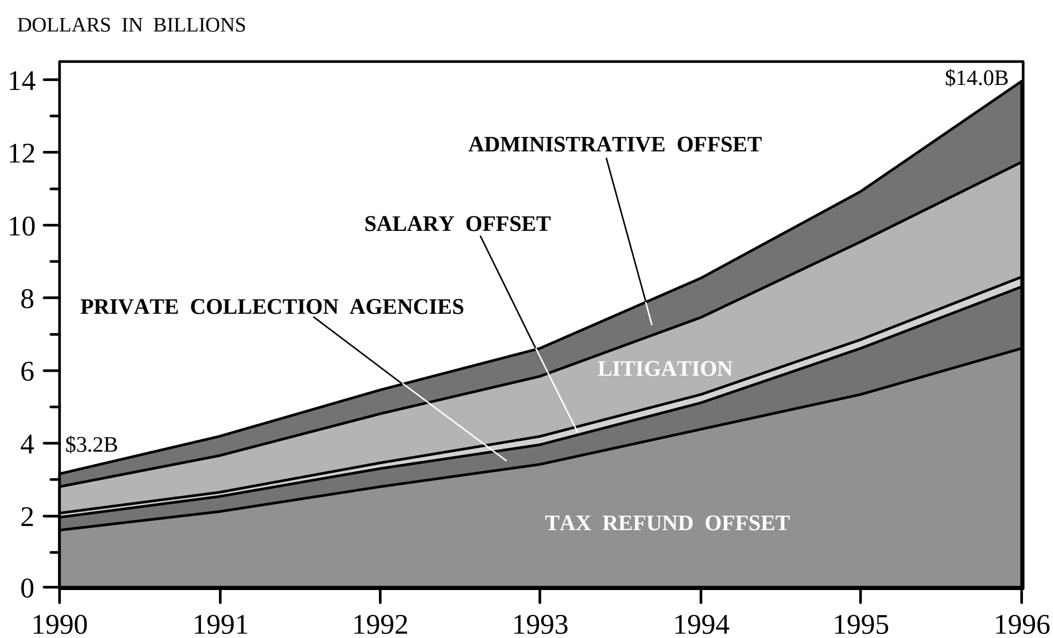


Table 8–1. FACE VALUE AND ESTIMATED COST OF FEDERAL AND FEDERALLY ASSISTED CREDIT PROGRAMS

(in billions of dollars)

Program	Face Value 1995	1997 Budget Estim. Present Value of Future Costs [1]	Face Value 1996	Current Estimates Present Value of Future Costs [1]
Direct Loans: [2]				
Farm Service Agency (excl.CCC), Rural Devlpmt., Rural Housing	48	13–19	47	10–16
Rural Electrification Admin. and Rural Telephone Bank	37	2–4	35	3–6
Agency for International Development	14	2–3	13	1–2
Public Law 480	12	2–4	12	2–4
Disaster Assistance	9	3–5	9	8–12
Foreign Military Financing	8	0–1	8	0–1
Export-Import Bank	8	1–3	8	2–4
Federal Direct Student Loan Program	3	6–9	12	6–9
Small Business	2	0–1	2	0–1
Other Direct	19	1–2	19	1–2
Total Direct Loans	161	30–51	165	33–57
Guaranteed Loans: [2]				
FHA MMI Fund	318	(12)–0	364	(12)–0
VA Mortgage	154	3–5	155	3–5
FHA GI/SRI Fund	83	11–14	91	7–10
Federal Family Education Loan Program	86	5–10	102	5–10
Small Business	26	2–3	31	2–4
Export-Import Bank	18	3–5	18	4–6
Farm Service Agency and Rural Housing	8	1–2	11	1–2
CCC Export Credits	5	2–3	5	0–1
Other Guaranteed	27	3–4	28	2–4
Total Guaranteed Loans	727	18–46	805	12–42
Total Federal Credit	888	48–97	970	45–99
GSEs: [3]				
Fannie Mae	787	....	929	....
Freddie Mac	552	....	601	....
Federal Home Loan Banks [4]	122	....	153	....
Sallie Mae [5]	....	....	....	....
Farm Credit System	53	0–1	56	....
Total GSEs	1,514	0–1	1,740	....
Total Federal and Federally Assisted Credit Programs	2,402	48–98	2,710	45–99

[1] Direct loan future costs are program account outlays projected over a period comparable to loan maturity plus the embedded loss from outstanding loans. Loan guarantee costs are program account outlays plus liquidating account outlays (and outlays from defaulted guaranteed loans that result in loans receivable) projected over a period comparable to loan maturity.
[2] Excludes loans and guarantees by deposit insurance agencies and programs not included under credit reform, such as CCC farm supports. Defaulted guaranteed loans which become loans receivable are accounted for in guaranteed loans.
[3] Net of purchases of federally guaranteed loans.
[4] The lending by the Federal Home Loans Banks measures their advances to member thrift and other financial institutions. In addition, their investment in private financial instruments at the end of 1996 was $122.0 billion.
[5] The face value and Federal costs of Federal Family Education Loans in Sallie Mae's portfolio are included in the account of that program under guaranteed loans above.

TABLE 8–2. REESTIMATES OF CREDIT SUBSIDIES ON LOANS DISBURSED, 1992—1996 [1]

(In millions of dollars)

Program	1994	1995	1996	1997
Direct Loans:				
P.L. 480 Title I loan program	....	....	–37	....
Agriculture credit insurance fund	–72	28	2	....
Agricultural conservation	–1	....	....	....
Foreign military financing	....	....	....	23
Rural development loan program	....	1	....	....
Rural economic development loans	....	....	....	1
Rural electrification and telephone loans	*	61	–37	....
Rural telephone bank	1	....	....	....
Rural housing insurance fund	2	152	46	....
Federal direct student loans	....	....	3	–304
Veterans housing benefit program fund [2]	–39	30	76	–84
Export-Import Bank direct loans	–28	–16	37	....
Loan Guarantees:				
AID housing guaranty	–2	–1	–7	....
P.L. 480 Title I Food for Progress credits	....	84	–38	....
Agriculture credit insurance fund	5	14	12	....
Commodity Credit Corporation export guarantees	3	103	–426	....
Rural housing insurance fund	2	10	7	....
Rural development insurance fund	49	....	....	....
Rural community facility guarantees	....	....	....	9
Federal family education (formerly GSL):				
Technical reestimate	97	421	60	–2,410
Volume reestimate [3]	....	....	535	222
FHA-General and special risk	–175	....	–110	....
BIA-Indian guaranteed loans	....	....	....	18
SBA-Business loans	....	....	257	38
Veterans housing benefit fund guarantees [4]:				
Technical reestimate	1	343	–710	–715
Volume reestimate [3]	....	....	315	2
Export-Import Bank guarantees	–11	–59	13	....
Total	–168	1,171	35	–3,200

* $500 million or less.

[1] Additional information on credit reform subsidy rates is contained in the Federal Credit Supplement to the budget for 1998.

[2] In FY 1998, Veterans Housing Direct Loan Program, Loan Guaranty Program and Guaranty and Indemnity fund direct loans are proposed to be consolidated.

[3] Volume reestimates in mandatory programs represent a change in volume of loans disbursed in the prior years. These estimates are the result of guarantee programs where data from loan issuers on actual disbursements of loans are not received until after the close of the fiscal year.

[4] In FY 1998, Veterans Housing Loan Guaranty Program and Guaranty and Indemnity Fund loan guarantees are proposed to be consolidated.

TABLE 8–3. ESTIMATED 1998 SUBSIDY RATES, BUDGET AUTHORITY, AND LOAN LEVELS FOR DIRECT LOANS [1]

(In millions of dollars)

Agency and Program	1998 Weighted average subsidy as a percent of disbursements	1998 Subsidy budget authority	1998 Estimated loan levels
Funds Appropriated to the President:			
Foreign military financing	9.44	66	700
Overseas Private Investment Corporation	3.00	4	133
Agriculture:			
Agricultural credit insurance program	8.08	43	532
Rural community advancement program	9.05	90	993
Rural electrification and telephone	2.18	31	1,285
Rural telephone bank	2.12	4	175
Distance learning and medical link program	0.02	*	150
Rural housing insurance fund	17.86	218	1,221
Rural development loan fund	48.25	17	35
Rural economic development loans	23.91	6	25
P.L. 480 direct loans	77.83	88	113
Commerce:			
Fisheries finance loans	1.00	*	24
Education:			
Federal direct student loans	4.44	751	16,929
Interior:			
Bureau of Reclamation loans	32.26	10	31
State Department:			
Repatriation loans	80.00	1	1
Transportation:			
Minority business resource center program	10.00	2	15
Transportation infrastructure loans	8.60	99	851
Treasury:			
Community development financial institutions fund	38.08	20	53
Veterans Affairs:			
Veterans housing benefit program fund [2]	1.00	21	2,144
Miscellaneous veterans programs fund [3]	6.99	1	17
Other Independent Agencies:			
Export-Import Bank	1.69	28	1,660
Federal Emergency Management Agency:			
Disaster assistance	5.98	2	25
Small Business Administration:			
Disaster loans	11.44	90	1,187
Business loans	10.28	2	19
Federal Communications Commission:			
Spectrum auction loans	11.98	386	3,220
Total	6.21	1,980	31,859

* $500 thousand or less.
[1] Additional information on credit reform subsidy rates is contained in the Federal Credit Supplement to the budget for 1998.
[2] In FY 1998, Veterans Housing Direct Loan Program, Loan Guaranty Program and Guaranty and Indemnity fund direct loans are proposed to be consolidated.
[3] The FY 1998 budget presents the Education Loan Fund, Vocational Rehabilitation Fund, and Native American Housing Program as a consolidated Miscellaneous Veterans Program account.

TABLE 8–4. ESTIMATED 1998 SUBSIDY RATES, BUDGET AUTHORITY, AND LOAN LEVELS FOR LOAN GUARANTEES [1]

(In millions of dollars)

Agency and Program	1998 Weighted-average subsidy as a percent of disbursements	1998 Subsidy budget authority	1998 Estimated loan levels
Funds Appropriated to the President:			
Microenterprise and other development	3.18	2	48
Urban and environmental	6.52	3	46
Overseas Private Investment Corporation	3.00	56	1,800
Agriculture:			
Agricultural credit insurance fund	2.37	55	2,300
Commodity Credit Corporation export loans	9.26	528	5,700
Rural community advancement	0.08	7	894
Rural housing insurance fund	0.22	7	3,100
Defense:			
Export loan guarantees	....	....	250
Family housing improvement fund	15.00	....	....
Education:			
Federal family education loan program	9.03	2,078	22,995
Health and Human Services:			
Health professions graduate student loan program	1.09	1	85
Health resources and services	7.67	1	13
Housing and Urban Development:			
Indian housing guarantee	8.13	3	37
Community development loan guarantees (Sec. 108)	2.30	29	1,261
FHA mutual mortgage	–2.99	–1,893	110,000
FHA general and special risk	–0.22	81	17,400
GNMA secondary mortgage guarantees	–0.32	–9	130,000
Interior:			
Indian loan guaranty	13.00	5	35
Transportation:			
MARAD guaranteed loans (Title XI)	7.00	35	477
Veterans Affairs:			
Veterans housing benefit program fund [2]	0.49	142	28,945
Other Independent Agencies:			
Export-Import Bank	3.85	594	15,413
Small Business Administration:			
Business Loans	1.51	180	11,884
Total	5.29	1,905	359,777

[1] Additional information on credit reform subsidy rates is contained in the Federal Credit Supplement to the budget for 1998.
[2] In FY 1998, Veterans Housing Loan Guaranty Program and Guaranty and Indemnity Fund loan guarantees are proposed to be consolidated.

TABLE 8–5. SUMMARY OF FEDERAL DIRECT LOANS AND LOAN GUARANTEES

(In billions of dollars)

	Actual				Estimate	
	1993	1994	1995	1996	1997	1998
Direct Loans:						
Obligations	22.1	22.7	30.9	23.4	36.8	37.4
Disbursements	27.1	19.3	22.0	23.6	37.6	37.5
Subsidy budget authority [1]	2.1	2.8	2.6	1.8	2.2	2.0
Loan Guarantees: [2]						
Commitments	169.9	204.1	138.5	175.4	208.1	196.2
Lender Disbursements	144.3	194.2	117.9	143.9	164.0	158.9
Subsidy budget authority [1]	4.1	2.4	4.6	4.0	2.3	1.9

[1] Excludes subsidy reestimates for loans made in prior years.
[2] GNMA secondary guarantees of loans that are guaranteed by FHA, VA and FmHA are excluded from the totals to avoid double-counting.

TABLE 8–6. DIRECT LOAN WRITE-OFFS AND GUARANTEED LOAN TERMINATIONS FOR DEFAULTS

Agency or Program	In millions of dollars			As percentage of outstanding loans [1]		
	1996 actual	1997 estimate	1998 estimate	1996 actual	1997 estimate	1998 estimate
DIRECT LOAN WRITEOFFS						
Funds Appropriated to the President:						
Foreign military financing loans	....	47	....	....	0.71	....
Agriculture:						
Agricultural credit insurance fund	677	616	517	6.26	6.34	5.97
Rural development insurance fund	5	4	4	0.11	0.09	0.09
Rural housing insurance fund	115	113	109	0.38	0.38	0.37
P.L. 480	....	9	14	....	0.09	0.15
Commerce:						
Economic development revolving fund (EDA)	2	2	1	3.22	3.44	1.96
Education:						
Student financial assistance	5	8	8	2.41	3.72	3.46
Health and Human Services:						
Health Resources and Services	1	1	1	0.12	0.12	0.12
Housing and Urban Development:						
Revolving fund	9	1	....	2.74	0.32	....
FHA-Mutal mortgage insurance	....	....	3	....	....	1.50
Interior:						
Revolving fund	3	2	4	5.00	3.63	8.88
Indian loan guaranty	4	5	7	10.00	13.51	22.58
Bureau of Indian Affairs direct loans	....	....	5	....	....	50.00
State:						
Repatriation loans	1	1	1	25.00	25.00	25.00
Veterans Affairs:						
Veterans housing benefit program [2]	11	11	19	0.92	0.72	0.92
Other Independent Agencies:						
Small Business Administration	290	251	116	2.70	2.38	1.16
Tennesee Valley Authority	....	1	2	....	0.57	0.90
Total, direct loan writeoffs	**1,123**	**1,072**	**811**	....	....	....
GUARANTEED LOAN TERMINATIONS FOR DEFAULT						
Funds Appropriated to the President:						
Foreign military financing	....	4	4	....	0.06	0.07
Housing and other credit guaranty programs	22	20	24	1.12	1.04	1.31
Assistance for the New Independent States of the Soviet Union	....	....	15	....	....	14.56
Agriculture:						
Agricultural credit insurance fund	52	12	5	0.76	0.15	0.06
CCC guaranteed loans	221	248	330	15.96	16.05	3.63
Rural development insurance fund	20	22	19	4.00	4.76	4.94
Rural housing insurance fund	4	14	23	0.11	0.30	0.32
Rural business and industry loans	1	1	2	0.13	0.10	0.14
Commerce:						
Federal ship financing fund	16	....	....	14.67	....	....
Education:						
Federal family education loans	3,143	3,140	3,322	3.08	2.99	3.03
Health and Human Services:						
Health professions graduate student loans	34	47	42	1.17	1.59	1.43
Health center guaranteed loans	....	....	1	....	....	1.42
Housing and Urban Development:						
FHA -General and special risk guaranteed loans	904	1,328	2,536	2.10	1.35	2.37
FHA -Mutual mortgage and cooperative housing loans	4,114	2,561	2,387	1.13	0.66	0.58
Interior:						
Indian loan guaranty	7	39	5	3.11	17.97	2.30
Transportation:						
MARAD ship financing fund	....	24	24	....	3.18	4.00
Veterans Affairs:						
Veterans housing benefit program [3]	1,859	2,221	728	1.20	1.42	0.46
Other Independent Agencies:						
Small Business Administration	600	546	513	2.70	2.38	1.98

TABLE 8–6. DIRECT LOAN WRITE-OFFS AND GUARANTEED LOAN TERMINATIONS FOR DEFAULTS—Continued

Agency or Program	In millions of dollars			As percentage of outstanding loans [1]		
	1996 actual	1997 estimate	1998 estimate	1996 actual	1997 estimate	1998 estimate
Export-Import Bank	250	8	8	1.41	0.04	0.04
Total, guaranteed loan terminations for default	**11,247**	**10,235**	**9,988**	....	....	....
Total, direct loan writeoffs and guaranteed loan terminations	**12,370**	**11,307**	**10,799**	....	....	....
ADDENDUM: WRITEOFFS OF DEFAULTED GUARANTEED LOANS THAT RESULT IN LOANS RECEIVABLE						
Funds Appropriated to the President:						
Housing and other credit guaranty programs	5	49	28	1.07	10.81	6.10
Education:						
Federal family education loans	15	224	242	0.09	1.39	1.43
Health and Human Services:						
Health professions graduate student loans	9	9	9	2.10	1.82	1.65
Housing and Urban Development:						
FHA -General and special risk guaranteed loans	1,281	755	152	41.43	32.26	4.23
FHA -Mutual mortgage and cooperative housing loans	763	702	28	40.97	63.24	8.04
Veterans Affairs:						
Veterans housing benefit program [3]	547	608	494	38.76	45.07	37.79
Other Independent Agencies:						
Small Business Administration	102	105	107	5.28	4.96	4.83
Total, writeoffs of loans receivable	2,722	2,452	1,060	....	....	....

[1] Average of loans outstanding over year.
[2] In FY 1998, Veterans Housing Direct Loan Program, Loan Guaranty Program and Guaranty and Indemnity Fund direct loans are proposed to be consolidated.
[3] In FY 1998, Veterans Housing Loan Guaranty Program and Guaranty and Indemnity Fund loan guarantees are proposed to be consolidated.

TABLE 8–7. APPROPRIATIONS ACTS LIMITATIONS ON CREDIT LOAN LEVELS [1]

(In millions of dollars)

Agency or Program	1996 Actual	Estimate	
		1997	1998
LIMITATIONS ON DIRECT LOAN OBLIGATIONS			
Funds Appropriated to the President:			
Foreign military financing	544	540	700
Housing and Urban Development:			
FHA-General and special risk loans	120	120	120
FHA-Mutual mortgage insurance loans	200	200	200
Interior:			
Bureau of Reclamation direct loans	37	37	31
State Department:			
Repatriation loans	1	1	1
Transportation:			
Minority business resource center loans	15	15	15
Orange County (CA) toll road demonstration	....	25	....
Direct loan financing (Alameda)	....	400	....
Treasury:			
Community development financial institutions fund	28	....	53
Veterans Affairs:			
Miscellaneous veterans programs loan fund	8	15	17
Federal Emergency Management Agency:			
Disaster assistance loans	153	25	25
Total, limitations on direct loan obligations	1,106	1,378	1,162
LIMITATIONS ON GUARANTEED LOAN COMMITMENTS			
Funds Appropriated to the President:			
Loan guarantees to Israel	2,000	2,000	....
Defense:			
Defense export loan guarantee	....	15,000	15,000
Health and Human Services:			
Health professions graduate student loan insurance	210	140	85
Health center guaranteed loans	....	160	....
Housing and Urban Development:			
Indian housing loan guarantee fund	37	37	37
Community development loan guarantees (Sec. 108)	1,500	1,380	1,261
FHA-General and special risk	17,400	17,400	17,400
FHA-Mutual mortgage insurance	110,000	110,000	110,000
FHA-Loan recovery fund	....	10	....
Interior:			
Indian guaranteed loans	35	35	35
Transportation:			
MARAD guaranteed loans (Title XI)	1,000	1,000	500
Total, limitations on guaranteed loan commitments	132,182	147,162	144,318
ADDENDUM			
Secondary guaranteed loan commitment limitations:			
GNMA, mortgage-backed securities	130,000	110,000	130,000

[1] Data represents loan level limitations enacted or proposed to be enacted in appropriations acts. For information on actual and estimated loan levels supportable by new subsidy budget authority requested, see Table 8-3 and Table 8-4.

Table 8–8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT

(in millions of dollars)

Agency or Program	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
Funds Appropriated to the President							
International Security Assistance							
Foreign military loan liquidating account:							
Obligations							
Loan disbursements	35	14	9	8	8	7	7
Change in outstandings	-890	-925	-767	-591	-497	-430	-379
Outstandings	7,021	6,096	5,329	4,738	4,241	3,811	3,432
Foreign military financing direct loan financing account:							
Obligations	544	540	700	700	700	700	700
Loan disbursements	559	568	560	903	785	690	700
Change in outstandings	559	545	400	640	470	317	267
Outstandings	1,098	1,643	2,043	2,683	3,153	3,470	3,737
Military debt reduction financing account:							
Obligations							
Loan disbursements		20					
Change in outstandings		20					
Outstandings		20	20	20	20	20	20
Multilateral Assistance							
International organizations and programs:							
Obligations							
Loan disbursements							
Change in outstandings	-2	-2					
Outstandings	34	32	32	32	32	32	32
Agency for International Development							
Economic assistance loans—liquidating account:							
Obligations							
Loan disbursements	3	4					
Change in outstandings	-629	-672	-577	-532	-525	-529	-529
Outstandings	12,649	11,977	11,400	10,868	10,343	9,814	9,285
Debt reduction, financing account:							
Obligations							
Loan disbursements		35	5	1			
Change in outstandings	-57	-26	-48	-49	-50	-50	-50
Outstandings	396	370	322	273	223	173	123
Microenterprise and other development credit direct loan financing account:							
Obligations							
Loan disbursements	1		1				
Change in outstandings	1		1				
Outstandings	2	2	3	3	3	3	3
Overseas Private Investment Corporation							
Overseas Private Investment Corporation liquidating account:							
Obligations							
Loan disbursements	8	3					
Change in outstandings	-31	-22	-15	-12	-4		
Outstandings	53	31	16	4			
Overseas private investment corporation direct loan financing account:							
Obligations	49	133	133	133	133	133	133
Loan disbursements	22	60	60	60	60	60	60
Change in outstandings	20	58	57	45	40	30	20
Outstandings	72	130	187	232	272	302	322
Department of Agriculture							
Farm Service Agency							
Agricultural credit insurance fund liquidating account:							
Obligations							
Loan disbursements	5	5	5	5	4	4	4
Change in outstandings	-1,451	-1,285	-1,085	-1,086	-887	-898	-688
Outstandings	8,783	7,498	6,413	5,327	4,440	3,542	2,854

Table 8–8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency or Program	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
Agricultural credit insurance fund direct loan financing account:							
Obligations	833	663	532	604	681	760	788
Loan disbursements	801	667	540	601	677	756	786
Change in outstandings	371	196	23	46	111	161	149
Outstandings	2,026	2,222	2,245	2,291	2,402	2,563	2,712
Commodity credit corporation fund:							
Obligations	5,137	6,174	7,922	7,844	7,500	6,797	6,256
Loan disbursements	5,137	6,174	7,922	7,844	7,500	6,797	6,256
Change in outstandings	-1,114	-236	229	-27	-92	-66	-43
Outstandings	1,672	1,436	1,665	1,638	1,546	1,480	1,437
Rural Utilities Service							
Rural communication development fund liquidating account:							
Obligations							
Loan disbursements							
Change in outstandings	-1		-1		-1	-1	
Outstandings	9	9	8	8	7	6	6
Distance learning and medical link direct loan financing account:							
Obligations		150	150	150	150	150	150
Loan disbursements		45	120	150	150	150	150
Change in outstandings		42	107	124	111	98	82
Outstandings		42	149	273	384	482	564
Rural development insurance fund liquidating account:							
Obligations							
Loan disbursements	12	35	3				
Change in outstandings	-123	-165	-189	-184	-175	-168	-159
Outstandings	4,348	4,183	3,994	3,810	3,635	3,467	3,308
Rural electrification and telecommunications direct loan financing account:							
Obligations	865	1,319	1,235	1,335	1,431	1,495	1,511
Loan disbursements	861	1,479	1,379	1,305	1,369	1,380	1,451
Change in outstandings	766	1,415	1,297	1,195	1,234	1,275	1,262
Outstandings	3,506	4,921	6,218	7,413	8,647	9,922	11,184
Rural telephone bank direct loan financing account:							
Obligations	126	176	175				
Loan disbursements	45	173	238				
Change in outstandings	40	170	231	-592			
Outstandings	191	361	592				
Rural development insurance fund direct loan financing account:							
Obligations							
Loan disbursements							
Change in outstandings	-1,218						
Outstandings							
Rural water and waste disposal direct loans financing account:							
Obligations	605	755	734	754	775	796	820
Loan disbursements	650	759	706	656	695	761	648
Change in outstandings	1,615	747	690	634	668	726	605
Outstandings	1,615	2,362	3,052	3,686	4,354	5,080	5,685
Rural electrification and telecommunications liquidating account:							
Obligations							
Loan disbursements	114	940	596	302	1,151	281	59
Change in outstandings	-2,642	-650	-523	-917	-984	-823	-1,036
Outstandings	30,459	29,809	29,286	28,369	27,385	26,562	25,526
Rural telephone bank liquidating account:							
Obligations							
Loan disbursements	31	60	30				
Change in outstandings	-86	-45	-95	-1,188			
Outstandings	1,328	1,283	1,188				

Table 8–8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency or Program	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
Rural Housing Service							
Rural housing insurance fund liquidating account:							
Obligations	....	....	....	....	....	....	....
Loan disbursements	3	1	1	....	....	....	....
Change in outstandings	-1,490	-1,309	-1,258	-1,213	-1,169	-1,126	-1,083
Outstandings	22,185	20,876	19,618	18,405	17,236	16,110	15,027
Rural housing insurance fund direct loan financing account:							
Obligations	1,218	993	1,221	1,523	1,874	2,210	2,316
Loan disbursements	1,153	1,138	1,211	1,455	1,784	2,121	2,271
Change in outstandings	1,003	986	1,014	1,204	1,460	1,721	1,776
Outstandings	7,800	8,786	9,800	11,004	12,464	14,185	15,961
Rural community facility direct loans financing account:							
Obligations	208	137	209	209	208	208	208
Loan disbursements	118	161	180	177	206	196	183
Change in outstandings	348	153	170	164	189	175	158
Outstandings	348	501	671	835	1,024	1,199	1,357
Rural Business—Cooperative Service							
Rural economic development loans liquidating account:							
Obligations	....	....	....	....	....	....	....
Loan disbursements	....	1	....	....	....	....	....
Change in outstandings	-1	-1	-2	-2	-2	....	....
Outstandings	7	6	4	2	....	....	....
Rural economic development direct loan financing account:							
Obligations	9	12	25	25	25	25	25
Loan disbursements	7	13	14	23	23	24	23
Change in outstandings	4	9	8	16	13	11	8
Outstandings	35	44	52	68	81	92	100
Rural development loan fund direct loan financing account:							
Obligations	38	37	35	35	35	35	35
Loan disbursements	57	67	46	44	36	35	35
Change in outstandings	57	66	44	42	33	31	30
Outstandings	131	197	241	283	316	347	377
Rural business and industry direct loans financing account:							
Obligations	....	50	50	50	50	50	50
Loan disbursements	....	12	33	42	48	50	50
Change in outstandings	....	12	33	42	47	48	47
Outstandings	....	12	45	87	134	182	229
Rural development loan fund liquidating account:							
Obligations	....	....	....	....	....	....	....
Loan disbursements	3	2	1	....	....	....	....
Change in outstandings	-1	-2	-2	-3	-3	-3	-3
Outstandings	84	82	80	77	74	71	68
Foreign Agricultural Service							
Expenses, Public Law 480, foreign assistance programs, Agriculture liquidating account :							
Obligations	....	....	....	....	....	....	....
Loan disbursements	....	....	....	....	....	....	....
Change in outstandings	-310	-329	-559	-351	-301	-307	-309
Outstandings	9,767	9,438	8,879	8,528	8,227	7,920	7,611
P.L. 480 Direct credit financing account:							
Obligations	291	227	113	113	113	113	113
Loan disbursements	240	228	169	123	113	113	113
Change in outstandings	240	210	125	123	113	113	113
Outstandings	1,264	1,474	1,599	1,722	1,835	1,948	2,061
P.L. 480 Title I Food for Progress Credits, financing account:							
Obligations	....	....	....	....	....	....	....
Loan disbursements	....	....	....	....	....	....	....
Change in outstandings	....	....	....	....	....	....	....
Outstandings	508	508	508	508	508	508	508

Table 8–8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency or Program	1996 Actual	Estimate 1997	1998	1999	2000	2001	2002
Debt reduction—financing account:							
Obligations							
Loan disbursements			34				
Change in outstandings			34				
Outstandings	66	66	100	100	100	100	100
Department of Commerce							
Economic Development Administration							
Economic development revolving fund liquidating account:							
Obligations							
Loan disbursements							
Change in outstandings	-6	-8	-6	-4	-5	-3	-3
Outstandings	62	54	48	44	39	36	33
National Oceanic and Atmospheric Administration							
Fisheries finance, financing account:							
Obligations			24	24	24	24	24
Loan disbursements				24	24	24	24
Change in outstandings				22	19	17	14
Outstandings				22	41	58	72
Department of Defense—Military							
Revolving and Management Funds							
Defense working capital funds:							
Obligations							
Loan disbursements							
Change in outstandings	-49	-75	-83	-86			
Outstandings	1,384	1,309	1,226	1,140	1,140	1,140	1,140
Department of Education							
Office of Postsecondary Education							
Student financial assistance:							
Obligations							
Loan disbursements							
Change in outstandings	20	16	17	16	17	16	15
Outstandings	207	223	240	256	273	289	304
College housing and academic facilities loans liquidating account:							
Obligations							
Loan disbursements	13						
Change in outstandings	-36	-41	-40	-38	-35	-34	-31
Outstandings	646	605	565	527	492	458	427
College housing and academic facilities loans financing account:							
Obligations							
Loan disbursements	7	6	3	1	6	6	
Change in outstandings	7	6	3	1	6	5	-1
Outstandings	13	19	22	23	29	34	33
Federal direct student loan program, financing account:							
Obligations	9,262	12,527	15,377	18,666	20,857	21,253	22,523
Loan disbursements	9,100	11,978	14,533	17,635	20,156	21,730	23,076
Change in outstandings	8,872	11,588	13,676	16,050	17,551	17,810	17,541
Outstandings	11,565	23,153	36,829	52,879	70,430	88,240	105,781
Historically Black College and University Capital financing—direct loan finance account:							
Obligations							
Loan disbursements							
Change in outstandings							
Outstandings							
Department of Energy							
Power Marketing Administration							
Bonneville Power Administration fund:							
Obligations							
Loan disbursements							
Change in outstandings							
Outstandings	3	3	3	3	3	3	3

Table 8–8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency or Program	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
Department of Health and Human Services							
Health Resources and Services Administration							
Health Resources and Services:							
Obligations							
Loan disbursements	25	20					
Change in outstandings	2		-20	-19	-19	-19	-19
Outstandings	800	800	780	761	742	723	704
Health loan funds:							
Obligations							
Loan disbursements							
Change in outstandings	-11	-11	-7	-7	-5	-4	
Outstandings	34	23	16	9	4		
Department of Housing and Urban Development							
Public and Indian Housing Programs							
Low-rent public housing—loans and other expenses:							
Obligations							
Loan disbursements							
Change in outstandings	-62	-65	-65	-65	-65	-65	-65
Outstandings	1,627	1,562	1,497	1,432	1,367	1,302	1,237
Community Planning and Development							
Revolving fund (liquidating programs):							
Obligations							
Loan disbursements							
Change in outstandings	-60	-46	-40	-40	-35	-30	-30
Outstandings	328	282	242	202	167	137	107
Community development loan guarantees liquidating account:							
Obligations							
Loan disbursements							
Change in outstandings	-50	-4	-4	-4	-4	-4	-4
Outstandings	39	35	31	27	23	19	15
Housing Programs							
Nonprofit sponsor assistance liquidating account:							
Obligations							
Loan disbursements							
Change in outstandings							
Outstandings	1	1	1	1	1	1	1
Flexible Subsidy Fund:							
Obligations							
Loan disbursements	93	95	73	8			
Change in outstandings	91	93	70	5	-3	-3	-3
Outstandings	675	768	838	843	840	837	834
FHA-Mutual mortgage and cooperative housing insurance funds liquidating account:							
Obligations							
Loan disbursements							
Change in outstandings	-8	-2					
Outstandings	7	5	5	5	5	5	5
FHA-General and special risk insurance funds liquidating account:							
Obligations							
Loan disbursements							
Change in outstandings	-10	-12	-9	-10	-10	-8	-7
Outstandings	97	85	76	66	56	48	41
FHA-General and special risk direct loan financing account:							
Obligations		40	120	20	20	20	
Loan disbursements		40	120	20	20	20	20
Change in outstandings		40	100	-20	-40	-20	-20
Outstandings		40	140	120	80	60	40

Table 8–8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency or Program	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
Housing for the elderly or handicapped fund liquidating account:							
Obligations							
Loan disbursements	2	189					
Change in outstandings	-25	118	-72	-71	-70	-70	-69
Outstandings	8,306	8,424	8,352	8,281	8,211	8,141	8,072
FHA-Mutual mortgage insurance direct loan financing account:							
Obligations	3	200	200				
Loan disbursements	3	200	200				
Change in outstandings	2	143	110				
Outstandings	2	145	255	255	255	255	255
Government National Mortgage Association							
Guarantees of mortgage-backed securities liquidating account:							
Obligations							
Loan disbursements	128	144	111	81	44	18	5
Change in outstandings	-12	6	2	4	4	2	1
Outstandings	321	327	329	333	337	339	340
Guarantees of mortgage-backed securities financing account:							
Obligations							
Loan disbursements			5	18	42	60	70
Change in outstandings				1	3	7	9
Outstandings				1	4	11	20
Department of the Interior							
Bureau of Reclamation							
Bureau of reclamation loan liquidating account:							
Obligations							
Loan disbursements							
Change in outstandings		-3	-3	-3	-3	-4	-4
Outstandings	80	77	74	71	68	64	60
Bureau of Reclamation direct loan financing account:							
Obligations	27	37	31	31	31	31	31
Loan disbursements	24	37	35	36	37	39	40
Change in outstandings	24	37	35	36	37	39	40
Outstandings	55	92	127	163	200	239	279
National Park Service							
Construction:							
Obligations							
Loan disbursements							
Change in outstandings		-1			-1		
Outstandings	7	6	6	6	5	5	5
Bureau of Indian Affairs							
Revolving fund for loans liquidating account:							
Obligations							
Loan disbursements							
Change in outstandings	-7	-9	-11	-10	-8	-7	-7
Outstandings	60	51	40	30	22	15	8
Indian loan guaranty and insurance fund liquidating account:							
Obligations							
Loan disbursements	4						
Change in outstandings		-5	-7	-5	-3	-2	-2
Outstandings	40	35	28	23	20	18	16
Indian direct loan financing account:							
Obligations							
Loan disbursements							
Change in outstandings	-5	-3	-7	-2	-2		
Outstandings	17	14	7	5	3	3	3

Table 8–8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency or Program	1996 Actual	Estimate 1997	1998	1999	2000	2001	2002
Insular Affairs							
Assistance to territories:							
Obligations							
Loan disbursements							
Change in outstandings	-1	-1	-1	-1	-1	-1	-2
Outstandings	20	19	18	17	16	15	13
Department of State							
Administration of Foreign Affairs							
Repatriation loans financing account:							
Obligations	1	1	1	1	1	1	1
Loan disbursements	1	1	1	1	1	1	1
Change in outstandings							
Outstandings	4	4	4	4	4	4	4
Department of Transportation							
Office of the Secretary							
Minority business resource center direct loan financing account:							
Obligations	15	15	15	15	15	15	15
Loan disbursements	6	15	15	15	15	15	15
Change in outstandings							
Outstandings	9	9	9	9	9	9	9
Federal Highway Administration							
Orange County (CA) toll road demonstration project direct loan financing account:							
Obligations		25					
Loan disbursements		6	6	13	13	13	13
Change in outstandings		7	6	13	13	13	13
Outstandings		7	13	26	39	52	65
High priority corridors loan financing account:							
Obligations							
Loan disbursements							
Change in outstandings		-37					
Outstandings	37						
Transportation infrastructure credit direct loan financing account:							
Obligations							
Loan disbursements			425	638	851	851	851
Change in outstandings			425	638	851	851	851
Outstandings			425	1,063	1,914	2,765	3,616
Right-of-way revolving fund liquidating account:							
Obligations							
Loan disbursements	41	28	-20	-20	-16		
Change in outstandings	29	13	-38	-40	-40	-24	-24
Outstandings	183	196	158	118	78	54	30
Federal Railroad Administration							
Amtrak corridor improvement loans liquidating account:							
Obligations							
Loan disbursements							
Change in outstandings	-1	-1	-1				
Outstandings	6	5	4	4	4	4	4
Amtrak corridor improvement direct loan financing account:							
Obligations							
Loan disbursements		2					
Change in outstandings		2					
Outstandings	3	5	5	5	5	5	5
Direct loan financing account:							
Obligations		400					
Loan disbursements		140	140	120			
Change in outstandings		140	140	120			
Outstandings		140	280	400	400	400	400

Table 8–8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency or Program	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
Railroad rehabilitation and improvement liquidating account:							
Obligations							
Loan disbursements							
Change in outstandings	-5	-5	-11	-4	-5	-4	-4
Outstandings	72	67	56	52	47	43	39
Railroad rehabilitation and improvement direct loan financing account:							
Obligations							
Loan disbursements							
Change in outstandings							
Outstandings	4	4	4	4	4	4	4
Maritime Administration							
Federal ship financing fund liquidating account:							
Obligations							
Loan disbursements		25	25	25			
Change in outstandings	-33	18	18	18			
Outstandings		18	36	54	54	54	54
Department of the Treasury							
Departmental Offices							
Community development financial institutions fund direct loan financing account:							
Obligations	7	33	53	55	69	98	152
Loan disbursements		7	23	45	57	67	93
Change in outstandings		7	23	45	57	67	93
Outstandings		7	30	75	132	199	292
Department of Veterans Affairs							
Veterans Benefits Administration							
Veterans Housing Benefit Program Fund Direct Loan Financing Account:							
Obligations	1,336	1,887	2,144	2,203	2,247	2,263	2,247
Loan disbursements	1,396	1,887	2,144	2,203	2,247	2,263	2,247
Change in outstandings	1	675	449	402	390	360	329
Outstandings	723	1,398	1,847	2,249	2,639	2,999	3,328
Veterans Housing Benefit Program Fund Liquidating Account:							
Obligations							
Loan disbursements	38	31	28	26	24	22	20
Change in outstandings	-106	-36	-33	-30	-28	-26	-24
Outstandings	449	413	380	350	322	296	272
Miscellaneous veterans programs loan fund direct loan financing account:							
Obligations	8	15	17	20	2	2	2
Loan disbursements	8	15	17	20	2	2	2
Change in outstandings	6	13	15	17	-1	-1	-1
Outstandings	13	26	41	58	57	56	55
Miscellaneous veterans programs loan fund liquidating account:							
Obligations							
Loan disbursements							
Change in outstandings		-1			-1		
Outstandings	3	2	2	2	1	1	1
Environmental Protection Agency							
Environmental Protection Agency							
Abatement, control, and compliance direct loan liquidating account:							
Obligations							
Loan disbursements		2					
Change in outstandings	-9	-7	-9	-9	-9	-8	-8
Outstandings	87	80	71	62	53	45	37
Abatement, control, and compliance direct loan financing account:							
Obligations							
Loan disbursements	10	6	3	1			
Change in outstandings	5	1	-2	-4	-5	-5	-5
Outstandings	65	66	64	60	55	50	45

Table 8–8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency or Program	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
Small Business Administration							
Small Business Administration							
Business direct loan financing account:							
Obligations	9	24	19	20	21	21	22
Loan disbursements	12	12	13	13	13	14	14
Change in outstandings	-6	-6	-23	-23	-6	-6	-6
Outstandings	161	155	132	109	103	97	91
Disaster direct loan financing account:							
Obligations	867	747	1,188	....	....	....	....
Loan disbursements	946	874	1,041	746	878	902	936
Change in outstandings	479	164	264	-2,970	-3,124	46	51
Outstandings	7,227	7,391	7,655	4,685	1,561	1,607	1,658
Disaster loan fund liquidating account:							
Obligations	....	....	....	....	....	....	....
Loan disbursements	....	....	....	....	....	....	....
Change in outstandings	-242	-260	-320	-654	-442	....	....
Outstandings	1,676	1,416	1,096	442	....	....	....
Business loan fund liquidating account:							
Obligations	....	....	....	....	....	....	....
Loan disbursements	152	117	90	69	....	....	....
Change in outstandings	-366	-340	-565	-548	-25	-23	-20
Outstandings	1,671	1,331	766	218	193	170	150
Other Independent Agencies							
District of Columbia							
Loans to the District of Columbia for capital projects:							
Obligations	....	....	....	....	....	....	....
Loan disbursements	....	....	....	....	....	....	....
Change in outstandings	-12	-12	-12	-12	-12	-15	....
Outstandings	63	51	39	27	15	....	....
Repayable advances to the District of Columbia direct loan financing account:							
Obligations	379	461	....	....	....	....	....
Loan disbursements	379	461	....	....	....	....	....
Change in outstandings	232	82	-461	....	....	....	....
Outstandings	379	461	....	....	....	....	....
Export-Import Bank of the United States							
Export-Import Bank of the United States liquidating account:							
Obligations	....	....	....	....	....	....	....
Loan disbursements	22	80	80	....	....	....	....
Change in outstandings	-627	-906	-536	-352	-268	-247	-196
Outstandings	5,511	4,605	4,069	3,717	3,449	3,202	3,006
Debt reduction financing account:							
Obligations	....	....	....	....	....	....	....
Loan disbursements	....	72	29	....	....	....	....
Change in outstandings	....	72	29	....	....	....	....
Outstandings	....	72	101	101	101	101	101
Export-Import Bank direct loan financing account:							
Obligations	1,236	1,900	1,660	1,660	1,660	1,660	1,660
Loan disbursements	1,023	1,293	1,155	1,218	1,308	1,255	1,255
Change in outstandings	886	789	636	714	845	820	872
Outstandings	2,376	3,165	3,801	4,515	5,360	6,180	7,052
Farm Credit System Financial Assistance Corporation							
Financial assistance corporation assistance fund, liquidating account:							
Obligations	....	....	....	....	....	....	....
Loan disbursements	....	....	....	....	....	....	....
Change in outstandings	....	....	....	....	....	....	....
Outstandings	1,261	1,261	1,261	1,261	1,261	1,261	1,261

Table 8–8. DIRECT LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency or Program	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
Federal Communications Commission							
Spectrum auction direct loan financing account:							
Obligations	115	6,980	3,220	....	....	....	....
Loan disbursements	115	6,980	3,220	....	....	....	....
Change in outstandings	115	6,858	2,759	....	....	....	....
Outstandings	115	6,973	9,732	9,732	9,732	9,732	9,732
Bank Insurance							
Bank insurance fund:							
Obligations	....	....	....	....	....	....	....
Loan disbursements	....	....	....	....	....	....	....
Change in outstandings	-32	....	....	....	....	....	....
Outstandings	100	100	100	100	100	100	100
FSLIC Resolution							
FSLIC resolution fund:							
Obligations	....	....	....	....	....	....	....
Loan disbursements	....	....	....	....	....	....	....
Change in outstandings	-32	-32	-94	....	....	....	....
Outstandings	126	94	....	....	....	....	....
Federal Emergency Management Agency							
Disaster assistance direct loan liquidating account:							
Obligations	....	....	....	....	....	....	....
Loan disbursements	....	....	....	....	....	....	....
Change in outstandings	....	-1	-1	....	....	....	....
Outstandings	59	58	57	57	57	57	57
Disaster assistance direct loan financing account:							
Obligations	138	25	25	25	25	25	25
Loan disbursements	90	105	25	25	25	25	25
Change in outstandings	41	60	17	9	-1	-7	-5
Outstandings	142	202	219	228	227	220	215
National Credit Union Administration							
Community development credit union revolving loan fund:							
Obligations	....	....	....	....	....	....	....
Loan disbursements	2	3	2	2	1	1	1
Change in outstandings	....	1	....	....	....	....	....
Outstandings	6	7	7	7	7	7	7
Tennessee Valley Authority							
Tennessee Valley Authority fund:							
Obligations	61	107	118	124	143	153	172
Loan disbursements	61	107	118	124	143	153	172
Change in outstandings	1	48	49	47	56	56	60
Outstandings	150	198	247	294	350	406	466
Total, Direct loan transactions:							
Obligations	23,387	36,790	37,446	36,339	38,790	39,038	39,979
Loan disbursements	23,566	37,642	37,523	36,806	40,500	40,906	41,676
Change in outstandings	3,978	18,027	15,704	10,655	15,372	19,774	19,567
Outstandings	166,534	184,561	200,265	210,920	226,292	246,066	265,633

Table 8–9. GUARANTEED LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT

(in millions of dollars)

Agency or Program	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
Funds Appropriated to the President							
International Security Assistance							
Foreign military loan liquidating account:							
Commitments							
New guaranteed loans							
Change in outstandings	-481	-435	-389	-384	-377	-361	-355
Outstandings	6,129	5,694	5,305	4,921	4,544	4,183	3,828
Agency for International Development							
Loan guarantees to Israel financing account:							
Commitments	2,000	2,000					
New guaranteed loans	1,751	2,000					
Change in outstandings	1,751	2,000					
Outstandings	6,564	8,564	8,564	8,564	8,564	8,564	8,564
Housing and other credit guaranty programs liquidating account:							
Commitments							
New guaranteed loans	2	33	2				
Change in outstandings	-64	-75	-107	-104	-105	-108	-105
Outstandings	1,950	1,875	1,768	1,664	1,559	1,451	1,346
Private sector revolving fund liquidating account:							
Commitments							
New guaranteed loans							
Change in outstandings	-3	-12					
Outstandings	16	4	4	4	4	4	4
Microenterprise and other development guaranteed loan financing account:							
Commitments							
New guaranteed loans	2	4					
Change in outstandings	2	4					
Outstandings	26	30	30	30	30	30	30
Urban and environmental credit guaranteed loan financing account:							
Commitments	82	42	46				
New guaranteed loans	60	75	50				
Change in outstandings	60	75	50				
Outstandings	239	314	364	364	364	364	364
Assistance for the New Independent States of the Former Soviet Union: Ukraine export credit insurance financing account:							
Commitments	81	63					
New guaranteed loans	81	63					
Change in outstandings	81	63	-81	-63			
Outstandings	81	144	63				
Overseas Private Investment Corporation							
Overseas Private Investment Corporation liquidating account:							
Commitments							
New guaranteed loans	8	20	5				
Change in outstandings	-71	-55	-70	-40	-30	-21	
Outstandings	216	161	91	51	21		
Overseas private investment corporation guaranteed loan financing account:							
Commitments	2,000	2,250	1,800	1,800	1,800	1,800	1,800
New guaranteed loans	847	1,500	1,900	2,400	2,700	2,400	2,400
Change in outstandings	820	1,446	1,400	1,400	1,200	700	400
Outstandings	1,335	2,781	4,181	5,581	6,781	7,481	7,881
Department of Agriculture							
Farm Service Agency							
Agricultural credit insurance fund liquidating account:							
Commitments							
New guaranteed loans	2	2					
Change in outstandings	-143	-210	-105	-55	-44	-32	-22
Outstandings	1,173	963	858	803	759	727	705

Table 8–9. GUARANTEED LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency or Program	1996 Actual	Estimate 1997	1998	1999	2000	2001	2002
Agricultural credit insurance fund guaranteed loan financing account:							
Commitments	1,851	2,547	2,300	2,277	2,273	2,269	2,268
New guaranteed loans	1,768	2,378	2,375	2,288	2,274	2,270	2,269
Change in outstandings	726	1,123	1,009	564	426	328	255
Outstandings	5,705	6,828	7,837	8,401	8,827	9,155	9,410
Commodity credit corporation export guarantee financing account:							
Commitments	5,700	5,500	5,700	5,700	5,700	5,700	5,700
New guaranteed loans	3,312	5,500	5,700	5,700	5,700	5,700	5,700
Change in outstandings	449	2,729	2,034	1,083	210	117	49
Outstandings	5,323	8,052	10,086	11,169	11,379	11,496	11,545
Commodity credit corporation guaranteed loans liquidating account:							
Commitments	....	....	....	....	....	....	....
New guaranteed loans	....	....	....	....	....	....	....
Change in outstandings	-115	-85	-6	....	....	....	....
Outstandings	91	6	....	....	....	....	....
Natural Resources Conservation Service							
Agricultural resource conservation demonstration guaranteed loan financing account:							
Commitments	....	....	....	....	....	....	....
New guaranteed loans	....	....	....	....	....	....	....
Change in outstandings	....	....	....	....	....	....	....
Outstandings	17	17	17	17	17	17	17
Rural Utilities Service							
Rural communication development fund liquidating account:							
Commitments	....	....	....	....	....	....	....
New guaranteed loans	....	....	....	....	....	....	....
Change in outstandings	....	....	-1	....	....	....	....
Outstandings	5	5	4	4	4	4	4
Rural development insurance fund liquidating account:							
Commitments	....	....	....	....	....	....	....
New guaranteed loans	1	18	....	....	....	....	....
Change in outstandings	-103	-74	-81	-64	-52	-42	-34
Outstandings	499	425	344	280	228	186	152
Rural water and waste water disposal guaranteed loans financing account:							
Commitments	59	75	75	75	75	75	75
New guaranteed loans	1	24	50	60	79	75	75
Change in outstandings	-486	23	49	57	74	67	64
Outstandings	8	31	80	137	211	278	342
Rural electrification and telecommunications liquidating account:							
Commitments	....	....	....	....	....	....	....
New guaranteed loans	....	....	....	....	....	....	....
Change in outstandings	-14	-21	-24	....	....	....	....
Outstandings	691	670	646	646	646	646	646
Rural Housing Service							
Rural housing insurance fund liquidating account:							
Commitments	....	....	....	....	....	....	....
New guaranteed loans	....	....	....	....	....	....	....
Change in outstandings	-4	-2	-3	-2	-2	-1	-2
Outstandings	32	30	27	25	23	22	20
Rural housing insurance fund guaranteed loan financing account:							
Commitments	1,713	2,713	3,100	3,050	2,800	2,589	2,497
New guaranteed loans	1,496	2,319	2,944	3,018	2,831	2,612	2,488
Change in outstandings	1,418	2,179	2,718	2,682	2,379	2,036	1,784
Outstandings	3,503	5,682	8,400	11,082	13,461	15,497	17,281
Rural community facility guaranteed loans financing account:							
Commitments	56	74	209	209	208	208	208
New guaranteed loans	45	54	77	129	153	184	208
Change in outstandings	94	49	69	118	135	159	174
Outstandings	94	143	212	330	465	624	798

Table 8–9. GUARANTEED LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency or Program	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
Rural Business—Cooperative Service							
Rural business and industry guaranteed loans financing account:							
Commitments	638	688	610	609	607	606	606
New guaranteed loans	339	543	609	621	616	610	454
Change in outstandings	290	462	476	436	384	336	143
Outstandings	723	1,185	1,661	2,097	2,481	2,817	2,960
Department of Commerce							
Economic Development Administration							
Economic development revolving fund liquidating account:							
Commitments	....	....	....	....	....	....	....
New guaranteed loans	....	....	....	....	....	....	....
Change in outstandings	-4	-1	-1	-1	-2	-4	....
Outstandings	15	14	13	12	10	6	6
National Oceanic and Atmospheric Administration							
Fishing vessel obligations guarantees financing account:							
Commitments	36	25	....	....	....	....	....
New guaranteed loans	25	25	....	....	....	....	....
Change in outstandings	19	19	-6	-6	-6	-6	-6
Outstandings	73	92	86	80	74	68	62
Federal ship financing fund, fishing vessels liquidating account:							
Commitments	....	....	....	....	....	....	....
New guaranteed loans	....	....	....	....	....	....	....
Change in outstandings	-33	-15	-13	-12	-10	-9	-8
Outstandings	109	94	81	69	59	50	42
Department of Defense—Military							
Procurement							
Defense export loan guarantee financing account:							
Commitments	....	125	250	250	250	250	250
New guaranteed loans	....	50	150	200	200	200	200
Change in outstandings	....	50	150	200	200	200	200
Outstandings	....	50	200	400	600	800	1,000
Family Housing							
Department of Defense, Family Housing Improvement, Guaranteed Loan Financing Account:							
Commitments	....	118	138	307	600	600	600
New guaranteed loans	....	....	100	300	600	600	600
Change in outstandings	....	....	100	287	574	548	496
Outstandings	....	....	100	387	961	1,509	2,005
Department of Education							
Office of Postsecondary Education							
Federal family education loan liquidating account:							
Commitments	....	....	....	....	....	....	....
New guaranteed loans	....	....	....	....	....	....	....
Change in outstandings	753	-6,743	-6,847	-4,351	-4,062	-2,497	-1,806
Outstandings	30,326	23,583	16,736	12,385	8,323	5,826	4,020
Federal family education loan program, financing account:							
Commitments	22,311	23,038	22,995	11,995	12,260	13,119	14,031
New guaranteed loans	19,816	20,948	21,241	20,533	20,520	21,518	22,872
Change in outstandings	13,991	12,669	10,348	6,680	3,674	2,070	1,264
Outstandings	71,548	84,217	94,565	101,245	104,919	106,989	108,253
Historically Black College and University Capital financing—Financing account:							
Commitments	....	....	....	....	....	....	....
New guaranteed loans	....	10	15	15	20	20	....
Change in outstandings	....	10	15	15	19	19	-1
Outstandings	....	10	25	40	59	78	77

Table 8–9. GUARANTEED LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency or Program	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
Department of Health and Human Services							
Health Resources and Services Administration							
Health Resources and Services:							
Commitments	....	80	....	....	....	....	....
New guaranteed loans	....	67	13	....	....	....	....
Change in outstandings	....	66	13	....	-2	-2	-2
Outstandings	10	76	89	89	87	85	83
Health professions graduate student loan guaranteed loan financing account:							
Commitments	210	140	85	....	....	....	....
New guaranteed loans	210	140	85	....	....	....	....
Change in outstandings	203	132	73	-17	-23	-28	-33
Outstandings	1,366	1,498	1,571	1,554	1,531	1,503	1,470
Health professions graduate student loan insurance fund liquidating account:							
Commitments	....	....	....	....	....	....	....
New guaranteed loans	....	....	....	....	....	....	....
Change in outstandings	-71	-95	-85	-90	-99	-103	-109
Outstandings	1,549	1,454	1,369	1,279	1,180	1,077	968
Health center guaranteed loan financing account:							
Commitments	....	80	....	....	....	....	....
New guaranteed loans	....	67	7	6	....	....	....
Change in outstandings	....	67	6	4	-2	-2	-2
Outstandings	....	67	73	77	75	73	71
Health loan funds :							
Commitments	....	....	....	....	....	....	....
New guaranteed loans	....	....	....	....	....	....	....
Change in outstandings	-73	-50	-40	-40	-30	-28	....
Outstandings	188	138	98	58	28	....	....
Department of Housing and Urban Development							
Public and Indian Housing Programs							
Low-rent public housing—loans and other expenses:							
Commitments	....	....	....	....	....	....	....
New guaranteed loans	....	....	....	....	....	....	....
Change in outstandings	-271	-354	-280	-280	-280	-280	-280
Outstandings	3,861	3,507	3,227	2,947	2,667	2,387	2,107
Indian housing loan guarantee fund financing account:							
Commitments	37	37	37	37	37	37	37
New guaranteed loans	5	5	17	34	40	40	37
Change in outstandings	5	5	17	34	40	40	37
Outstandings	6	11	28	62	102	142	179
Community Planning and Development							
Revolving fund (liquidating programs):							
Commitments	....	....	....	....	....	....	....
New guaranteed loans	....	....	....	....	....	....	....
Change in outstandings	-1	-1	-1	-1	....	....	....
Outstandings	3	2	1	....	....	....	....
Community development loan guarantees financing account:							
Commitments	434	1,380	1,261	1,261	1,261	1,261	1,261
New guaranteed loans	360	750	1,150	1,200	1,200	1,250	1,250
Change in outstandings	320	675	1,015	1,050	1,000	1,000	950
Outstandings	750	1,425	2,440	3,490	4,490	5,490	6,440
Community development loan guarantees liquidating account:							
Commitments	....	....	....	....	....	....	....
New guaranteed loans	44	15	10	10	7	5	....
Change in outstandings	-3	-40	-23	-20	-18	-20	-20
Outstandings	243	203	180	160	142	122	102

Table 8–9. GUARANTEED LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency or Program	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
Housing Programs							
FHA-Mutual mortgage and cooperative housing insurance funds liquidating account:							
Commitments							
New guaranteed loans							
Change in outstandings	25,442	-14,213	-12,510				
Outstandings	121,587	107,374	94,864	94,864	94,864	94,864	94,864
FHA-General and special risk insurance funds liquidating account:							
Commitments							
New guaranteed loans							
Change in outstandings	-4,410	-3,099	-2,951	-3,659	-3,249	-3,172	-3,119
Outstandings	49,346	46,247	43,296	39,637	36,388	33,216	30,097
FHA-General and special risk guaranteed loan financing account:							
Commitments	12,751	17,400	17,400	17,400	17,400	17,400	17,400
New guaranteed loans	12,220	14,652	15,005	14,887	14,940	14,940	14,940
Change in outstandings	6,373	10,246	11,439	10,734	9,635	9,342	9,345
Outstandings	41,830	52,076	63,515	74,249	83,884	93,226	102,571
FHA-Loan guarantee recovery fund—financing account:							
Commitments		10					
New guaranteed loans		7	3				
Change in outstandings		7	3				
Outstandings		7	10	10	10	10	10
FHA-Mutual mortgage insurance guaranteed loan financing account:							
Commitments	74,324	93,173	83,450	88,563	88,701	90,553	91,856
New guaranteed loans	59,221	65,440	60,718	61,710	62,687	63,694	64,712
Change in outstandings	38,993	41,198	36,498	30,595	26,572	25,378	22,828
Outstandings	242,407	283,605	320,103	350,698	377,270	402,648	425,476
Government National Mortgage Association							
Guarantees of mortgage-backed securities liquidating account:							
Commitments							
New guaranteed loans	101,540	79,560					
Change in outstandings	33,585	35,900	-45,465	-73,832	-40,659	-65,283	-61,800
Outstandings	497,433	533,333	487,868	414,036	373,377	308,094	246,294
Guarantees of mortgage-backed securities financing account:							
Commitments	110,000	110,000	130,000				
New guaranteed loans			75,799	74,582	75,357	77,233	79,128
Change in outstandings			75,799	67,002	61,077	56,845	53,056
Outstandings			75,799	142,801	203,878	260,723	313,779
Department of the Interior							
Bureau of Indian Affairs							
Indian loan guaranty and insurance fund liquidating account:							
Commitments							
New guaranteed loans							
Change in outstandings	-25	-19	-15	-10	-5	-2	-2
Outstandings	78	59	44	34	29	27	25
Indian guaranteed loan financing account:							
Commitments	35	35	35	35	35	35	35
New guaranteed loans	49	50	45	35	35	35	35
Change in outstandings	38	4	30	10		-10	-20
Outstandings	147	151	181	191	191	181	161
Department of Transportation							
Federal Aviation Administration							
Aircraft purchase loan guarantee program:							
Commitments							
New guaranteed loans							
Change in outstandings	-2						
Outstandings							

Table 8–9. GUARANTEED LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency or Program	1996 Actual	Estimate 1997	1998	1999	2000	2001	2002
Maritime Administration							
Federal ship financing fund liquidating account:							
Commitments							
New guaranteed loans							
Change in outstandings	-150	-154	-154	-124	-104	-84	-84
Outstandings	831	677	523	399	295	211	127
Maritime guaranteed loan (Title XI) financing account:							
Commitments	1,000	1,000	500	500	500	500	500
New guaranteed loans	1,102	1,065	477	477	477	477	477
Change in outstandings	1,022	913	299	271	242	213	185
Outstandings	1,764	2,677	2,976	3,247	3,489	3,702	3,887
Department of Veterans Affairs							
Veterans Benefits Administration							
Veterans Housing Benefit Program Fund Guaranteed Loan Financing Account:							
Commitments	28,676	30,230	28,948	25,458	25,032	24,566	24,059
New guaranteed loans	28,676	30,230	28,948	25,458	25,032	24,566	24,059
Change in outstandings	8,721	8,013	6,998	699	121	-402	-868
Outstandings	130,031	138,044	145,042	145,741	145,862	145,460	144,592
Veterans Housing Benefit Program Fund Liquidating Account:							
Commitments							
New guaranteed loans							
Change in outstandings	-7,614	-6,072	-4,654	-3,561	-2,712	-2,056	-1,557
Outstandings	24,731	18,659	14,005	10,444	7,732	5,676	4,119
Small Business Administration							
Small Business Administration							
Pollution control equipment fund liquidating account:							
Commitments							
New guaranteed loans							
Change in outstandings	-14	-13	-11				
Outstandings	86	73	62	62	62	62	62
Business guaranteed loan financing account:							
Commitments	10,154	10,641	11,887	11,660	11,660	11,660	11,660
New guaranteed loans	6,773	6,955	7,143	7,336	7,534	7,738	7,947
Change in outstandings	3,723	3,822	3,926	4,032	4,142	4,253	4,368
Outstandings	24,630	28,452	32,378	36,410	40,552	44,805	49,173
Business loan fund liquidating account:							
Commitments							
New guaranteed loans	1	1	1	1	1	1	1
Change in outstandings	-1,292	-1,042	-850	-698	-579	-484	-406
Outstandings	6,383	5,341	4,491	3,793	3,214	2,730	2,324
Other Independent Agencies							
Export-Import Bank of the United States							
Export-Import Bank of the United States liquidating account:							
Commitments							
New guaranteed loans	211	275					
Change in outstandings	-809	-283	-536	-534	-513	-478	-417
Outstandings	3,201	2,918	2,382	1,848	1,335	857	440
Export-Import Bank guaranteed loan financing account:							
Commitments	10,281	14,643	15,413	15,413	15,413	15,413	15,413
New guaranteed loans	5,456	8,722	10,102	10,693	11,036	11,302	11,600
Change in outstandings	848	497	329	23	-240	-711	-918
Outstandings	14,584	15,081	15,410	15,433	15,193	14,482	13,564
National Credit Union Administration							
Credit union share insurance fund:							
Commitments	1	1					
New guaranteed loans	1						
Change in outstandings	1						
Outstandings	1	1	1	1	1	1	1

Table 8–9. GUARANTEED LOAN TRANSACTIONS OF THE FEDERAL GOVERNMENT—Continued

(in millions of dollars)

Agency or Program	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
Tennessee Valley Authority							
Tennessee Valley Authority fund:							
Commitments	....	....	....	....	....	....	....
New guaranteed loans	....	....	....	....	....	....	....
Change in outstandings	....	....	....	....	....	....	....
Outstandings	....	....	....	....	....	....	....
Subtotal, Guaranteed loans (gross)							
Commitments	284,430	318,108	326,239	186,599	186,612	188,641	190,256
New guaranteed loans	245,425	243,567	234,741	231,693	234,039	237,470	241,452
Change in outstandings	123,472	91,283	79,554	40,028	58,899	27,425	23,622
Outstandings	1,303,537	1,394,820	1,474,374	1,514,402	1,573,301	1,600,726	1,624,348
Less, secondary guaranteed loans: [1]							
GNMA guarantees of FmHA/VA/FHA pools:							
Commitments	-110,000	-110,000	-130,000	....	....	....	....
New guaranteed loans	-101,540	-79,560	-75,799	-74,582	-75,357	-77,233	-79,128
Change in outstandings	-33,585	-35,900	-30,334	6,830	-20,418	8,438	....
Outstandings	-497,433	-533,333	-563,667	-556,837	-577,255	-568,817	-560,073
Total, primary guaranteed loans: [2]							
Commitments	174,430	208,108	196,239	186,599	186,612	188,641	190,256
New guaranteed loans	143,885	164,007	158,942	157,111	158,682	160,237	162,324
Change in outstandings	89,887	55,383	49,220	46,858	38,481	35,863	32,366
Outstandings	806,104	861,487	910,707	957,565	996,046	1,031,909	1,064,275

[1] Loans guaranteed by FHA, VA, or FmHA are included above. GNMA places a secondary guarantee on these loans, so they are deducted here to avoid double counting.
[2] When guaranteed loans result in loans receivable, they are shown in the direct loan table.

TABLE 8–10. LENDING AND BORROWING BY GOVERNMENT-SPONSORED ENTERPRISES (GSEs)[1]

(In millions of dollars)

Enterprise		1996 actual	Estimate 1997	Estimate 1998
LENDING				
Student Loan Marketing Association	New transactions	9,984	9,845	9,190
	Net change	–4,245	–1,819	–2,040
	Outstandings	37,391	35,572	33,532
Federal National Mortgage Association:				
Corporation Accounts	New transactions	66,802	67,301	77,506
	Net change	9,173	37,563	39,999
	Outstandings	201,428	238,991	278,990
Mortgage-backed securities	New transactions	159,830	128,618	141,293
	Net change	76,777	59,205	66,453
	Outstandings	636,362	695,567	762,020
Federal Home Loan Mortgage Corporation:				
Corporation accounts	New transactions	46,267	57,253	70,848
	Net change	6,960	46,923	63,935
	Outstandings	55,129	102,052	165,987
Participation certificate pools	New transactions	123,808	127,522	131,348
	Net change	14,264	14,709	15,168
	Outstandings	471,310	486,019	501,187
Farm Credit System:				
Banks for cooperatives	New transactions	12,992	11,837	11,683
	Net change	–51	–258	84
	Outstandings	2,222	1,964	2,048
Farm Credit Banks	New transactions	29,077	28,967	30,201
	Net change	2,661	1,959	1,515
	Outstandings	39,197	41,156	42,671
Agricultural Credit Banks	New transactions	48,117	46,000	47,000
	Net change	683	669	634
	Outstandings	14,914	15,583	16,217
Federal home loan banks[2]	New transactions	796,853	800,000	800,000
	Net change	31,174	–302	....
	Outstandings	153,302	153,000	153,000
Subtotal, lending (gross)	New transactions	1,293,730	1,277,343	1,319,069
	Net change	137,396	158,649	185,748
	Outstandings	1,611,255	1,769,904	1,955,652
Less guaranteed loans purchased by:				
Student Loan Marketing Association[3]	Net change	–4,245	–1,819	–2,040
	Outstandings	37,391	35,572	33,532
Federal National Mortgage Association	Net change	2,420	....	....
	Outstandings	25,447	25,447	25,447
Other	Net change	3,376	....	....
	Outstandings	16,878	16,878	16,878
Total GSE lending (net)	New transactions	1,049,898	1,164,505	1,160,614
	Net change	135,845	160,468	187,788
	Outstandings	1,531,539	1,692,007	1,879,795
BORROWING				
Student Loan Marketing Association	Net change	–6,708	–1,516	–1,677
	Outstandings	44,964	43,448	41,771
Federal National Mortgage Association	Net change	85,248	100,038	112,726
	Outstandings	863,906	963,944	1,076,670
Federal Home Loan Mortgage Corporation	Net change	22,130	61,246	76,442
	Outstandings	543,966	605,212	681,654
Farm Credit System:				
Banks for cooperatives	Net change	–124	–300	58
	Outstandings	2,371	2,071	2,129
Farm credit banks	Net change	3,344	1,598	1,040
	Outstandings	41,936	43,534	44,574
Agricultural credit banks	Net change	806	152	572
	Outstandings	16,328	16,480	17,052
Federal home loan banks	Net change	17,127	11,467	....
	Outstandings	243,533	255,000	255,000
The Financing Corporation[3]	Net change	1	2	1
	Outstandings	8,142	8,144	8,145
Resolution Funding Corporation[3]	Net change	–2	–2	–3
	Outstandings	30,074	30,072	30,069
Subtotal, borrowing (gross)	Net change	125,285	176,782	184,396
	Outstandings	1,787,647	1,964,429	2,148,825
Less borrowing from other GSEs	Net change	6,632	....	....
	Outstandings	50,735	50,735	50,735
Less purchase of Federal debt securities:	Net change	–519	374	467
	Outstandings	6,969	7,343	7,810
Less borrowing to purchase guaranteed loans by:				
Student Loan Marketing Association[4]	Net change	–4,245	–1,819	–2,040
	Outstandings	37,391	35,572	33,532
Federal National Mortgage Association	Net change	2,420	....	....

TABLE 8–10. LENDING AND BORROWING BY GOVERNMENT-SPONSORED ENTERPRISES (GSEs) [1]—Continued

(In millions of dollars)

Enterprise		1996 actual	Estimate	
			1997	1998
	Outstandings	25,447	25,447	25,447
Other	Net change	3,376	....	....
	Outstandings	16,878	16,878	16,878
Total GSE borrowing (net)	Net change	117,621	178,227	185,969
	Outstandings	1,650,227	1,828,454	2,014,423

[1] The estimates of borrowing and lending were developed by the GSEs based on certain assumptions but are subject to periodic review and revision and do not represent official GSE forecasts of future activity. The data for all years include programs of mortgage-backed securities. In cases where a GSE owns securities issued by the same GSE, including mortgage-backed securities, the borrowing and lending data for that GSE are adjusted, with some degree of approximation, to remove double-counting.

[2] The lending by the Federal Home Loans Banks measures their advances to member thrift and other financial institutions. In addition, their investment in private financial instruments at the end of 1996 was $122.0 billion.

[3] The change in debt outstanding is due solely to the amortization of discounts and premiums. No sale or redemption of debt securities is estimated to occur in 1997 or 1998.

[4] All SLMA loans acquired are guaranteed by the Federal Government and therefore also counted as guaranteed loans.

9. AID TO STATE AND LOCAL GOVERNMENTS [1]

State and local governments have a vital constitutional responsibility to provide government services. They have the major role in providing domestic public services, such as public education, law enforcement, roads, water supply, and sewage treatment. The Federal Government contributes to that role both by promoting a healthy economy and by providing grants, loans, and tax subsidies to State and local governments.

Federal grants help State and local governments finance programs covering most areas of domestic public spending, including income support, infrastructure, education, and social services. Federal grant outlays were $227.8 billion in 1996 and are estimated to increase to $244.8 billion in 1997 and $258.8 billion in 1998.

Grant outlays for payments for individuals, such as Medicaid, are estimated to be 62 percent of total grants in 1998; for physical capital investment, 15 percent; and for all other purposes, largely education, training, and social services, 23 percent.

States and localities receive direct loans and loan guarantees from the Federal Government, mostly for the purpose of rural development. Outlays for direct loan and loan guarantee subsidies to State and local governments are estimated to be $214 million in 1997 and $53 million 1998. Information on Federal credit activities appears in Chapter 8, "Underwriting Federal Credit and Insurance."

Federal aid to State and local governments is also provided through tax expenditures. Tax expenditures are revenue losses due to preferential provisions of the Federal tax laws, such as special exclusions, exemptions, deductions, credits, deferrals, or tax rates.

The two major tax expenditures benefiting State and local governments are the deductibility of personal income and property taxes from gross income for Federal income tax purposes, and the exclusion of interest on State and local securities from Federal taxation. These provisions, on an outlay equivalent basis, are estimated to be $77.6 billion in 1997 and $79.2 billion in 1998. A detailed discussion of the measurement and definition of tax expenditures and a complete list of the amount of specific tax expenditures are in Chapter 5, "Tax Expenditures." As discussed in that chapter, there are generally interactions among tax expenditure provisions, so that the estimates above only approximate the aggregate effect of these provisions.

Tax expenditures that especially aid State and local governments are displayed separately at the end of Table 5–5 in that chapter.

TABLE 9–1. FEDERAL GRANT OUTLAYS BY AGENCY

(in billions of dollars)

Agency	1996 Actual	Estimate	
		1997	1998
Agriculture	17.1	18.3	19.0
Department of Commerce	0.5	0.5	0.5
Department of Education	16.2	17.8	19.4
Department of Energy	0.2	0.2	0.2
Department of Health and Human Services	129.1	138.8	148.6
Department of Housing and Urban Development	21.4	23.2	23.4
Department of Interior	1.7	2.1	2.1
Department of Justice	1.4	2.5	4.6
Department of Labor	7.0	7.2	8.1
Department of Transportation	26.0	25.9	25.3
Department of Treasury	0.4	0.4	0.4
Environmental Protection Agency	2.8	2.7	2.8
Federal Emergency Management Agency	2.0	3.1	3.0
Other agencies	2.0	2.0	1.5
Total	227.8	244.8	258.8

Table 9–1 shows the distribution of grants by agency. Grant outlays for the Department of Health and Human Services are estimated to be $148.6 billion in 1998, 57 percent of total grants, much more than any other agency.

HIGHLIGHTS OF THE FEDERAL AID PROGRAM

Major proposals in this budget affect Federal aid to State and local governments and the important relationships between the levels of government. Through the use of grants, the Federal government can share with State and local governments the cost and, ultimately, the benefits of a better educated, healthier, and safer citizenry. The Administration is committed to a Federal system that is more efficient and effective and to improving the design and administration of Federal grants.

This budget continues the Administration's commitment to giving State and local governments increased flexibility. Through the use of grants agencies can create partnerships with State and local governments that focus on joint goals and the progress made toward meeting them.

[1] Federal aid to State and local governments is defined as the provision of resources by the Federal Government to support a State or local program of governmental service to the public. The three primary forms of aid are grants, loans, and tax expenditures.

In addition, this budget proposes several initiatives to successfully implement welfare reform and new initiatives to improve educational facilities, and set new standards for educational achievement.

Medicaid.—Under current law, outlays for Medicaid are projected to be $104.4 billion in 1998. The Administration is proposing several reforms and initiatives that will combine to increase outlays to $105.8 billion in 1998, and result in an outlay savings of $9.3 billion over the next 5 years. The President's budget proposes reforms to Medicaid that would preserve the entitlement to health coverage for the most vulnerable Americans—children, people with disabilities, and the elderly, while reducing the rate of growth in Federal spending.

In order to preserve coverage for the most vulnerable Americans, the Administration proposes $1.0 billion in additional outlays for children's health initiatives and welfare reform. This will ensure that low income people do not lose Medicaid as a result of the transition from Aid to Families with Dependent Children to the new program, Temporary Assistance for Needy Families. The transitional Medicaid program that provides health insurance coverage for those leaving welfare to work would also be extended.

The plan reduces the growth in Medicaid costs by imposing a "per capita cap" on Federal Medicaid spending and reducing and retargeting Disproportionate Share Hospital payments. Finally, the plan gives States more flexibility to administer their programs more efficiently. For example, the so-called "Boren Amendment" is modified for hospitals and nursing homes to allow States more flexibility to negotiate provider payment rates. States are also given the flexibility to adopt managed care, move populations needing long-term care from nursing homes to home- and community-based settings, and expand coverage to any person whose income is under 150 percent of the poverty line without Federal waivers.

Health Insurance.—The "Healthy Kids" initiative proposes to provide $750 million in annual grants to States to build on recent State successes in partnering with insurers, providers, employers, schools, and others to develop innovative ways to provide coverage to children. States would be given the flexibility to design benefits and copayments for the program. The program would aid an estimated 1 million children.

The Budget also proposes $25 million a year in grants that States can use for technical assistance in setting up voluntary purchasing cooperatives. These grants will help States empower small businesses to access and purchase more affordable health insurance through the use of voluntary cooperatives.

Education.—Funds for the "America Reads" challenge, $2.75 billion over 5 years, are proposed to help States and communities ensure that all children are reading independently and well by the end of third grade. The budget requests $4.3 billion to fund Head Start, an increase of $324 million over 1997, allowing an estimated 36,000 additional children to participate in the program. With the proposed funding, the Head Start program would serve 836,000 children in 1998. The budget also proposes to leverage new school construction and renovation projects through a $5 billion fund for school districts with substantial need.

Training.—The Administration is requesting $250 million in budget authority for 1998 for grants to out-of-school youths in high poverty areas, including designated Empowerment Zones and Empowerment Communities. The grants would help to reduce significant unemployment among out-of-school youth through employment and training assistance, combined with other Federal assistance. The budget also proposes $2.4 billion in budget authority for 1998 for Job Training Partnership Act programs that provide training, job search assistance, and related services to help laid-off workers find new jobs as quickly as possible and economically disadvantaged adults become economically self sufficient.

Welfare reform.—The budget seeks to capitalize on opportunities to move people from welfare to work granted by the enactment of the Personal Responsibility and Work Opportunities Reconciliation Act of 1996. Funds for the "Welfare to Jobs Challenges" would help States and cities move a million of the hardest-to-employ welfare recipients into lasting jobs by the year 2000.

Transportation.—The budget includes more than $25 billion in outlays for transportation grants to State and local governments in 1998. Of this amount, grants to maintain and improve surface transportation infrastructure include almost $20 billion in outlays for highway projects and $4 billion in outlays for mass transit. The budget request for these surface transportation programs concentrates on capital re-investment, local decision making, and flexibility as hallmarks for reauthorization of the Intermodal Surface Transportation Efficiency Act of 1992.

Housing.—The budget proposes a second round of funding for Empowerment Zones and Enterprise Communities. The first round has already proven successful in leveraging private sector funds and promoting economic opportunity and community-wide revitalization. In addition, the Brownfield Redevelopment proposal would enable cities to clean up polluted sites, returning them to productive uses that create jobs and to address the economic development needs of communities in and around such sites.

Housing aid for State and local governments under the Community Development Block Grant program and the Department of Housing and Urban Development's (HUD) homeless funding would be continued at existing levels in 1998. The HOME block grants would be reduced slightly; however, more low-income households would be assisted through HUD's rental programs. The special housing assistance program for low-income persons suffering with AIDS would also be expanded.

Rural Development.—The 1998 Budget proposes to fund rural infrastructure and business development programs through a new "performance partnership," the Rural Community Advancement Program (RCAP), enacted as part of the 1996 Farm Bill. The RCAP proposal builds on the Administration's 1996 and 1997 budgets that proposed to modify the way funding for rural development programs was distributed in order to increase the flexibility of United States Department of Agriculture (USDA) State Directors to target Federal assistance to the highest-priority needs of each State. The RCAP consolidates funding for 12 USDA rural development activities. The 1998 Budget proposes a total program level of $2.4 billion, a $127 million increase from the program level enacted in 1997. In addition to the flexible program plan originally proposed by the Administration, the RCAP includes authority for new rural development block grants to the States.

Environment.—The budget requests $725 million in capitalization grants for the new Drinking Water State Revolving Funds. The President signed the Safe Drinking Water Act Amendments into law in 1996, fulfilling the goals the President outlined in 1993—to reinvent the Nation's safe drinking water legislation to better protect public health, and to authorize the creation of new Drinking Water State Revolving Funds to help hundreds of communities protect their citizens from harmful contaminants. The State Revolving Funds provide low-interest loans to municipalities to help them meet the requirements of the new Safe Drinking Water Act Amendments.

Additional information on these and other Federal aid proposals are in the *1998 Budget* volume. Information on performance based partnerships and other management initiatives can be found in Section IV, "Improving Performance in a Balanced Budget World." Information on the other grant programs discussed above can be found in Section V, "Creating Opportunity, Demanding Responsibility, and Strengthening Community." Chapter 1 of Section V, "Strengthening Health Care," focuses on health issues. Chapter 2, "Investing in Education and Training," discusses education and training programs to help State and local communities and their schools. Chapter 3, "Protecting the Environment," discusses environmental issues. Chapter 7, "Implementing Welfare Reform," focuses on implementing and strengthening welfare reform.

HISTORICAL PERSPECTIVES

In recent decades, Federal aid to State and local governments has become a major factor in the financing of certain government functions. The rudiments of the present system date back to the Civil War. The Morrill Act, passed in 1862, established the land grant colleges and instituted certain federally-required standards for States that received the grants, as is characteristic of the present grant programs. Federal aid was later initiated for agriculture, highways, vocational education and rehabilitation, forestry, and public health. In the depression years, Federal aid was extended to meet income security and other social welfare needs. However, Federal grants did not become a significant factor in Federal Government expenditures until after World War II.

Table 9–2 displays trends in Federal grants to State and local governments since 1960. Section A shows Federal grants by function. Functions with a substantial amount of grants are shown separately. Grants for the national defense, energy, veterans benefits and services, and the administration of justice functions are combined in the "other functions" line in the table.

Federal grants for transportation increased to $3.0 billion, or 43 percent of all Federal grants, in 1960 after initiation of aid to States to build the Interstate Highway System in the late 1950s.

By 1970 there had been significant increases in the relative amounts for education, training, employment, social services, and health (largely Medicaid).

In the early and mid-1970s, major new grants were created for natural resources and environment (construction of sewage treatment plants), community and regional development (community development block grants), and general government (general revenue sharing).

Since the late 1970s changes in the relative amounts among functions reflected steady growth of grants for health (Medicaid) and income security and restraint in most other areas. The functions with the largest amount of grants are health and income security, with combined proposed estimated grant outlays of $174.3 billion or 67 percent of estimated total grant outlays in 1998.

Section B of the Table shows the composition of grants divided into three major categories: payments for individuals, grants for physical capital, and other grants.[2] Grant outlays for payments for individuals, which are mainly entitlement programs in which the Federal Government and the States share the costs, have grown significantly as a percent of total grants. They increased from 36 percent of the total in 1980 to 63 percent of the total in 1995. They are projected to remain at a little more than 60 percent of the total for the next several years.

These grants are distributed through State or local governments to provide cash or in-kind benefits that constitute income transfers to individuals or families. The major grant in this category is Medicaid, which had outlays of $92.0 billion in 1996, increasing to a proposed $105.8 billion in 1998. Welfare payments to States (Aid to Families with Dependent Children (Pre 1997) and Temporary Assistance for Needy Families), child nutrition programs, and housing assistance are also large grants in this category.

Grants for physical capital assist States and localities with construction and other physical capital activities. The major capital grants are for highways, but there

[2] Certain housing grants are classified in the budget as both payments for individuals and physical capital spending. In the text and tables in this section, these grants are included in the category for physical capital spending.

Table 9–2. TRENDS IN FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS

(Outlays; dollar amounts in billions)

	Actual									Estimate					
	1960	1965	1970	1975	1980	1985	1990	1995	1996	1997	1998	1998	2000	2001	2002
A. Distribution of grants by function:															
Natural resources and environment	0.1	0.2	0.4	2.4	5.4	4.1	3.7	4.1	3.9	4.1	4.0	3.8	4.0	4.1	4.0
Agriculture	0.2	0.5	0.6	0.4	0.6	2.4	1.3	0.8	0.6	0.7	0.7	0.6	0.6	0.6	0.6
Transportation	3.0	4.1	4.6	5.9	13.0	17.0	19.2	25.8	26.0	25.9	25.3	24.9	24.8	24.6	24.6
Community and regional development	0.1	0.6	1.8	2.8	6.5	5.2	5.0	7.2	7.9	9.3	8.9	9.0	7.2	6.0	5.7
Education, training, employment, and social services	0.5	1.1	6.4	12.1	21.9	17.8	23.4	34.1	34.0	35.9	38.6	41.8	42.8	43.1	42.6
Health	0.2	0.6	3.8	8.8	15.8	24.5	43.9	93.6	97.7	103.4	111.7	117.6	124.1	131.2	139.3
Income security	2.6	3.5	5.8	9.4	18.5	27.2	35.2	55.1	53.4	59.9	62.6	63.9	64.2	64.5	65.8
General government	0.2	0.2	0.5	7.1	8.6	6.8	2.3	2.2	2.1	2.2	1.6	1.5	1.6	1.8	1.9
Other	0.0	0.1	0.1	0.9	1.2	0.9	1.4	2.0	2.3	3.4	5.5	6.8	7.1	6.6	6.0
Total	7.0	10.9	24.1	49.8	91.4	105.9	135.3	225.0	227.8	244.8	258.8	270.0	276.4	282.6	290.5
B. Composition:															
Current dollars:															
Payments for individuals [1]	2.5	3.7	8.7	16.8	32.6	49.3	75.7	141.2	142.8	152.1	159.6	165.9	171.7	178.8	188.1
Physical capital [1]	3.3	5.0	7.1	10.9	22.5	24.9	27.2	39.6	40.4	41.1	39.9	39.5	38.9	38.1	37.5
Other grants	1.2	2.2	8.3	22.2	36.2	31.6	32.5	44.2	44.7	51.5	59.4	64.7	65.8	65.6	64.9
Total	7.0	10.9	24.1	49.8	91.4	105.9	135.3	225.0	227.8	244.8	258.8	270.0	276.4	282.6	290.5
Percentage of total grants:															
Payments for individuals [1]	35%	34%	36%	34%	36%	47%	56%	63%	63%	62%	62%	61%	62%	63%	65%
Physical capital [1]	47%	46%	29%	22%	26%	24%	20%	18%	18%	17%	15%	15%	14%	13%	13%
Other grants	17%	20%	34%	45%	40%	30%	24%	20%	20%	21%	23%	24%	24%	23%	22%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Constant (FY 1992) dollars:															
Payments for individuals [1]	10.7	15.1	30.0	43.0	56.7	65.2	81.9	131.0	129.7	134.5	137.5	139.2	140.3	142.3	145.7
Physical capital [1]	15.0	21.3	23.8	22.3	33.5	29.5	28.0	37.4	37.2	37.0	35.0	33.7	32.4	31.0	29.7
Other grants	7.6	11.9	33.1	61.3	65.5	40.9	34.9	41.4	40.5	45.6	51.2	54.4	53.9	52.3	50.5
Total	33.4	48.2	86.9	126.6	155.7	135.6	144.7	209.7	207.5	217.1	223.7	227.2	226.6	225.6	225.9
C. Total grants as a percent of:															
Federal outlays:															
Total	8%	9%	12%	15%	15%	11%	11%	15%	15%	15%	15%	15%	15%	15%	15%
Domestic programs [2]	18%	18%	23%	22%	22%	18%	17%	22%	21%	21%	21%	21%	21%	21%	20%
State and local expenditures	19%	20%	24%	27%	31%	25%	21%	25%	24%	NA	NA	NA	NA	NA	NA
Gross domestic product	1%	2%	2%	3%	3%	3%	2%	3%	3%	3%	3%	3%	3%	3%	3%
D. As a share of total State and local capital spending:															
Federal capital grants	25%	26%	26%	26%	36%	31%	23%	25%	24%	NA	NA	NA	NA	NA	NA
State and local source financing	75%	74%	74%	74%	64%	69%	77%	75%	76%	NA	NA	NA	NA	NA	NA
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

NA = Not available.
* 0.5 percent or less.
[1] Grants that are both payments for individuals and capital investment are shown under capital investment.
[2] Excludes national defense, international affairs, net interest, and undistributed offsetting receipts.

are also grants for airports, mass transit, sewage treatment plant construction, community development, and other facilities. Grants for physical capital were almost half of total grants in 1960, shortly after grants began for construction of the Interstate Highway System. The relative share of these outlays has declined, as payments for individuals have grown. In 1998, grants for physical capital are estimated to be 15 percent of total grants.

The other grants are primarily for education, training, employment, and social services. These grants increased to 45 percent of total grants by 1975, and are projected to be 23 percent of total grants in 1998.

Section B of Table 9–2 also shows these three categories in constant dollars. In constant 1992 dollars, total grants increase from $144.7 billion in 1990 to an estimated $223.7 billion in 1998, an average annual increase of 5.6 percent. Grants for payments to individuals increase from $81.9 billion in 1990 to an estimated $137.5 billion in 1998, an average annual increase of 6.7 percent; grants for physical capital increase from $28.0 billion in 1990 to an estimated $35.0 billion in 1998, an average annual increase of 2.8 percent, and other grants increased from $34.9 billion in 1990 to an estimated $51.2 billion in 1998, an average annual increase of 4.9 percent.

Section C of this table shows grants as a percentage of Federal outlays, State and local expenditures, and gross domestic product. Grants have increased as a percentage of total Federal outlays from 11 percent in 1990 to an estimated 15 percent in 1998. Grants as a percentage of domestic spending are estimated to be 21 percent in 1998.

As a percentage of total State and local expenditures, grants have increased from 21 percent in 1990 to 24 percent in 1996.

Section D shows the relative contribution of physical capital grants in assisting States and localities with capital spending. Federal capital grants have increased slightly from 23 percent of State and local spending in 1990 to 24 percent in 1996.

OTHER INFORMATION ON FEDERAL AID TO STATE AND LOCAL GOVERNMENTS

Additional information regarding aid to State and local governments can be found elsewhere in this budget and in other documents.

Major public physical capital investment programs providing Federal grants to State and local governments are identified in Chapter 6, "Federal Investment Spending and Capital Budgeting."

Data for summary and detailed grants to State and local governments can be found in many sections of a separate document entitled *Historical Tables*. Section 12 of that document is devoted exclusively to grants to State and local governments. Additional information on grants can be found in Section 6 (Composition of Federal Government Outlays); Section 9 (Federal Government Outlays for Investment: Major Physical Capital, Research and Development, and Education and Training); Section 11 (Federal Government Payments for Individuals); and Section 15 (Total (Federal and State and Local) Government Finances).

In addition to these sources, a number of other sources of information are available that use slightly different concepts of grants, provide State-by-State information, or provide information on how to apply for Federal aid.

Government Finances, published annually by the Bureau of the Census in the Department of Commerce, provides data on public finances, including Federal aid to State and local governments.

The *Survey of Current Business*, published monthly by the Bureau of Economic Analysis in the Department of Commerce, provides data on the national income and product accounts (NIPA), a broad statistical concept encompassing the entire economy. These accounts include data on Federal grants to State and local governments. Data using the NIPA concepts appear in this volume in Chapter 19, "National Income and Product Accounts."

The *Budget Information for States (BIS)* provides estimates of State-by-State funding allocations for the largest formula grant programs for the past, present, and budget year. These programs comprise approximately 85 percent of total Federal aid to State and local governments. The document is prepared by the Office of Management and Budget soon after the Budget is released.

The *Federal Expenditures by State*, a report prepared by the Bureau of the Census, shows Federal spending by State for grants and other spending for the most recently completed fiscal year.

The *Consolidated Federal Funds Report* is an annual document that shows the distribution of Federal spending by State and county areas and by local governmental jurisdictions. It is released by the Bureau of the Census in the spring.

The Federal Assistance Awards Data System (FAADS), provides computerized information about current grant funding. Data on all direct assistance awards are provided quarterly by the Bureau of the Census to the States and to the Congress.

The *Catalog of Federal Domestic Assistance* is a primary reference source for communities wishing to apply for grants and other domestic assistance. The Catalog is prepared by the General Services Administration with data collected by the Office of Management and Budget and is available from the Government Printing Office. The basic edition of the Catalog is usually published in June and an update is generally published in December. It contains a detailed listing of grant and other assistance programs; discussions of eligibility criteria, application procedures, and estimated obligations; and related information.

DETAILED FEDERAL AID TABLE

Table 9–3, "Federal Grants to State and Local Governments—Budget Authority and Outlays," provides detailed budget authority and outlay data for grants.

Table 9–3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS

(in millions of dollars)

Function, Agency and Program	Budget Authority			Outlays		
	1996 Actual	1997 Estimate	1998 Estimate	1996 Actual	1997 Estimate	1998 Estimate
National defense:						
Department of Defense—Military:						
Military Construction:						
Military construction, Army National Guard	....	....	....	15	9	4
Federal Emergency Management Agency:						
Emergency management planning and assistance	....	....	....	23	....	....
Total, national defense	....	....	....	**38**	**9**	**4**
Energy:						
Department of Energy:						
Energy Programs:						
Energy conservation	138	150	191	225	166	160
Tennessee Valley Authority:						
Tennessee Valley Authority fund	256	269	276	256	269	276
Total, energy	**394**	**419**	**467**	**481**	**435**	**436**
Natural resources and environment:						
Department of Agriculture:						
Natural Resources Conservation Service:						
Resource conservation and development	....	....	....	3	2	1
Watershed and flood prevention operations	150	133	40	228	252	70
Forest Service:						
State and private forestry	80	71	71	81	81	71
Department of Commerce:						
National Oceanic and Atmospheric Administration:						
Operations, research, and facilities	27	31	7	26	26	4
Coastal zone management fund	2	4	3	1	9	4
Department of the Interior:						
Bureau of Land Management:						
Miscellaneous permanent payment accounts	78	184	73	78	184	73
Minerals Management Service:						
National forests fund, payment to States	3	3	3	3	3	3
Leases of lands acquired for flood control, navigation, and allied purposes	1	1	1	1	1	1
Office of Surface Mining Reclamation and Enforcement:						
Regulation and technology	52	50	46	53	50	47
Abandoned mine reclamation fund	140	143	143	140	149	156
Bureau of Reclamation:						
Bureau of reclamation loan subsidy	12	15	10	13	21	11
United States Fish and Wildlife Service:						
Cooperative endangered species conservation fund	8	14	14	8	9	11
Wildlife conservation and appreciation fund	1	1	1	1	1	1
Sport fish restoration	236	326	305	219	259	288
Miscellaneous permanent appropriations	240	203	210	219	225	230
National Park Service:						
Urban park and recreation fund	....	....	....	4	4	2
Land acquisition and State assistance	2	2	1	2	22	18
Historic preservation fund	36	37	46	41	45	44
Everglades restoration fund	....	....	64	....	....	32
Miscellaneous permanent appropriations	....	1	1	....	1	1
Departmental Management:						
Everglades watershed protection	200	....	....	....	75	125
Everglades restoration account	....	10	10	....	10	10
Environmental Protection Agency:						
State and Tribal Assistance Grants	2,813	2,910	2,793	2,573	2,499	2,521
Abatement, control, and compliance loan subsidy	....	....	....	4	2	1
Hazardous substance superfund	120	130	335	140	135	189
Leaking underground storage tank trust fund	39	51	61	62	53	56
Total, natural resources and environment	**4,240**	**4,320**	**4,238**	**3,900**	**4,118**	**3,970**
Agriculture:						
Department of Agriculture:						
Cooperative State Research, Education, and Extension Service:						
Extension activities	428	426	418	403	419	420
Cooperative state research activities	222	222	222	223	233	222

Table 9–3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Agency and Program	Budget Authority			Outlays		
	1996 Actual	1997 Estimate	1998 Estimate	1996 Actual	1997 Estimate	1998 Estimate
Agricultural Marketing Service:						
Payments to States and possessions	1	1	1	1	1	1
Farm Service Agency:						
State mediation grants	2	2	4	2	2	3
Commodity credit corporation fund	9	2	....	9	2	....
Natural Resources Conservation Service:						
Outreach for socially disadvantaged farmers	1	1	5	3	4	5
Total, agriculture	**663**	**654**	**650**	**641**	**661**	**651**
Commerce and housing credit:						
Department of Commerce:						
National Oceanic and Atmospheric Administration:						
Promote and develop fishery products and research pertaining to American fisheries	6	....	3	4	11	5
National Institute of Standards and Technology:						
Industrial technology services	6	6	6	4	4	4
Total, commerce and housing credit	**12**	**6**	**9**	**8**	**15**	**9**
Transportation:						
Department of Transportation:						
Coast Guard:						
Research, development, test, and evaluation	1	1	1	1	1	1
Port safety development	15	5	....	15	5	....
Boat safety	40	35	50	40	26	37
Federal Aviation Administration:						
Grants-in-aid for airports (Airport and airway trust fund)	1,550	2,230	2,347	1,655	1,519	1,395
Federal Highway Administration:						
Orange County (CA) toll road demonstration project subsidy	....	....	....	....	1	1
State infrastructure banks	....	150	....	....	22	79
Highway-related safety grants	–7	–1	....	11	8	4
National motor carrier safety program	41	79	100	73	79	84
Transportation infrastructure credit program	....	....	100	....	....	50
Federal-aid highways	17,949	22,053	22,232	19,366	19,370	19,366
State infrastructure banks (Highway trust fund)	....	....	150	....	....	30
Miscellaneous appropriations	....	....	....	237	180	141
Miscellaneous highway trust funds	....	....	....	85	66	64
National Highway Traffic Safety Administration:						
Highway traffic safety grants	113	165	225	140	157	166
Federal Railroad Administration:						
Direct loan financing program	....	59	....	....	21	21
Local rail freight assistance	....	....	....	13	7	7
Railroad rehabilitation activities	10	10	....	9	4	6
Railroad research and development	1	1	1	....	1	1
Conrail commuter transition assistance	....	....	....	2	2	12
Northeast corridor high-speed rail infrastructure program	1	10	10	1	3	8
Federal Transit Administration:						
Research, training, and human resources	....	....	....	3	6	4
Interstate transfer grants-transit	....	....	....	1	27	11
Washington metropolitan area transit authority	200	200	....	195	208	156
Formula grants	2,052	2,148	....	1,799	2,209	1,675
Transit planning and research	58	68	....	57	47	67
Discretionary grants (Highway trust fund)	1,665	2,880	800	2,224	1,880	1,706
Washington metropolitan area transit authority (Highway trust fund)	....	....	200	....	....	4
Formula programs (Highway trust fund)	....	....	3,971	....	....	171
Miscellaneous expired accounts	....	....	....	12	7	5
Research and Special Programs Administration:						
Pipeline safety	12	13	13	11	14	13
Emergency preparedness grants	7	6	6	6	7	7
Washington Metropolitan Area Transit Authority:						
Interest payments	....	....	....	1	....	....
Total, Transportation	**23,708**	**30,112**	**30,206**	**25,957**	**25,877**	**25,292**

Table 9–3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Agency and Program	Budget Authority			Outlays		
	1996 Actual	1997 Estimate	1998 Estimate	1996 Actual	1997 Estimate	1998 Estimate
Community and regional development:						
Department of Agriculture:						
Rural Development:						
Rural community advancement program			589			574
Rural Utilities Service:						
Distance learning and medical link subsidy	8	9	21	10	24	19
Rural water and waste disposal loans subsidy	207	60		175	104	
Emergency community water assistance grants	5			8	7	
Rural water and waste disposal grants	324	413		351	391	
Rural Housing Service:						
Rural community facility loans subsidy	51	11		33	20	
Rural housing assistance grants		6			1	
Rural community fire protection grants	2	1	2	3	2	2
Rural Business—Cooperative Service:						
Rural cooperative development grants	2	3	3	2	3	3
Local technical assistance and planning grants		1			1	
Rural business and industry loans subsidy	6	6		5	6	
Rural business enterprise grants	33	30		28	33	
Forest Service:						
Southeast alaska economic disaster fund	110			23	47	20
Department of Commerce:						
Economic Development Administration:						
Economic development assistance programs	346	355	320	394	443	387
Department of Housing and Urban Development:						
Community Planning and Development:						
Community development block grants	4,650	4,600	4,600	4,545	4,837	4,641
Urban development action grants				27	60	45
Supplemental assistance for facilities to assist the homeless				5	3	
Community development loan guarantees subsidy	33	33	29	1	23	35
Brownfields redevelopment			25			1
Empowerment zones and enterprise communities			100			2
Department of the Interior:						
Bureau of Indian Affairs:						
Operation of Indian programs	107	113	124	102	109	96
Indian guaranteed loan subsidy	5	37	5	11	37	5
Appalachian Regional Commission:						
Appalachian regional commission	164	154	159	230	191	181
Federal Emergency Management Agency:						
Emergency management planning and assistance	121	132	128	111	128	129
Disaster relief	2,714	1,056	2,487	1,786	2,874	2,759
Total, community and regional development	**8,888**	**7,020**	**8,592**	**7,850**	**9,344**	**8,899**
Education, training, employment, and social services:						
Department of Commerce:						
National Telecommunications and Information Administration:						
Public broadcasting facilities, planning and construction	14	13		23	23	19
Information infrastructure grants	22	21	36	24	31	28
Department of Education:						
Office of Elementary and Secondary Education:						
School construction			5,000			1,250
America Reads Challenge			200			24
Indian education	50	58	60	75	64	58
Impact aid	693	730	648	945	895	697
Chicago litigation settlement				1	4	4
Education Reform	516	677	1,245	265	676	716
Education for the disadvantaged	5,879	7,670	8,053	7,006	7,219	7,458
School improvement programs	1,145	1,363	1,194	1,140	1,414	1,318
Office of Bilingual Education and Minority Languages Affairs:						
Bilingual and immigrant education	176	262	324	160	212	271
Office of Special Education and Rehabilitative Services:						
Special education	3,007	3,790	3,983	2,991	3,191	3,510
Rehabilitation services and disability research	2,237	2,300	2,371	2,194	2,467	2,411
American printing house for the blind	7	7	7	5	9	7
Office of Vocational and Adult Education:						
Vocational and adult education	1,330	1,466	1,535	1,323	1,573	1,466

Table 9–3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Agency and Program	Budget Authority			Outlays		
	1996 Actual	1997 Estimate	1998 Estimate	1996 Actual	1997 Estimate	1998 Estimate
Office of Postsecondary Education:						
Student financial assistance	31	50	....	79	44	40
Higher education	32	33	39	29	33	34
Office of Educational Research and Improvement:						
Education research, statistics, and improvement	3	204	55	16	33	147
Department of Health and Human Services:						
Administration for Children and Families:						
State legalization impact assistance grants	....	....	....	–2	2	....
Payments to States for the job opportunities and basic skills training program	1,000	1,000	....	931	324	89
Family preservation and support	225	240	255	126	186	227
Social services block grant	2,381	2,500	2,380	2,484	2,694	2,621
Children and families services programs	4,524	5,096	5,239	4,494	4,781	5,097
Payments to states for foster care and adoption assistance	4,322	4,445	4,311	3,691	3,789	4,071
Administration on Aging:						
Aging services programs	829	830	1,278	818	851	914
Department of the Interior:						
Bureau of Indian Affairs:						
Operation of Indian programs	78	88	93	96	86	74
Department of Labor:						
Employment and Training Administration:						
Training and employment services	2,998	3,513	3,750	3,231	3,459	3,519
Community service employment for older Americans	82	102	....	101	88	78
Welfare to work jobs	....	....	750	....	....	600
State unemployment insurance and employment service operations	135	173	192	96	117	165
Federal unemployment benefits and allowances	123	114	119	99	107	110
Unemployment trust fund	995	1,010	1,011	1,082	1,016	1,011
Corporation for National and Community Service:						
Domestic volunteer service programs, Operating expenses	128	136	163	115	132	152
National and community service programs, operating expenses	141	140	209	105	124	163
Corporation for Public Broadcasting:						
Corporation for public broadcasting	92	87	83	92	87	83
National Endowment for the Arts:						
National endowment for the arts: Grants and administration	27	28	35	38	26	28
Institute of Museum and Library Services:						
Office of Museum Services: Grants and administration	5	5	6	5	9	5
Office of Libraries: Grants and administration	126	129	132	156	160	135
Total, education, training, employment, and social services	**33,353**	**38,280**	**44,756**	**34,034**	**35,926**	**38,600**
Health:						
Department of Agriculture:						
Food Safety and Inspection Service:						
Salaries and expenses	41	42	43	41	42	43
Department of Health and Human Services:						
Health Resources and Services Administration:						
Health Resources and Services	1,846	2,147	2,131	2,762	2,007	2,083
Centers for Disease Control and Prevention:						
Disease control, research, and training	615	611	559	701	829	823
Substance Abuse and Mental Health Services Administration:						
Substance abuse and mental health services	1,885	2,184	2,206	2,083	1,905	2,089
Health Care Financing Administration:						
Program management	....	....	775	....	....	775
Grants to States for Medicaid	82,142	101,212	100,975	91,990	98,542	105,801
Department of Labor:						
Occupational Safety and Health Administration:						
Salaries and expenses	68	77	79	67	76	78
Mine Safety and Health Administration:						
Salaries and expenses	6	6	6	6	6	6
Total, health	**86,603**	**106,279**	**106,774**	**97,650**	**103,407**	**111,698**
Income security:						
Department of Agriculture:						
Agricultural Marketing Service:						
Funds for strengthening markets, income, and supply (section 32)	431	406	461	435	450	417
Rural Housing Service:						
Rural housing for domestic farm labor grants	10	6	....	18	18	....

Table 9–3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Agency and Program	Budget Authority 1996 Actual	Budget Authority 1997 Estimate	Budget Authority 1998 Estimate	Outlays 1996 Actual	Outlays 1997 Estimate	Outlays 1998 Estimate
Supervisory and technical assistance grants	.....	.....	.....	1	1	.....
Rural housing preservation grants	4	.....	.....	8	.....	.....
Food and Consumer Service:						
Food stamp program	3,108	3,659	4,266	3,030	3,662	4,246
Commodity assistance program	317	307	272	301	342	278
Special supplemental nutrition program for women, infants, and children (WIC)	3,691	3,827	4,105	3,676	3,765	3,986
Child nutrition programs	7,846	8,535	7,672	7,757	8,140	8,372
Department of Health and Human Services:						
Administration for Children and Families:						
Family support payments to States	18,014	6,958	607	16,670	6,426	3,024
Temporary assistance for needy families	111	13,658	16,756	.....	12,365	16,586
Low income home energy assistance	1,080	1,005	1,000	1,067	1,097	996
Refugee and entrant assistance	365	384	350	319	381	358
Payments to States for the child care and development block grant	935	19	1,000	933	959	998
Contingency fund	.....	45	80	.....	23	96
Child care entitlement to States	.....	1,967	2,175	.....	1,592	1,922
Children's research and technical assistance	.....	.....	21	.....	.....	1
Department of Housing and Urban Development:						
Public and Indian Housing Programs:						
Public housing operating fund	2,800	.....	2,900	2,688	1,521	1,421
Annual contributions for assisted housing	6,749	.....	.....	11,939	11,603	8,637
Drug elimination grants for low-income housing	290	320	290	259	210	347
Revitalization of severely distressed public housing projects (HOPE VII)	480	550	524	110	283	409
Public housing capital fund	.....	.....	2,500	.....	.....	13
Housing certificate fund	.....	2,768	7,153	.....	811	3,443
Preserving existing housing investment	.....	5,750	.....	.....	1,532	1,962
Community Planning and Development:						
Emergency shelter grants program	.....	.....	.....	30	6	.....
Supportive housing program	.....	.....	–6	148	157	144
Homeless assistance grants	823	823	823	186	285	474
Shelter plus care	.....	.....	–4	43	50	50
Home investment partnership program	1,400	1,400	1,309	1,206	1,445	1,440
Youthbuild program	.....	.....	30	41	25	15
Innovative homeless initiatives demonstration program	.....	.....	.....	20	19	17
Housing opportunities for persons with AIDS	.....	196	204	.....	133	165
Housing Programs:						
Congregate services	.....	.....	.....	8	7	7
Section 8 moderate rehabilitation, single room occupancy	.....	.....	.....	21	55	51
Homeownership and opportunity for people everywhere grants (HOPE grants)	.....	–30	.....	63	80	51
Department of Labor:						
Employment and Training Administration:						
Unemployment trust fund	2,311	2,345	2,634	2,298	2,345	2,554
Federal Emergency Management Agency:						
Emergency food and shelter program	100	100	100	100	100	100
Total, income security	**50,865**	**54,998**	**57,222**	**53,375**	**59,888**	**62,580**
Veterans benefits and services:						
Department of Veterans Affairs:						
Veterans Health Administration:						
Medical care	207	232	245	207	232	245
Construction:						
Grants for construction of State extended care facilities	47	47	41	57	44	47
Grants for the construction of State veterans cemeteries	1	1	10	2	3	2
Total, veterans benefits and services	**255**	**280**	**296**	**266**	**279**	**294**
Administration of justice:						
Department of Health and Human Services:						
Administration for Children and Families:						
Violent crime reduction programs	19	17	77	10	15	21
Department of Housing and Urban Development:						
Fair Housing and Equal Opportunity:						
Fair housing activities	30	30	39	32	24	27
Department of Justice:						
Legal Activities:						
Assets forfeiture fund	155	165	175	155	163	172

Table 9–3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Agency and Program	Budget Authority			Outlays		
	1996 Actual	1997 Estimate	1998 Estimate	1996 Actual	1997 Estimate	1998 Estimate
Office of Justice Programs:						
Justice assistance	57	67	96	222	39	137
State and local law enforcement assistance	366	333	....	137	240	431
Juvenile justice program	126	146	215	52	92	212
Crime victims fund	219	509	168	143	341	276
Violent crime reduction programs	1,808	2,036	2,153	391	852	1,715
Community oriented policing services	1,400	1,420	1,545	313	784	1,693
Department of the Treasury:						
Departmental Offices:						
Department of the Treasury forfeiture fund	60	60	60	54	53	54
Violent crime reduction programs:						
Violent crime reduction programs	8	8	8	7	8	8
Equal Employment Opportunity Commission:						
Salaries and expenses	26	28	27	23	28	27
Ounce of Prevention Council:						
Ounce of prevention council	2	2	9	....	1	4
State Justice Institute:						
State Justice Institute: Salaries and expenses	4	5	5	8	4	4
Total, administration of justice	**4,280**	**4,826**	**4,577**	**1,547**	**2,644**	**4,781**
General government:						
Department of Agriculture:						
Forest Service:						
Payments to states northern spotted owl guarantee, Forest Service	....	130	125	....	130	125
Forest Service permanent appropriations	284	127	127	277	127	127
Defense—Civil:						
Corps of Engineers—Civil:						
Permanent appropriations	6	6	6	6	6	6
Department of Energy:						
Energy Programs:						
Payments to States under Federal Power Act	3	3	3	2	3	3
Department of the Interior:						
Bureau of Land Management:						
Payments in lieu of taxes	114	114	102	113	114	102
Minerals Management Service:						
Mineral leasing and associated payments	454	546	581	454	546	581
United States Fish and Wildlife Service:						
National wildlife refuge fund	20	18	17	17	19	17
Insular Affairs:						
Assistance to territories	73	65	67	58	70	69
Trust Territory of the Pacific Islands	....	....	....	7	9	9
Payments to the United States territories, fiscal assistance	81	83	85	81	83	85
Department of the Treasury:						
Departmental Offices:						
Payment to DC financial responsibility and management assistance authority	....	12	....	....	12	....
Bureau of Alcohol, Tobacco and Firearms:						
Internal revenue collections for Puerto Rico	221	230	230	221	230	230
United States Customs Service:						
Miscellaneous permanent appropriations	110	123	127	110	123	127
Commission on National and Community Service:						
Salaries and expenses	....	....	....	6	....	....
District of Columbia:						
Federal payment to the District of Columbia	712	719	150	712	719	150
Total, general government	**2,078**	**2,176**	**1,620**	**2,064**	**2,191**	**1,631**
Total, grants	**215,339**	**249,370**	**259,407**	**227,811**	**244,794**	**258,845**

10. FEDERAL EMPLOYMENT

This section provides information on civilian and military employment, as well as personnel compensation and benefits, in the Executive Branch, the Legislative Branch and the Judiciary. A comparison of Federal employment levels, State and local government employment, and the United States population appears in the *Historical Tables.* Additional tables on civilian employment reductions in Executive Branch agencies appear in the *Budget* volume.

Federal Civilian Employment in the Executive Branch

Civilian employment in the Executive Branch is measured on the basis of full-time equivalents (FTEs). One FTE is equal to one work year or 2,080 non-overtime hours. Put simply, one full-time employee counts as one FTE, and two half-time employees also count as one FTE.

The Federal Workforce Restructuring Act (FWRA) of 1994 (P.L. 103–226) was enacted March 30, 1994. The Act established FTE limitations ("ceilings") for Executive Branch civilian employees through 1999. The starting point used to calculate FTE reductions required by the FWRA is called the 1993 base—the estimate of FTEs for 1993 made in January of that year. Between base 1993 and FY 1999, the Act requires a cut of 272,900 FTEs. The 1998 budget continues the implementation of the reductions pursuant to the Act. The limitations established by the Act, as well as the reductions to date, are as follows:

Year	FWRA ceiling	Civilian FTEs	Cumulative reduction from 1993 base	Reduction as percent of 272,900 cut
1993 Base	....	2,155,200	....	....
1994	2,084,600	2,052,700	–102,500	38%
1995	2,043,300	1,970,200	–185,000	68%
1996	2,003,300	1,891,700	–263,500	97%
1997 est.	1,963,300	1,881,300	–273,900	100%
1998 est.	1,922,300	1,855,600	–299,600	110%
1999	1,882,300	NA	....	....

Table 10–1 provides agency-wide totals from the 1993 base through 1998.

Allocations of FTE resources by agency are made based upon Presidential priorities and other factors. Thus, while most of the agencies in Table 10–1 show FTE reductions between 1993 and 1998, several agencies, such as the Department of Commerce and the Department of Justice, show an increase in FTEs.

Total Federal Employment Levels

The tables that follow show total Federal employment in all branches of Government, as well as the U.S. Postal Service, Postal Rate Commission, and active duty uniformed military personnel. Table 10–2 displays total Federal employment as measured by actual positions filled, i.e., the total number of employees, whether full-time, part-time or intermittent, at the end of the fiscal year. Table 10–3 shows total Federal employment as measured on an FTE basis.

Personnel Compensation and Benefits

Table 10–4 displays personnel compensation and benefits for all branches of Government, as well as for military personnel.

Direct compensation of the Federal work force includes base pay and premium pay, such as overtime. In addition, it includes other cash components, such as geographic pay differentials (i.e., locality pay, and special pay adjustments for law enforcement officers), recruitment and relocation bonuses, retention allowances, performance awards, and cost-of-living and overseas allowances.

In the case of military personnel, compensation includes basic pay, special and incentive pay (including enlistment and reenlistment bonuses), and allowances for clothing, housing, and subsistence.

Related compensation in the form of personnel benefits for current employees consists of the cost to Government agencies (as an employer) primarily for health insurance, life insurance, Social Security (old age, survivors, disability, and health insurance) and contributions to the retirement funds to finance future retirement benefits. Compensation for former personnel includes outlays for retirement pay benefits, and the Government's share of the cost of health and life insurance.

Table 10–1. FEDERAL EMPLOYMENT IN THE EXECUTIVE BRANCH

(Civilian employment as measured by Full-Time Equivalents, in thousands)

Agency	1993 Base	Actual				Estimate		Change: 1993 base to 1998	
		1993	1994	1995	1996	1997	1998	FTE's	Percent
Cabinet agencies:									
Agriculture[1]	115.6	114.4	109.8	103.8	100.7	101.7	99.9	–15.8	–13.6%
Commerce	36.7	36.1	36.0	35.3	33.8	34.9	38.3	+1.6	+4.3%
Defense-military functions	931.3	931.8	868.3	821.7	778.9	760.0	733.2	–198.1	–21.3%
Education	5.0	4.9	4.8	4.8	4.7	4.6	4.6	–0.5	–9.3%
Energy	20.6	20.3	19.8	19.7	19.1	18.2	17.2	–3.4	–16.5%
Health and Human Services[1]	65.0	66.1	62.9	59.3	57.2	57.6	57.6	–7.3	–11.3%
Social Security Administration	65.4	64.8	64.5	64.6	64.0	65.6	65.4	....	....
Housing and Urban Development	13.6	13.3	13.1	12.1	11.4	11.4	11.0	–2.7	–19.6%
Interior	79.3	78.1	76.3	72.0	66.7	70.6	71.4	–7.9	–10.0%
Justice	99.4	95.4	95.3	97.9	103.8	113.3	121.8	+22.4	+22.5%
Labor	18.3	18.0	17.5	16.8	16.0	16.6	17.1	–1.2	–6.5%
State	26.0	25.6	25.2	23.9	22.9	23.2	23.2	–2.8	–10.8%
Transportation	70.3	69.1	66.4	63.2	62.4	64.0	64.8	–5.5	–7.8%
Treasury	166.1	161.1	157.3	157.5	151.1	148.3	148.1	–18.0	–10.8%
Veterans Affairs[1]	232.4	234.2	233.1	228.5	221.9	215.5	210.6	–21.8	–9.4%
Other agencies (excluding Postal Service):									
Agency for International Development[1]	4.4	4.1	3.9	3.6	3.4	3.1	3.0	–1.4	–31.9%
Corps of Engineers	29.2	28.4	27.9	27.7	27.1	27.1	26.4	–2.8	–9.7%
Environmental Protection Agency	18.6	17.9	17.6	17.5	17.2	18.0	18.3	–0.3	–1.6%
Equal Employment Opportunity Commission	2.9	2.8	2.8	2.8	2.7	2.7	2.7	–0.2	–6.2%
Federal Emergency Management Agency	2.7	4.0	4.9	4.6	4.7	5.0	4.7	+1.9	+70.5%
Federal Deposit Insurance Corp./Resolution Trust Corp.	21.6	21.9	20.0	15.7	11.8	9.4	7.8	–13.8	–64.0%
General Services Administration	20.6	20.2	19.5	17.0	15.7	14.9	14.4	–6.2	–30.2%
National Aeronautics and Space Administration	25.7	24.9	23.9	22.4	21.1	20.7	19.8	–6.0	–23.3%
National Archives and Records Administration	2.8	2.6	2.6	2.5	2.5	2.5	2.5	–0.2	–8.6%
National Labor Relations Board	2.1	2.1	2.1	2.0	1.9	2.0	2.0	–0.1	–6.0%
National Science Foundation	1.3	1.2	1.2	1.2	1.3	1.3	1.2	–0.1	–8.2%
Nuclear Regulatory Commission	3.4	3.4	3.3	3.2	3.1	3.1	3.0	–0.4	–12.1%
Office of Personnel Management	6.2	5.9	5.3	4.2	3.4	3.4	3.3	–3.0	–47.6%
Panama Canal Commission	8.7	8.5	8.5	8.8	9.0	10.2	10.3	+1.6	+18.5%
Peace Corps	1.3	1.2	1.2	1.2	1.1	1.2	1.1	–0.1	–9.4%
Railroad Retirement Board	1.9	1.8	1.7	1.6	1.5	1.4	1.3	–0.5	–29.0%
Securities and Exchange Commission	2.7	2.7	2.7	2.7	2.8	2.8	2.8	+0.1	+2.1%
Small Business Administration	4.0	5.6	6.3	5.7	4.8	4.6	4.6	+0.6	+15.2%
Smithsonian Institution	5.9	5.5	5.4	5.3	5.1	5.3	5.3	–0.6	–10.4%
Tennessee Valley Authority	19.1	17.3	18.6	16.6	16.0	15.7	15.6	–3.6	–18.8%
United States Information Agency	8.7	8.3	8.1	7.7	7.0	7.0	6.9	–1.8	–20.9%
All other small agencies	16.1	15.4	15.0	15.1	14.1	14.8	14.5	–1.6	–9.9%
Total, Executive Branch civilian employment	**2,155.2**	**2,138.8**	**2,052.7**	**1,970.2**	**1,891.7**	**1,881.3**	**1,855.6**	**–299.6**	**–13.9%**
Reduction from 1993 base	....	–16.4	–102.5	–185.0	–263.5	–273.9	–299.6	....	....
Subtotal, Defense	931.3	931.8	868.3	821.7	778.9	760.0	733.2	–198.1	–21.3%
Subtotal, non-defense	1,223.9	1,207.1	1,184.4	1,148.4	1,112.8	1,121.2	1,122.4	–101.5	–8.3%
Status of Federal civilian employment relative to the Federal Workforce Restructuring Act (FWRA):[2]									
Total, Executive Branch employment	....	....	2,052.7	1,970.2	1,891.7	1,881.3	1,855.6	....	....
Less: FTEs exempt from FWRA	....	....	5.7	5.7	7.6	7.9	5.6	....	
Total, Executive Branch subject to FWRA Ceiling	....	....	2,047.0	1,964.4	1,884.1	1,873.3	1,850.0	....	....
FWRA ceiling	....	....	2,084.6	2,043.3	2,003.3	1,963.3	1,922.3	....	....
Executive Branch employment relative to FWRA ceiling	....	....	–37.6	–78.9	–119.2	–90.0	–72.3	....	....

[1] The Departments of Agriculture, Health and Human Services, Veterans Affairs, and the Agency for International Development have components that are exempt from FTE controls. In 1998, Agriculture has 2,098 exemptions; HHS has 268 exemptions; Veterans Affairs has 3,200 exemptions and AID has 27 exemptions.

[2] FTE limitations are set for the Executive Branch in the Federal Workforce Restructuring Act of 1994 (P.L. 103–226) from 1994–99.

Table 10–2. TOTAL FEDERAL EMPLOYMENT

(As measured by total positions filled)

Description	Actual as of September 30			Change: 1994 to 1996	
	1994	1995	1996	Positions	Percent
Executive Branch civilian employment:					
All agencies except Postal Service and Postal Rate Commission:					
Full-time permanent	1,831,670	1,768,006	1,707,974	–123,696	–6.8%
Other than full-time permanent [1]	253,767	244,463	225,957	–27,810	–11.0%
Subtotal	2,085,437	2,012,469	1,933,931	–151,506	–7.3%
Postal Service: [2]					
Full-time permanent	634,878	647,269	652,855	17,977	2.8%
Other than full-time permanent	187,876	198,179	199,478	11,602	6.2%
Subtotal	822,754	845,448	852,333	29,579	3.6%
Subtotal, Executive Branch civilian employment	2,908,191	2,857,917	2,786,264	–121,927	–4.2%
Military personnel on active duty: [3]					
Department of Defense	1,610,490	1,518,224	1,471,722	–138,768	–8.6%
Department of Transportation (Coast Guard)	37,474	36,731	35,243	–2,231	–6.0%
Subtotal, military personnel	1,647,964	1,554,955	1,506,965	–140,999	–8.6%
Subtotal, Executive Branch	4,556,155	4,412,872	4,293,229	–262,966	–5.8%
Legislative branch:					
Full-time permanent	15,066	14,603	13,288	–1,778	–11.8%
Other than full-time permanent	20,291	18,764	18,259	–2,032	–10.0%
Subtotal, Legislative Branch	35,357	33,367	31,547	–3,810	–10.8%
Judicial Branch:					
Full-time permanent	25,907	26,555	26,879	972	3.8%
Other than full-time permanent	2,128	2,438	2,702	574	27.0%
Subtotal, Judicial Branch	28,035	28,993	29,581	1,546	5.5%
Grand total	4,619,547	4,475,232	4,354,357	–265,190	–5.7%
ADDENDUM					
Executive Branch civilian personnel (excluding Postal Service):					
DOD-Military functions [4]	850,151	802,141	768,098	–82,053	–9.7%
All other Eexecutive Branch	1,235,286	1,210,328	1,165,833	–69,453	–5.6%
Total [5]	2,085,437	2,012,469	1,933,931	–151,506	–7.3%

[1] Includes Summer Aides, Stay-in-school, Junior Fellowship, Worker-Trainee Opportunity Program, formerly exempt from employment controls.
[2] Includes Postal Rate Commission.
[3] Excludes reserve components.
[4] Excludes Defense Intelligence Agency.
[5] Includes disadvantaged youth programs.

Table 10–3. TOTAL FEDERAL EMPLOYMENT

(As measured by Full-Time Equivalents)

Description	1996 actual	Estimate		Change: 1996 to 1998	
		1997	1998	FTE's	Percent
Executive Branch civilian personnel:					
All agencies except Postal Service and Defense	1,112,793	1,121,238	1,122,369	9,576	0.9%
Defense-Military functions (civilians)	778,942	760,033	733,215	–45,727	–5.9%
Subtotal, excluding Postal Service	1,891,735	1,881,271	1,855,584	–36,151	–1.9%
Postal Service [1]	829,377	834,143	844,646	15,269	1.8%
Subtotal, Executive Branch civilian personnel	2,721,112	2,715,414	2,700,230	–20,882	–0.8%
Executive Branch uniformed personnel: [2]					
Department of Defense	1,497,939	1,458,745	1,438,077	–59,862	–4.0%
Department of Transportation (Coast Guard)	36,044	36,644	36,620	576	1.6%
Subtotal, uniformed military personnel	1,533,983	1,495,389	1,474,697	–59,286	–3.9%
Subtotal, Executive Branch	4,255,095	4,210,803	4,174,927	–80,168	–1.9%
Legislative Branch: [3] Total FTE	32,291	31,889	31,863	–428	–1.3%
Judicial Branch: Total FTE	28,601	31,626	33,173	4,572	16.0%
Grand total	4,315,987	4,274,318	4,239,963	–76,024	–1.8%

[1] Includes Postal Rate Commission.
[2] Military personnel on active duty. Excludes reserve components. Data shown are average strength.
[3] Actual 1996 FTE data not available for legislative branch. Data shown are estimates.

Table 10–4. PERSONNEL COMPENSATION AND BENEFITS

(In millions of dollars)

Description	1996 actual	Estimate		Change: 1996 to 1998	
		1997	1998	Dollars	Percent
Civilian personnel costs:					
Executive Branch (excluding Postal Service):					
Direct compensation:					
DOD—military functions	32,662	32,946	32,565	–97	–0.3%
All other Executive Branch	52,491	54,843	56,183	3,692	7.0%
Subtotal, direct compensation	85,153	87,789	88,748	3,595	4.2%
Personnel benefits:					
DOD—military functions	6,953	7,020	6,865	–88	–1.3%
All other Executive Branch [1]	20,191	21,324	22,070	1,879	9.3%
Subtotal, personnel benefits	27,144	28,344	28,935	1,791	6.6%
Subtotal, Executive Branch	112,297	116,133	117,683	5,386	4.8%
Postal Service:					
Direct compensation	32,566	33,821	35,129	2,563	7.9%
Personnel benefits	8,969	9,236	10,018	1,049	11.7%
Subtotal	41,535	43,057	45,147	3,612	8.7%
Legislative Branch: [2]					
Direct compensation	1,206	1,230	1,300	94	7.8%
Personnel benefits	259	266	284	25	9.7%
Subtotal	1,465	1,496	1,584	119	8.1%
Judicial Branch:					
Direct compensation	1,430	1,649	1,799	369	25.8%
Personnel benefits	348	402	451	103	29.6%
Subtotal	1,778	2,051	2,250	472	26.5%
Total, civilian personnel costs	157,075	162,737	166,664	9,589	6.1%
Military personnel costs:					
DOD—Military Functions:					
Direct compensation	48,938	49,190	49,427	489	1.0%
Personnel benefits	17,844	17,738	17,005	–839	–4.7%
Subtotal	66,782	66,928	66,432	–350	–0.5%
All other Executive Branch, military personnel:					
Direct compensation	1,156	1,170	1,199	43	3.7%
Personnel benefits	117	125	129	12	10.3%
Subtotal	1,273	1,295	1,328	55	4.3%
Total, military personnel costs [3]	68,055	68,223	67,760	–295	–0.4%
Grand total, personnel costs	225,130	230,960	234,424	9,294	4.1%
ADDENDUM					
Former Civilian Personnel:					
Retired pay for former personnel	40,637	42,347	44,122	3,485	8.6%
Government payment for Annuitants:					
Employee health benefits	3,830	4,029	4,338	508	13.3%
Employee life insurance	25	29	32	7	28.0%
Total Former Civilian Personnel	44,492	46,405	48,492	4,000	9.0%
Former Military personnel:					
Retired pay for former personnel	29,515	30,751	31,934	2,419	8.2%

[1] In addition to the employing agency's contribution to the costs of life and health insurance, retirement and Medicare Hospital insurance, this amount includes transfers from general revenues to amortize the effects of general pay increases on Federal retirement systems for employees in the Legislative and Judicial Branches as well as employees (non-Postal) in the Executive Branch and to amortize supplemental liabilities under FERS. The transfers amounted to $7,752 million in 1996 and are estimated to be $8,052 million in 1997 and $8,336 million in 1998.

[2] Excludes members and officers of the Senate.

[3] Excludes reserve components.

11. STRENGTHENING FEDERAL STATISTICS

Our democracy and economy require unbiased, relevant, accurate, and timely statistics that public and private decision makers can use to improve the outcomes of their actions. Data on real Gross Domestic Product (GDP), the Consumer Price Index (CPI), and the trade deficit, for example, are critical inputs into monetary, fiscal, trade, and regulatory policy. They also have a major impact on government spending, budget projections, and the allocation of Federal funds. Economic data, such as measures of price change, have as well a significant influence on interest rates and cost-of-living adjustments that affect every American who runs a business, saves for retirement, or takes out a mortgage on a home.

The U.S. Federal statistical system comprises some 70 agencies that collect, analyze, and disseminate information for use by governments, businesses, researchers, and the public. Approximately half of the funding for the statistical system provides resources for ten agencies that have statistical activities as their principal mission. (Please see Table 11–1.) The remaining funding is spread among some sixty agencies that carry out statistical activities in conjunction with other missions such as providing services or enforcing regulations.

Under the aegis of the congressionally-mandated Interagency Council on Statistical Policy (ICSP), the principal agencies of the statistical system are making considerable progress in working together to improve the usefulness and the usability of all of their work. Priorities include, for example, better articulating the statistical activities of various agencies in the areas of families and children, wages and benefits, and health. Currently nearing completion is the inaugural presentation of a "one-stop shopping" service that is designed to encompass the electronic products of all seventy agencies and will help render the decentralized statistical system transparent for users. A most promising development to improve the quality and efficiency of Federal statistical programs is a legislative proposal that would allow the sharing of confidential data among statistical agencies under strict safeguards. Passage of this legislation and a complementary Treasury bill is a top priority of the Administration for the 105th Congress.

Despite these accomplishments, however, rapid changes in our economy and society, coupled with limited resources to enable the statistical agencies to keep pace with these changes, have eroded the relevance and the reputation of our statistical system. Fortunately, the most serious shortcomings of the Nation's statistical infrastructure could be substantially mitigated by a limited number of initiatives. Proposals set forth in the Administration's budget would ameliorate the growing inability of our statistical system to mirror the current economy and to foster accurate allocation of increasingly scarce Federal resources. In particular, the initiatives would:

- address fundamental shortcomings in economic statistics to provide a comprehensive, integrated, and internationally comparable statistical base that measures economic growth, trade, inflation, and productivity (please see highlights for the Bureau of Economic Analysis, the Bureau of Labor Statistics, and the Bureau of the Census);
- modernize our most basic industrial classification to reflect the structural and technological changes that have occurred in the economy over the past twenty years and facilitate economic analyses that cover the entire North American Free Trade Agreement area (please see the North American Industry Classification System (NAICS) discussions in the highlights for the Bureau of Labor Statistics and the Bureau of the Census);
- improve the timeliness and accuracy of the Consumer Price Index to permit more rapid revision in future years, to produce alternative measures of the change in the cost of living, and to allow more timely introduction of new goods into the CPI (please see the CPI discussion in the highlights for the Bureau of Labor Statistics);
- lead to the provision on an annual basis of more accurate and flexible nationally comparable community-based data that are used, among other things, to allocate more than $100 billion in Federal funds each year (please see the Decennial Census and Continuous Measurement discussions in the highlights for the Bureau of the Census); and
- capitalize on the strengths of several statistical agencies to facilitate quantitative measurement and valid comparisons of performance under the Government Performance and Results Act.

The following highlights elaborate on the Administration's proposals to strengthen the programs of the principal Federal statistical agencies.

HIGHLIGHTS OF 1998 PROGRAM CHANGES FOR PRINCIPAL STATISTICAL AGENCIES

Bureau of Economic Analysis: Increases are requested to: (1) implement the next steps in BEA's Mid-Decade Strategic Plan to improve measures of output and prices; (2) provide better measures of investment, savings, and wealth; (3) increase coverage of international transactions and (4) enable BEA to move its information processing from its 1970's vintage mainframe computer to an integrated local area network environment by the year 2000.

Bureau of Justice Statistics: Stable funding is requested to maintain BJS's core statistical programs including the National Crime Victimization Survey, the Survey of Inmates in State and Federal Correctional Facilities, the 1998 Census of Jails, and the Criminal Justice Expenditure and Employment Survey.

Bureau of Labor Statistics: Funding is requested to: (1) continue revision of the Consumer Price Index (CPI) with release of the revised index based on the new market basket with data for January 1998, the revised housing sample with data for January 1999, and the completed revision in 2000; (2) develop a program to explore improvements to the CPI revision process that would make it possible to revise the CPI more rapidly, allow BLS to produce alternative measures of change in the cost of living, improve the measurement of changes in the quality of goods and services, and provide a basis to bring new goods into the CPI on a more timely basis; and (3) replace the Standard Industrial Classification (SIC) with the new North American Industry Classification System by beginning the re-coding of each workplace in BLS' establishment list using the new classification.

Bureau of the Census: Funding is requested to: (1) prepare for the conduct of the 2000 Census including developing a comprehensive address list, conducting a dress rehearsal to test and evaluate new methodologies and systems to make the Census 2000 more accurate and less costly, and working with private sector partners to develop modern technology for more efficient and accurate data processing; (2) continue the development and testing of the Continuous Measurement program that will provide nationally comparable and consistent community-based data on an annual basis and permit elimination of the census long form in 2010; (3) conduct the Economic Censuses and the Census of Governments for the 1997 reference year; (4) begin implementation of the North American Industry Classification System that will harmonize industry coding among Canada, Mexico, and the United States; (5) implement the Automated Export System that will improve customer service during the collection of export facilitation and compliance information as well as trade statistics; and (6) perform research and support activities related to reviews and possible revisions of Federal standard classifications of metropolitan areas, occupations, and race and ethnicity as well as the definition of poverty. In addition, funding was provided by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 to conduct the Survey of Program Dynamics to provide data to assess the impact of welfare provisions in that bill.

Bureau of Transportation Statistics: Increases are requested to: (1) expand BTS data collection programs, develop analytical tools, and initiate a program of technical assistance to make national data sets more useful to State and local transportation decision makers; (2) lead the Transportation Department's development of more relevant and timely transportation system performance indicators to improve the information base supporting government and private sector transportation-related decision making; and (3) initiate data collections and analyses to improve the interfaces of domestic transportation with international systems.

Economic Research Service: Increases are requested to: (1) improve data collection efforts on farming practices, including management of livestock waste, nutrients and pesticides, and irrigation; and (2) using these data, analyze the practices farmers are adopting and how effective the practices are in achieving United States Department of Agriculture conservation goals.

Energy Information Administration: Reductions in requested funding from the 1997 enacted level will reduce the frequency of the Residential Energy Consumption Survey to a quadrennial basis; eliminate, consolidate, or reduce the frequency of several data collections and publications; and decrease the availability of hard-copy reports, although electronic dissemination will increase as will data collection and analysis in response to electric industry restructuring.

National Agricultural Statistics Service: An increase is requested to implement the transfer of the Census of Agriculture from the Bureau of the Census to NASS, a shift that will more closely integrate the expertise of State agricultural officials in the conduct of the census and is expected to produce a more complete and accurate census while generating an offsetting cost reduction of $1 million in NASS list development and maintenance costs for other survey programs.

National Center for Education Statistics: Increases are requested to: (1) adjust the frequency of the National Postsecondary Student Aid Study from a five to a four year cycle; (2) initiate the Education Longitudinal Study 2000 to provide data on high school students as they progress through secondary school to postsecondary education and the world of work; (3) provide funding for continuation of the International Mathematics and Science Study; (4) support a School Crime Supplement to the National Crime Victimization Survey; (5) add a first grade fall collection to the Early Childhood Longitudinal Study Kindergarten Cohort to measure school effects, student growth, and the effects of summer vacation on growth; (6) prepare for an Adult Literacy 2002 Study to ensure a ten year cycle for adult literacy data; (7) provide infrastructure support for local school districts to update the International Mathematics and Science Study data for grades 4, 8, and 12; (8) begin preparations for the Early Childhood Longitudinal Study Birth Cohort to provide high quality data on children's experiences prior to entry into formal school settings; and (9) fund the National Assessment of Educational Progress to assess reading at the national and State levels every two years.

National Center for Health Statistics: An increase is requested to fully fund the National Health and Nutrition Examination Survey which is a fundamental source of data for monitoring trends in diseases and nutritional status, identifying health risk factors, and facilitating epidemiological research.

Table 11–1. 1996–1998 BUDGET AUTHORITY FOR PRINCIPAL STATISTICAL AGENCIES

(In millions of dollars)

	1996 actual	1997 enacted	1998 request
Bureau of Economic Analysis	40.5	40.9	47.0
Bureau of Justice Statistics	21.4	21.4	21.5
Bureau of Labor Statistics	343.1	360.8	379.5
Bureau of the Census	293.7	355.5	671.2
Periodic Censuses and Programs	150.1	210.5	523.1
Salaries and Expenses	133.6	135.0	138.1
Survey of Program Dynamics [1]	10.0	10.0	10.0
Bureau of Transportation Statistics	18.4	24.8	31.1
Economic Research Service	53.1	53.1	54.3
Energy Information Administration	72.2	66.1	62.8
National Agricultural Statistics Service	81.1	100.2	119.9
National Center for Education Statistics	76.0	79.8	101.8
Statistics	46.2	50.0	66.3
Assessment	29.8	29.8	35.5
National Center for Health Statistics	77.5	86.1	89.4
PHS Evaluation Funds	40.1	48.4	70.1
Budget Authority	37.4	37.7	19.3

[1] Funding is provided by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

FEDERAL BORROWING AND DEBT

12. FEDERAL BORROWING AND DEBT

Debt is the largest legally binding obligation of the Federal Government. At the end of 1996 the Government owed $3,733 billion of principal to the people who had loaned it the money to pay for past deficits. The gross Federal debt, which also includes the securities held by trust funds and other Government accounts, was $5,182 billion. This year the Government is estimated to pay around $253 billion of interest to the public on its debt.

The present deficit is continuing to increase the amount of Federal debt held by the public. However, the Omnibus Budget Reconciliation Act of 1993 and the strong economic expansion have reduced the size of the deficit for four consecutive years, and the Administration is proposing steps to meet its goal of balancing the budget by 2002. The reduction in the deficit over the next few years will lower the growth of the debt further and will decrease debt held by the public as a percentage of the Nation's gross domestic product (GDP).

Trends in Federal Debt

Federal debt held by the public has increased five-fold since 1980, as shown in Table 12–1. In 1980 it was $709.8 billion; by the end of 1996 it stood at $3,733.0 billion. The data in this table are supplemented for earlier years by Tables 7.1–7.3 in *Historical Tables,* which is published as a separate volume of the budget.

TABLE 12–1. TRENDS IN FEDERAL DEBT HELD BY THE PUBLIC

(Dollar amounts in billions)

Fiscal year	Debt held by the public		Debt held by the public as a percent of:		Interest on debt held by the public as a percent of: [4]	
	Current dollars	CY 1992 dollars [1]	GDP [2]	Credit market debt [3]	Total outlays	GDP
1950	219.0	1,232.5	80.3	55.3	11.4	1.8
1955	226.6	1,128.0	57.3	43.3	7.6	1.3
1960	236.8	1,022.6	45.7	33.8	8.5	1.5
1965	260.8	1,052.4	38.0	26.9	8.1	1.4
1970	283.2	947.9	28.1	20.8	7.9	1.5
1975	394.7	974.1	25.4	18.4	7.5	1.6
1980	709.8	1,203.9	26.1	18.4	10.6	2.3
1981	785.3	1,213.1	25.8	18.5	12.0	2.7
1982	919.8	1,327.1	28.6	19.8	13.6	3.1
1983	1,131.6	1,560.6	33.1	21.9	13.8	3.3
1984	1,300.5	1,727.3	34.1	22.1	15.7	3.5
1985	1,499.9	1,925.4	36.6	22.3	16.2	3.7
1986	1,736.7	2,168.4	39.7	22.6	16.1	3.6
1987	1,888.7	2,292.1	41.0	22.3	16.0	3.5
1988	2,050.8	2,405.3	41.4	22.3	16.2	3.5
1989	2,189.9	2,464.4	40.9	22.0	16.5	3.5
1990	2,410.7	2,603.9	42.4	22.5	16.2	3.6
1991	2,688.1	2,784.8	45.9	24.0	16.2	3.7
1992	2,998.8	3,018.2	48.8	25.5	15.5	3.5
1993	3,247.5	3,184.4	50.2	26.4	14.9	3.2
1994	3,432.1	3,288.7	50.2	26.5	14.4	3.1
1995	3,603.4	3,370.5	50.1	26.3	15.8	3.3
1996	3,733.0	3,415.3	49.9	25.9	15.8	3.3
1997 estimate	3,875.8	3,460.5	49.3	....	15.5	3.2
1998 estimate	4,021.4	3,499.6	48.9	....	15.2	3.1
1999 estimate	4,159.4	3,527.6	48.3	....	14.7	3.0
2000 estimate	4,269.0	3,527.2	47.2	....	14.1	2.8
2001 estimate	4,328.0	3,485.5	45.6	....	13.7	2.7
2002 estimate	4,333.1	3,401.2	43.5	....	13.2	2.5

[1] Debt in current dollars deflated by the GDP chain-type price index with calendar year 1992 equal to 100. For 1950 and 1955, the index is not available from the recent comprehensive revision of the national income and product accounts. The index to 1950 and 1955 was extapolated using the unrevised implicit GDP deflator.

[2] GDP for 1950 and 1955 was extrapolated using the unrevised GDP.

[3] Total credit market debt owed by domestic nonfinancial sectors, modified to be consistent with budget concepts for the measurement of Federal debt. Financial sectors are omitted to avoid double counting, since financial intermediaries both borrow and lend in the credit market. Source: Federal Reserve Board flow of funds accounts. Projections are not available.

[4] Interest on debt held by the public is estimated as the interest on the public debt less the ''interest received by trust funds'' (subfunction 901 less subfunctions 902 and 903). It does not include the comparatively small amount of interest on agency debt or the offsets for interest received by other Government accounts (revolving funds and special funds).

At the end of World War II, Federal debt was more than 100 percent of GDP. From then until the 1970s, Federal debt grew gradually, but, due to inflation, it declined significantly in real terms. Because of an expanding economy as well as inflation, Federal debt as a percentage of GDP decreased almost every year. With households borrowing heavily to buy homes and consumer durables, and with businesses borrowing heavily to buy plant and equipment, Federal debt also decreased almost every year as a percentage of the total credit market debt outstanding. The cumulative effect was impressive. From 1950 to 1975, debt held by the public declined from 80.3 percent of GDP to 25.4 percent, and from 55.3 percent of credit market debt to 18.4 percent. Despite rising interest rates, interest outlays became a smaller share of the budget and were roughly stable as a percentage of GDP.

During the 1970s, large budget deficits emerged as the economy was disrupted by oil shocks and inflation. The nominal amount of Federal debt more than doubled, and, despite high inflation, the real value of Federal debt increased by a fourth. Federal debt relative to GDP and credit market debt stopped declining after the middle of the decade.

The growth of Federal debt held by the public accelerated during the early 1980s due to very large budget deficits. Since the deficits have continued to be large, debt has continued to grow substantially, although the rate of increase has been slowed. With inflation reduced, the rapid growth in nominal debt has meant a rapid growth in real debt as well. The ratio of Federal debt to GDP rose from 26.1 percent in 1980 to 50.2 percent in 1993, the highest ratio since the mid–1950s. The ratio of Federal debt to credit market debt also rose, though to a much lesser extent, from 18.4 percent to 26.4 percent. Interest outlays on debt held by the public, calculated as a percentage of both total Federal outlays and GDP, increased by about two-fifths.

Federal debt held by the public increased more slowly in 1994 than in any year since 1979, and it increased more slowly still in 1995 and 1996. By 1996 it had declined slightly relative to both GDP and total credit market debt. Table 12–1 shows that debt as a percentage of GDP is estimated to decline further from 49.9 percent in 1996 to 43.5 percent in 2002. The recent improvement reflects the deficit reduction package enacted by the Omnibus Budget Reconciliation Act of 1993 and the continuing economic expansion. The further improvement to 2002 reflects the Administration's proposal for a balanced budget and the expectation that economic growth will continue at a moderate pace for the foreseeable future.[1] Interest outlays on the debt held by the public are estimated to decline relative to both total outlays and GDP over the next few years.

[1] Chapter 1 of this volume, "Economic Assumptions," reviews recent economic developments and explains the economic assumptions for this budget.

Debt Held by the Public, Gross Federal Debt, and Liabilities Other Than Debt

The Federal Government issues debt securities for two principal purposes. First, it borrows from the public in order to finance the Federal deficit. Second, it issues debt to Government accounts, primarily trust funds, that accumulate surpluses. By law, trust fund surpluses must generally be invested in Federal securities. The gross Federal debt is defined to consist of both the debt held by the public and the debt held by Government accounts. Nearly all the Federal debt has been issued by the Treasury and is formally called "public debt," but a small portion has been issued by other Government agencies and is called "agency debt."[2]

Borrowing from the public, whether by the Treasury or by some other Federal agency, has a significant impact on the economy. Borrowing from the public is normally a good approximation to the Federal demand on credit markets. Even if the proceeds are used productively for tangible or intangible investment, the Federal demand on credit markets has to be financed out of the saving of households and businesses, the State and local sector, or the rest of the world.[3] Federal borrowing therefore competes with the borrowing of other sectors for financial resources in the credit market and affects interest rates. Borrowing from the public moreover affects the size and composition of assets held by the private sector and the perceived wealth of the public. It also affects the amount of taxes required to pay interest to the public on Federal debt. Borrowing from the public is therefore an important concern of Federal fiscal policy.[4]

Issuing debt securities to Government accounts performs an essential function in accounting for the operation of these funds. The balances of debt represent the cumulative surpluses of these funds due to the excess of their tax receipts and other collections compared to their spending. These balances can be used in later years for future payments to the public. The interest on the debt compensates these funds—and the members of the public who pay earmarked taxes or user fees

[2] The term "agency debt" is defined more narrowly in the budget than in the securities market, where it includes not only the debt of the Federal agencies listed in Table 12–3 but also the debt of the Government-sponsored enterprises listed in Table 8–10 at the end of Chapter 8 and certain Government-guaranteed securities.

[3] The Federal sector of the national income and product accounts is a better measure of the deficit for analyzing the effect of Federal fiscal policy on national saving than is the budget deficit or Federal borrowing from the public. The Federal sector and its differences from the budget are discussed in Chapter 18 of this volume, "National Income and Product Accounts." Also see Chapter 6 of this volume, Part IV, the section on the analysis of saving and investment.

[4] Debt held by the public was measured until 1988 as the par value (or face value) of the security, which is the principal amount due at maturity. The only exception was savings bonds. However, most Treasury securities are sold at a discount from par, and some are sold at a premium. Treasury debt held by the public is now measured as the sales price plus the amortized discount (or less the amortized premium). At the time of sale, the value equals the sales price. Subsequently, the value equals the sales price plus the amount of the discount that has been amortized up to that time. In equivalent terms, the measured value of the debt equals par less the unamortized discount. (For a security sold at a premium, the definition is symmetrical.) Agency debt, except for zero-coupon certificates, is recorded at par. For further analysis of these concepts, see Special Analysis E, "Borrowing and Debt," in *Special Analyses, Budget of the United States Government, Fiscal Year 1990*, pp. E–5 to E–8, although some of the practices it describes have been changed. Treasury has announced that in early 1997 it will begin to sell a new type of instrument, inflation-protected securities. The measured value of these securities will include a periodic adjustment for inflation.

Table 12–2. FEDERAL GOVERNMENT FINANCING AND DEBT[1]

(In billions of dollars)

	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
Financing:							
Surplus or deficit (–)	**–107.3**	**–125.6**	**–120.6**	**–117.4**	**–87.1**	**–36.1**	**17.0**
(On-budget)	–174.3	–199.5	–197.0	–204.7	–183.3	–139.2	–92.5
(Off-budget)	67.0	73.9	76.4	87.3	96.2	103.1	109.5
Means of financing other than borrowing from the public:							
Changes in:[2]							
Treasury operating cash balance	–6.3	4.2	....	....	....	....	....
Checks outstanding, etc.[3]	–3.9	–*	–1.4	....	....	....	....
Deposit fund balances	–1.0	0.7	–2.6	....	....	....	....
Seigniorage on coins	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Less: Net financing disbursements:							
Direct loan financing accounts	–13.0	–22.6	–21.9	–21.9	–23.8	–24.4	–24.0
Guaranteed loan financing accounts	1.3	–0.2	0.4	0.6	0.7	0.9	1.2
Total, means of financing other than borrowing from the public	**–22.3**	**–17.2**	**–24.9**	**–20.7**	**–22.4**	**–22.8**	**–22.1**
Total, requirement for borrowing from the public	–129.6	–142.8	–145.6	–138.1	–109.6	–59.0	–5.2
Change in debt held by the public	**129.6**	**142.8**	**145.6**	**138.1**	**109.6**	**59.0**	**5.2**
Debt Outstanding, End of Year:							
Gross Federal debt:							
Debt issued by Treasury	5,146.9	5,420.4	5,706.3	5,983.1	6,243.0	6,456.6	6,624.3
Debt issued by other agencies	35.1	33.3	29.9	29.5	29.0	28.7	28.2
Total, gross Federal debt	5,181.9	5,453.7	5,736.2	6,012.6	6,272.0	6,485.2	6,652.5
Held by:							
Government accounts	1,449.0	1,577.9	1,714.8	1,853.2	2,003.0	2,157.2	2,319.4
The public	**3,733.0**	**3,875.8**	**4,021.4**	**4,159.4**	**4,269.0**	**4,328.0**	**4,333.1**
Federal Reserve Banks	390.9	....	....	....	....	....	....
Other	3,342.0	....	....	....	....	....	....
Debt Subject to Statutory Limitation, End of Year:							
Debt issued by Treasury	5,146.9	5,420.4	5,706.3	5,983.1	6,243.0	6,456.6	6,624.3
Less: Treasury debt not subject to limitation[4]	–15.5	–15.5	–15.5	–15.5	–15.5	–15.5	–15.5
Agency debt subject to limitation	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Adjustment for discount and premium[5]	5.8	5.8	5.8	5.8	5.8	5.8	5.8
Total, debt subject to statutory limitation[6]	**5,137.2**	**5,410.7**	**5,696.6**	**5,973.4**	**6,233.3**	**6,446.9**	**6,614.7**

* $50 million or less.

[1] Treasury securities held by the public and zero-coupon bonds held by Government accounts are almost entirely measured at sales price plus amortized discount or less amortized premium. Agency debt is almost entirely measured at face value. Treasury securities in the Government account series are measured at face value less unrealized discount (if any).

[2] A decrease in the Treasury operating cash balance (which is an asset) would be a means of financing the deficit and therefore has a positive sign. An increase in checks outstanding or deposit fund balances (which are liabilities) would also be a means of financing the deficit and therefore also have a positive sign.

[3] Besides checks outstanding, includes accrued interest payable on Treasury debt, miscellaneous liability accounts, allocations of special drawing rights, and, as an offset, cash and monetary assets other than the Treasury operating cash balance, miscellaneous asset accounts, and profit on sale of gold.

[4] Consists primarily of Federal Financing Bank debt.

[5] Consists of unamortized discount (less premium) on public issues of Treasury notes and bonds (other than zero-coupon bonds) and unrealized discount on Government account series securities.

[6] The statutory debt limit is $5,500 billion.

into these funds—for spending some of their collections at a later time than when they receive it. Public policy may deliberately run surpluses and accumulate debt in trust funds and other Government accounts in anticipation of future spending.

However, issuing debt to Government accounts does not have any of the economic effects of borrowing from the public. It is an internal transaction between two accounts, both within the Government itself. It is not a current transaction of the Government with the public; it does not compete with the private sector for available funds in the credit market; and it does not represent the estimated amount of the account's future transactions with the public. For example, if the account records the transactions of a social insurance program, the debt that it holds does not represent the actuarial present value of expected future benefits. The future transactions of Federal social insurance and employee retirement programs, which own over four-fifths of the debt held by Government accounts, are important in their own right and need to be considered separately; this can be done through information published in actuarial and financial reports.[5] Debt held by the public is therefore a better concept than gross Federal debt for analyzing the effect of the budget on the economy.

Debt securities do not encompass all the liabilities of the Federal Government. For example, accounts payable occur in the normal course of buying goods and services; social security benefits are due as of the end of the month but, according to statute, are payable as of the beginning of the next month; loan guarantee liabilities are assumed when the Government guarantees the payment of interest and principal on private loans; and liabilities for future pension payments are incurred as part of the compensation for the current services performed by Federal civilian and military employees in producing Government outputs. Like debt securities sold in the credit market, these liabilities have their own distinctive effects on the economy. Federal liabilities are analyzed within the framework of Federal resources and responsibilities in Chapter 2 of this volume, "Stewardship: Toward a Federal Balance Sheet."[6] The different types of liabilities are reported annually in the financial statements of the major Federal agencies and in the *Consolidated Financial Statements of the United States Government.*[7]

Borrowing and Government Deficits

Table 12–2 summarizes Federal borrowing and debt from 1996 through 2002. In 1996 the borrowing from the public was $129.6 billion, and Federal debt held by the public increased to $3,733.0 billion. The issuance of debt to Government accounts was $131.3 billion, and gross Federal debt increased to $5,181.9 billion. Borrowing from the public is estimated to be a little higher during the next three years, due to slightly higher deficits and more loan disbursements, and then to decline substantially as the budget approaches balance in 2002.

Borrowing from the public depends both on the Federal Government's expenditure programs and tax laws and on economic conditions. The sensitivity of the budget to economic conditions is analyzed in Chapter 1 of this volume.

Debt held by the public.—Table 12–2 shows the relationship between borrowing from the public and the Federal deficit. The total deficit of the Federal Government includes not only the on-budget deficit but also the surplus or deficit of the off-budget Federal entities, which have been excluded from the budget by law. Under present law the off-budget Federal entities are the social security trust funds (old-age and survivors insurance and disability insurance) and the Postal Service fund.[8] Since social security had a large surplus in 1996 and is estimated to continue having large surpluses over the next few years, the off-budget surplus reduces the requirement for Treasury to borrow from the public by a substantial amount.

The total Federal deficit is financed either by borrowing from the public or by the other means shown in Table 12–2, such as a decrease in Treasury's cash balance. In 1996 these other accounts added up to a negative amount, –$22.3 billion, which increased the need to borrow from the public. In some past years, the net amount of these items was positive and reduced the Government's borrowing requirements.

Many of these other means of financing are normally small relative to borrowing from the public. This is because they are limited by their own nature. Decreases in cash balances, for example, are inherently limited by past accumulations, which themselves required financing when they were built up.

However, a new and larger "other means of financing" was created by the Federal Credit Reform Act of 1990. Budget outlays for direct loans and loan guarantees consist of the estimated subsidy cost of the loans or guarantees at the time when the direct loans or guaranteed loans are disbursed. The cash flows do not represent costs to the Government above and beyond those costs already included in budget outlays. They are therefore non-budgetary in nature and are recorded as transactions of the financing account for each credit program.[9]

The "net financing disbursements" of a financing account are defined in the same way as the "outlays" of a budgetary account and may be either positive or negative. They are positive if the gross disbursements by the account—whether to the public or to a budgetary account—exceed the collections from both of these sources; they are negative if the collections exceed the gross disbursements. If the net financing disbursements are positive, they must be paid in cash and thus increase the requirement for Treasury borrowing; if the net financing disbursements are negative, they provide cash to the Treasury that can be used to pay the Government's bills in the same way as tax receipts, borrowing, or any other cash collection. The financing accounts are therefore a means of financing the Government, positive or negative, just like the other means listed in Table 12–2. A positive amount of net financing disbursements is shown in the table by the financing account having a negative sign, like the deficit, because it adds to the requirement for borrowing from the public.

The financing accounts initially had a very small effect on borrowing requirements, but beginning in 1995

[5] A summary of actuarial estimates for many of these programs is prepared annually by the Financial Management Service, Department of the Treasury, in "Statement of Liabilities and Other Financial Commitments of the United States Government." The estimates in that report are not, however, all comparable with one another in concept or actuarial assumptions.

[6] The balance sheet in Chapter 2 consolidates the Federal Reserve System with the rest of the Government, unlike the budget. As a result, the "debt held by the public" reported in that chapter, unlike the amounts reports in this chapter and elsewhere, is net of the Federal debt held by the Federal Reserve Banks.

[7] The *Consolidated Financial Statements* are published annually by the Financial Management Service, Department of the Treasury.

[8] For further explanation of the off-budget Federal entities, see Chapter 21, "Off-Budget Federal Entities."

[9] The Federal Credit Reform Act of 1990 (sec. 505(b)) requires that the financing accounts be non-budgetary. As explained in Chapter 21, "Off-Budget Federal Entities," they are non-budgetary in concept because they do not measure cost. For additional discussion of credit reform, see Chapter 24 of this volume, "Budget System and Concepts and Glossary," and the other references cited in Chapter 21.

the effect began to get large. They added $4.1 billion to borrowing requirements in 1995, $11.7 billion in 1996, and are estimated to add a little over $20 billion in 1997 and the subsequent years in the budget horizon. This is mainly because of the growth of the direct student loan program under current law. Beginning last year, eligible educational institutions could select either the direct lending or the guaranteed lending program for their students. Since direct loans require cash disbursements equal to the full amount of the loans when the loans are made, Federal borrowing requirements are initially increased. Federal borrowing requirements are reduced when the loans are repaid.

Debt held by Government accounts.—The amount of Federal debt issued to Government accounts depends largely on the surpluses of the trust funds, both on-budget and off-budget, which owned 95 percent of the total Federal debt held by Government accounts at the end of 1996. In 1998, for example, the total trust fund surplus is estimated to be $133.9 billion, and Government accounts are estimated to invest $136.9 billion in Federal securities. The small difference is because some other accounts hold Federal debt and because the trust funds may change the amount of their cash assets not currently invested. The amounts held in major accounts and the annual investments are shown in Table 12–4.

Agency Debt

Several Federal agencies, shown in Table 12–3, sell debt securities to the public and to other Government accounts. During 1996, agencies borrowed $0.4 billion from the public. Agency debt is only one percent of Federal debt held by the public.

The reason for issuing agency debt differs considerably from one agency to another. The predominant agency borrower from the public is the Tennessee Valley Authority, which had $25.5 billion of securities outstanding at the end of 1996, or 93 percent of all agency debt held by the public. TVA debt was primarily sold to finance capital expenditures and to refund other issues of its existing debt.

The Federal Housing Administration, on the other hand, has for many years issued both checks and debentures as means of paying claims to the public that arise from defaults on FHA-insured mortgages. Issuing debentures to pay the Government's bills is equivalent to borrowing from the public and then paying the bills by disbursing the cash borrowed, so the transaction is recorded as being simultaneously an outlay and a borrowing. The notes are therefore classified as agency debt. The borrowing by FHA and other agencies that have engaged in similar transactions is thus inherent in the way that their programs operate.[10]

Some types of lease-purchase contracts are equivalent to direct Federal construction financed by Federal borrowing. Several years ago the Federal Government guaranteed the debt used to finance the construction of buildings for the National Archives and the Architect

[10] The debt securities of the FSLIC Resolution fund and Department of the Interior were also issued as a means of paying specified bills. The budgetary treatment of these and similar securities is further explained in Special Analysis E of the 1989 *Budget*, pp. E–25 to E–26; and Special Analysis E of the 1988 *Budget*, pp. E–27 to E–28.

Table 12–3. AGENCY DEBT

(In millions of dollars)

	Borrowing or repayment (–) of debt			Debt end of 1998 estimate
	1996 actual	1997 estimate	1998 estimate	
Borrowing from the public:				
Housing and Urban Development:				
Federal Housing Administration	12	1	....	83
Interior	....	....	....	13
Small Business Administration:				
Participation certificates: SBIC and section 505 development company	–67	....	....	7
Architect of the Capitol	–1	–2	–2	177
Farm Credit System Financial Assistance Corporation	....	....	....	1,261
Federal Deposit Insurance Corporation:				
FSLIC Resolution Fund	–32	–31	–95	....
National Archives	–4	–4	–5	281
Tennessee Valley Authority	523	–1,232	–100	24,151
Total, borrowing from the public	**431**	**–1,268**	**–202**	**25,975**
Borrowing from other funds:				
Housing and Urban Development:				
Federal Housing Administration	–16	....	....	....
Postal Service Fund[1]	4,406	–508	–3,181	717
Tennessee Valley Authority[1]	3,200	....	....	3,200
Total, borrowing from other funds	**7,590**	**–508**	**–3,181**	**3,917**
Total, agency borrowing	**8,021**	**–1,776**	**–3,382**	**29,892**

[1] The ''borrowing from other funds'' by the Postal Service Fund and TVA in 1996 was the result of the FFB swapping Postal Service and TVA securities with the Civil Service Retirement and Disability trust fund in exchange for Treasury securities having an equal present value. The amount of Postal Service securities exchanged (in terms of face value) was $4,665 million, of which $258 million was repaid later in 1996 to arrive at the estimated net borrowing of $4,406 million. See the narrative for further explanation.

of the Capitol and has exercised full control over the design, construction, and operation of the buildings. The construction expenditures and interest were therefore classified as Federal outlays, and the borrowing was classified as Federal agency borrowing from the public. The securities used to finance the construction of the building for the Architect of the Capitol were zero-coupon certificates, for which the sales price was about one-fourth of par value. As an exception to the normal treatment of agency debt, but like Treasury zero-coupon bonds, the value of these certificates is measured as the sales price plus the amortized discount. The interest is accrued as an outlay.

The proper budgetary treatment of lease-purchases was further examined in connection with the Budget Enforcement Act of 1990. Several changes were made. Among other decisions, it was determined that outlays for a lease-purchase in which the Government assumes substantial risk will be recorded in an amount equal to the asset cost over the period during which the contractor constructs, manufactures, or purchases the asset; if the asset already exists, the outlays will be recorded when the contract is signed. Agency borrowing will be recorded each year to the extent of these outlays. The agency debt will subsequently be redeemed over the lease payment period by a portion of the annual lease payments. This rule was effective starting in 1991. However, no lease-purchase agreements in which the Government assumes substantial risk have yet been authorized or are estimated for 1997 or 1998.

The amount of agency securities sold to the public has been reduced by borrowing from the Federal Financing Bank (FFB). The FFB is an entity within the Treasury Department, one of whose purposes is to substitute Treasury borrowing for agency borrowing from the public. It has the authority to purchase agency debt and finance these purchases by borrowing from the Treasury. Agency borrowing from the FFB is not included in gross Federal debt. It would be double counting to add together (a) the agency borrowing from the FFB and (b) the Treasury borrowing from the public that was needed to provide the FFB with the funds to lend to the agencies.

As explained in a later section of this chapter, the debt of the agencies that borrow from the FFB is not subject to the statutory debt limitation. This enabled Treasury to raise additional cash to avoid default during the dispute with Congress over the budget and the debt limit a year ago. On February 14, 1996, FFB swapped most of its holdings of TVA and Postal Service debt to the Civil Service Retirement and Disability trust fund (CSRDF) in exchange for Treasury securities. The Treasury securities, which were subject to the debt limit, were canceled in an exchange that took place between the FFB and the Treasury immediately afterwards. This reduced the amount of debt subject to limit, which allowed Treasury to sell to the public more securities that are subject to the debt limit.

The TVA and Postal Service securities acquired by CSRDF are included in gross Federal debt shown in Table 12–2 and are included in Table 12–3 as amounts borrowed from other funds. Including debt held by Government accounts in gross Federal debt is not double counting, because Treasury does not have to borrow from the public in order for these accounts to buy the securities. Moreover, the TVA and Postal Service securities acquired by CSRDF replaced Treasury securities, which had been counted in gross Federal debt.

The swap between FFB and CSRDF was equal in present value terms, measuring how much the securities were worth to CSRDF at the time of the exchange, but the face value of the Treasury and agency securities differed: $7.9 billion of agency securities at face value were swapped for $8.6 billion of Treasury securities at face value. Agency securities such as those held by CSRDF and Treasury securities of the type held by CSRDF are recorded at face value—rather than at the current amount of their discounted or present value—in calculating gross Federal debt and the other debt series shown in this chapter. Therefore, agency debt increased by $7.9 billion, Treasury debt decreased by $8.6 billion, and gross Federal debt decreased by $0.7 billion. (The Postal Service redeemed some of its securities later in 1996, so the tables in this chapter show a net increase in agency debt of $7.6 billion.) CSRDF is protected by various provisions from default risk on its agency debt securities. It is assumed for purposes of the estimates in the budget that CSRDF will hold the agency debt until maturity (or call date), at which time the principal repayments will be invested in Treasury securities.

Debt Held by Government Accounts

Trust funds, and some public enterprise revolving funds and special funds, accumulate cash in excess of current requirements in order to meet future obligations. These cash surpluses are invested mostly in Treasury debt and, to a very small extent, in agency debt.

Investment by trust funds and other Government accounts was around $10 billion per year in the early 1980s. Primarily due to the Social Security Amendments of 1983, an expanding economy, and the creation of the military retirement trust fund, annual investment has risen greatly since then. It was $131.3 billion in 1996, as shown in Table 12–4, and it is estimated to be about the same in 1997 and 1998. The holdings of Federal securities by Government accounts are estimated to rise to $1,714.8 billion by the end of 1998, or 30 percent of the gross Federal debt. This percentage is estimated to rise further in the following years as the budget moves toward balance and borrowing from the public declines.

The large investment by Government accounts is concentrated among a few trust funds. The two social security trust funds—old-age and survivors insurance and disability insurance—have a large combined surplus and invest an increasing total amount each year: $222.7 billion during 1996–98, which constitutes 56 percent

Table 12–4. DEBT HELD BY GOVERNMENT ACCOUNTS [1]

(In millions of dollars)

Description	Investment or disinvestment (–) 1996 actual	1997 estimate	1998 estimate	Holdings end of 1998 estimate
Investment in Treasury debt:				
Overseas Private Investment Corporation	188	181	166	2,634
Defense-Civil: Military retirement trust fund	3,926	8,385	6,926	132,199
Energy: Nuclear waste disposal fund	629	802	843	6,956
Health and Human Services:				
Federal old-age and survivors insurance trust fund [2]	51,457	64,581	71,089	635,073
Federal disability insurance trust fund [2]	14,875	11,351	9,370	70,821
Federal hospital insurance trust fund	–4,059	–10,553	2,113	117,365
Federal supplementary medical insurance trust fund	13,662	3,112	1,171	31,458
Housing and Urban Development:				
Federal Housing Administration mutual mortgage fund	1,057	3,431	797	11,958
Other HUD	512	589	584	6,110
Interior:				
Outer Continental Shelf deposit funds	138	50	–1,575	50
Abandoned Mine Reclamation fund	111	148	117	1,691
Labor:				
Unemployment trust fund	6,751	5,777	6,860	66,530
Pension Benefit Guaranty Corporation	801	1,250	1,263	9,045
State: Foreign Service retirement and disability trust fund	596	620	652	9,668
Transportation:				
Highway trust fund	2,652	3,185	3,377	27,746
Airport and airway trust fund	–3,463	118	–128	7,672
Oil spill liability trust fund	3	–39	235	1,381
Treasury: Exchange stabilization fund	9,453	566	248	12,667
Veterans Affairs:				
National service life insurance trust fund	53	–93	–122	11,792
Other trust funds	31	7	3	1,729
Federal funds	3	–12	–12	547
Environmental Protection Agency:				
Hazardous substance trust fund	195	1,506	–606	7,276
Leaking underground storage tank trust fund	37	12	83	1,194
Office of Personnel Management:				
Civil Service retirement and disability trust fund [3]	19,317	28,996	32,618	447,057
Employees life insurance fund	1,122	1,042	1,231	19,235
Employees health benefits fund	294	–1,020	–126	7,037
Federal Deposit Insurance Corporation:				
Bank Insurance fund	1,169	3,201	1,182	26,569
FSLIC Resolution fund	167	688	118	1,500
Savings Association Insurance fund	1,077	4,499	405	9,580
National Credit Union Administration: Share insurance fund	181	162	168	3,815
Postal Service fund [2]	–389	240	–600	500
Railroad Retirement Board trust funds	2,682	–2,470	555	15,207
Tennessee Valley Authority	–291	–951	....	....
Other Federal funds	717	–264	515	5,339
Other trust funds	406	346	560	7,126
Unrealized discount [1]	–2,324	....	....	–5,643
Total, investment in Treasury debt [1]	**123,731**	**129,444**	**140,080**	**1,710,884**
Investment in agency debt:				
Housing and Urban Development:				
Government National Mortgage Association	–16	....	....	....
Office of Personnel Management:				
Civil Service retirement and disability trust fund [3]	7,606	–508	–3,181	3,917
Total, investment in agency debt	**7,590**	**–508**	**–3,181**	**3,917**
Total, investment in Federal debt [1]	**131,321**	**128,936**	**136,899**	**1,714,801**
MEMORANDUM				
Investment by Federal funds (on-budget)	15,757	14,291	6,394	98,411
Investment by Federal funds (off-budget)	–389	240	–600	500
Investment by trust funds (on-budget)	51,809	38,423	52,221	915,589
Investment by trust funds (off-budget)	66,331	75,932	80,459	705,894
Investment by deposit funds [4]	138	50	–1,575	50
Unrealized discount [1]	–2,324	....	....	–5,643

[1] Debt held by Government accounts is measured at face value except for the unrealized discount on Government account series securities, which is not distributed by account. Changes in the unrealized discount are not estimated.

[2] Off-budget Federal entity.

[3] The FFB swapped Treasury securities with the Civil Service Retirement and Disability trust fund (CSRDF) in 1996 in exchange for securities having an equal present value. The result is shown in this table as an investment in agency debt and a reduction of investment in Treasury debt for CSRDF. CSRDF acquired agency securities having a face value of $7,865 million, of which $258 million was redeemed later in 1996 for an estimated net investment during the year of $7,606 million. See narrative in the section on agency debt for further explanation.

[4] Only those deposit funds classified as Government accounts.

of the total estimated investment by Government accounts.

In addition to these two funds, the largest current investor is the civil service retirement and disability trust fund. It accounts for 21 percent of the total investment by Government accounts during 1996–98, and the military retirement trust fund accounts for 5 percent. Altogether, the investment of social security and these two retirement funds comprises 82 percent of the investment by all Government accounts during this period. At the end of 1998, they are estimated to own 75 percent of the total holdings by Government accounts. The hospital insurance trust fund, which invested heavily in the past, disinvested in 1996 and is estimated to disinvest more in 1997. Under Administration proposals, it will have a small surplus and invest again beginning in 1998.

Technical note on measurement.—The Treasury securities held by Government accounts consist almost entirely of the Government account series. Most were issued at par value (face value), and the securities issued at a discount or premium have traditionally been recorded at par in the OMB and Treasury reports on Federal debt. However, there have recently been two exceptions. First, in 1991 Treasury began to issue zero-coupon bonds to the Pension Benefit Guaranty Corporation (PBGC). Because the purchase price was a small fraction of par value and the amounts were large, the PBGC holdings were recorded at purchase price plus amortized discount. These securities were redeemed during 1994.

Second, in September 1993 Treasury also began to subtract the unrealized discount on other Government account series securities in calculating "net federal securities held as investments of government accounts." Unlike the discount recorded for PBGC or for debt held by the public, this discount is the amount at the time of issue and is not amortized over the term of the security. In Table 12–4 it is shown as a separate item at the end of the table and not distributed by account. The data for 1989–92 were revised retroactively for this change.

Limitations on Federal Debt

Definition of debt subject to limit.—Statutory limitations have normally been placed on Federal debt. Until World War I, the Congress ordinarily authorized a specific amount of debt for each separate issue. Beginning with the Second Liberty Bond Act of 1917, however, the nature of the limitation was modified in several steps until it developed into a ceiling on the total amount of most Federal debt outstanding. The latter type of limitation has been in effect since 1941. The limit currently applies to most debt issued by the Treasury since September 1917, whether held by the public or by Government accounts; and other debt issued by Federal agencies that, according to explicit statute, is guaranteed as to principal and interest by the United States Government.

The lower part of Table 12–2 compares total Treasury debt with the amount of Federal debt that is subject to the limit. Most of the Treasury debt not subject to limit was issued by the FFB (Federal Financing Bank). It is authorized to have outstanding up to $15 billion of publicly issued debt, and this amount was issued several years ago to the Civil Service Retirement and Disability trust fund. The remaining Treasury debt not subject to limit consists almost entirely of silver certificates and other currencies no longer being issued.

The sole type of agency debt currently subject to the general limit is the debentures issued by the Federal Housing Administration, which were only $82 million at the end of 1996. Some of the other agency debt, however, is subject to its own statutory limit. For example, the Tennessee Valley Authority is limited to $30 billion of securities outstanding (including its debt to the FFB, the Treasury, and other Government accounts).

The comparison between Treasury debt and debt subject to limit also includes an adjustment for measurement differences in the treatment of discounts and premiums. As explained elsewhere in this chapter, debt securities may be sold at a discount or premium, and the measurement of debt may take this into account rather than recording the face value of the securities. However, the treatment differs between gross Federal debt (and its components) and the statutory definition of debt subject to limit. An adjustment is needed to derive debt subject to limit (as defined by law) from Treasury debt, and this adjustment is specified in footnote 5 to Table 12–2. The amount is relatively small: $5.8 billion at the end of 1996 compared to the total discount (less premium) of $77.9 billion recognized on Treasury securities.

Methods of changing the debt limit.—The statutory debt limit has frequently been changed. Since 1960, Congress has passed 67 separate acts to raise the limit, extend the duration of a temporary increase, or revise the definition.

The statutory limit can be changed by normal legislative procedures. It can also be changed as a consequence of the annual congressional budget resolution, which is not itself a law. The budget resolution includes a provision specifying the appropriate level of the debt subject to limit at the end of each fiscal year. The rules of the House of Representatives provide that, when the budget resolution is adopted by both Houses of the Congress, the vote in the House of Representatives is deemed to have been a vote in favor of a joint resolution setting the statutory limit at the level specified in the budget resolution. The joint resolution is transmitted to the Senate for further action. It may be amended in the Senate to change the debt limit provision or in any other way. If it passes both Houses of the Congress, it is sent to the President for his signature. This method directly relates the decision on the debt limit to the decisions on the Federal deficit and other factors that determine the change in the debt subject to limit. Both methods have been used numerous times.

Recent changes in the debt limit.—Major increases in the debt limit were enacted as part of the deficit reduction packages in the Omnibus Budget Reconciliation Acts of 1990 and 1993. Both changes in law were preceded by one or more temporary increases in the limit before agreement was reached on the debt and the deficit reduction measures. Both increases in the debt limit were large enough to last over two years without a further change in law, the longest periods without an increase since the period from 1946 to 1954.

The debt again approached the limit in 1995, and the limit again became part of the larger issue of deficit reduction. The Congressional Budget Resolution instructed the Ways and Means and the Finance Committees to submit provisions for the reconciliation bill that would increase the limit from $4,900 billion to $5,500 billion.

As the debt came close to the limit in October and November 1995 without a budget agreement, the Treasury Department took several actions to control debt and cash more tightly in order to stay under the limit. It reduced or postponed auctions, suspended the issuance of State and local government series securities, and suspended "foreign add-ons" to Treasury bills and notes (additional amounts issued to Federal Reserve Banks as agents for foreign and international monetary authorities). Congress passed a bill raising the debt limit temporarily, but the President vetoed it on November 13. It would have limited the Treasury's powers to manage Federal debt to avoid default, and it would have reduced the limit by $100 billion (to $4,800 billion) when the temporary increase expired on December 13.

By November 15, 1995, the debt subject to limit was virtually at the limit and Treasury was obligated to make large cash payments. On that date, the Secretary of Treasury announced two steps to avoid default. He authorized the redemption of $39.8 billion of Treasury securities held by the Civil Service Retirement and Disability trust fund (CSRDF), and he authorized not reinvesting the $21.5 billion of Treasury securities held by the "G-fund" portion of the Thrift Savings Fund (the Federal Employees Retirement System's Government Securities Investment Trust). This provided $61.3 billion of additional borrowing authority. The law requires that at the end of a "debt limit suspension period" both funds are to be made whole with respect to lost interest and principal, so the beneficiaries of these funds do not suffer any losses.

The disagreement over how to reduce the deficit continued. Congress passed a budget reconciliation bill in December that included a provision increasing the debt limit to $5,500 billion, but the bill included many provisions unacceptable to the President and he vetoed it. On December 29, Treasury was unable to issue securities to the CSRDF to invest the $14.0 billion of interest payments that it received from the general fund and the FFB. In January 1996, Treasury announced three further steps that it subsequently took on February 14. The Secretary authorized the redemption of $6.4 billion of additional Treasury securities from CSRDF; the reinvestment of Treasury securities held by the Exchange Stabilization Fund (about $3.9 billion) was suspended; and agency securities held by the Federal Financing Bank were swapped for an equivalent amount of Treasury securities held by CSRDF. As explained in the section of this chapter on agency debt, the latter step reduced the debt subject to limit by $8.6 billion.

These steps were not enough, however, to ensure the timely payment of social security benefits and other amounts payable at the beginning of March, and the Secretary of Treasury said he had no other options that were both legal and prudent. Congress passed an act temporarily exempting from limit an amount of Treasury securities equal to the monthly social security benefits payable in March 1996, with the exemption expiring at the earlier of an increase in the debt limit or March 15, 1996. The President signed the bill into law on February 8, the amount of the social security benefits was $29.0 billion, and $29.0 billion of cash management bills were sold under this authority later in that month. The social security benefits and other amounts payable at the beginning of March were paid.

Congress passed another debt limit act in early March, which temporarily extended this exemption and exempted from limit certain obligations issued to trust funds and other accounts to which the Secretary of Treasury issues obligations. (The latter exemption was based on the deposits made to those funds and on the obligations held by those funds that matured during the period.) Both exemptions expired at the earlier of an increase in the debt limit or March 30. The President signed the bill into law on March 12. Under this authority, Treasury issued $58.2 billion of securities to trust funds and other accounts. Treasury was able to invest trust fund receipts as they were received, to reinvest the Exchange Stabilization Fund and the G-fund portion of the Thrift Savings Fund, and to completely invest the interest payments that CSRDF had received on December 29.

On March 28, 1996, Congress passed the Contract with America Advancement Act of 1996, one provision of which increased the debt limit from $4,900 billion to $5,500 billion. The President signed the bill into law on March 29. This enabled Treasury to raise cash to pay its bills by borrowing from the public in the following days. On the same day as the President signed the Act, Treasury reinvested CSRDF for the securities that had been redeemed and restored to the G-fund the interest it had temporarily lost. (The interest temporarily lost by CSRDF due to early redemptions was restored on the next payment date for interest on those securities.)

Federal funds financing and the change in debt subject to limit.—The change in debt held by the public, as shown in Table 12–2, is determined principally by the total Government deficit. The debt subject to limit, however, includes not only debt held by the public but also debt held by Government accounts. The change in debt subject to limit is therefore determined both by the factors that determine the total Government deficit and by the factors that determine the change in debt held by Government accounts.

The budget is composed of two groups of funds, Federal funds and trust funds. The Federal funds, in the main, are derived from tax receipts and borrowing and are used for the general purposes of the Government. The trust funds, on the other hand, are financed by taxes or other collections earmarked by law for specified purposes, such as paying social security benefits or grants to State governments for highway construction.[11]

A Federal funds deficit must generally be financed by borrowing, either by selling securities to the public or by issuing securities to Government accounts. Federal funds borrowing consists almost entirely of the Treasury issuing securities that are subject to the statutory debt limit. Trust fund surpluses are almost entirely invested in these securities, and trust funds hold most of the debt held by Government accounts. The change in debt subject to limit is therefore determined principally by the Federal funds deficit, which is equal to the arithmetic sum of the total Government deficit and the trust fund surplus.

Table 12–5 derives the change in debt subject to limit. In 1998 the Federal funds deficit is estimated to be $254.5 billion, and other factors increase the requirement to borrow subject to limit by $31.3 billion. The largest other factor is the direct loan financing accounts. As explained in an earlier section, their disbursements are excluded from the budget by law because they do not represent a cost to the Government, but they have to be financed and they are currently sizable and growing. As a result, the debt subject to limit is estimated to increase by $285.9 billion, which is $140.3 billion more than the increase in debt held by the public.

As long as the trust fund surplus is large, the Federal funds deficit will be much larger than the total Government deficit; and the increase in debt subject to limit will be much larger than the increase in debt held by the public. The trust fund surplus is currently large and is estimated to grow through 2002, so the debt limit will have to be increased in the future by much more than needed to finance the total Government deficit. This can be seen by comparing the annual increase in debt subject to limit in Table 12–5 with the annual deficit and the annual increase in debt held by the public in Table 12–2. The increase in debt subject to limit is more than $100 billion higher every year. In 2002, when the budget has a $17.0 billion surplus and the debt held by the public increases by $5.2 billion, the debt subject to limit increases by $167.8 billion.

[11] For further discussion of the trust funds and Federal funds groups, see Chapter 17, "Trust Funds and Federal Funds."

Table 12–5. FEDERAL FUNDS FINANCING AND CHANGE IN DEBT SUBJECT TO STATUTORY LIMIT

(In billions of dollars)

Description	1996 actual	Estimate					
		1997	1998	1999	2000	2001	2002
Federal funds surplus or deficit (–)	**–221.9**	**–242.2**	**–254.5**	**–255.8**	**–237.0**	**–190.3**	**–145.2**
(On-budget)	–222.6	–240.3	–250.4	–254.9	–237.2	–192.1	–146.5
(Off-budget)	0.6	–2.0	–4.1	–0.9	0.2	1.8	1.3
Means of financing other than borrowing:							
Change in:[1]							
Treasury operating cash balance	–6.3	4.2	....	....	....	....	....
Checks outstanding, etc.[2]	–7.4	2.3	–0.2	....	....	....	....
Deposit fund balances[3]	–1.0	0.7	–2.6	....	....	....	....
Seigniorage on coins	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Less: Net financing disbursements:							
Direct loan financing accounts	–13.0	–22.6	–21.9	–21.9	–23.8	–24.4	–24.0
Guaranteed loan financing accounts	1.3	–0.2	0.4	0.6	0.7	0.9	1.2
Total, means of financing other than borrowing	**–25.8**	**–14.9**	**–23.7**	**–20.7**	**–22.4**	**–22.8**	**–22.1**
Decrease or increase (–) in Federal debt held by Federal funds and deposit funds[4]	–15.5	–14.6	–4.2	....	....	....	....
Increase or decrease (–) in Federal debt not subject to limit	8.0	–1.8	–3.4	–0.4	–0.5	–0.4	–0.5
Total, requirement for Federal funds borrowing subject to debt limit	**–255.2**	**–273.5**	**–285.9**	**–276.8**	**–259.9**	**–213.6**	**–167.8**
Adjustment for change in discount or premium[5]	–2.7	....	....	....	....	....	....
Increase in debt subject to limit	**252.6**	**273.5**	**285.9**	**276.8**	**259.9**	**213.6**	**167.8**
ADDENDUM							
Debt subject to statutory limit[6]	5,137.2	5,410.7	5,696.6	5,973.4	6,233.3	6,446.9	6,614.7

[1] A decrease in the Treasury operating cash balance (which is an asset) would be a means of financing the deficit and therefore has a positive sign. An increase in checks outstanding or deposit fund balances (which are liabiities) would also be a means of financing the deficit and therefore also have a positive sign.
[2] Besides checks outstanding, includes accrued interest payable on Treasury debt, miscellaneous liability accounts, allocations of special drawing rights, and, as an offset, cash and monetary assets other than the Treasury operating cash balance, miscellaneous asset accounts, and profit on sale of gold.
[3] Does not include investment in Federal debt securities by deposit funds classified as part of the public.
[4] Only those deposit funds classified as Government accounts.
[5] Consists of unamortized discount (less primium) on public issues of Treasury notes and bonds (other than zero-coupon bonds) and unrealized discount on Government account series securities.
[6] The statutory debt limit is $5,500 billion.

Table 12–6. FOREIGN HOLDINGS OF FEDERAL DEBT

(Dollar amounts in billions)

Fiscal year	Debt held by the public			Borrowing from the public			Interest on debt held by the public		
	Total	Foreign [1]	Percentage foreign	Total [2]	Foreign [1]	Percentage foreign	Total [3]	Foreign [4]	Percentage foreign
1965	260.8	12.3	4.7	3.9	0.3	6.4	9.6	0.5	4.9
1966	263.7	11.6	4.4	2.9	–0.7	n.a.	10.1	0.5	5.1
1967	266.6	11.4	4.3	2.9	–0.2	n.a.	11.1	0.6	5.1
1968	289.5	10.7	3.7	22.9	–0.7	n.a.	11.9	0.7	5.6
1969	278.1	10.3	3.7	–1.3	–0.4	n.a.	13.5	0.7	5.3
1970	283.2	14.0	5.0	3.5	3.8	107.2	15.4	0.8	5.5
1971	303.0	31.8	10.5	19.8	17.8	89.8	16.2	1.3	7.9
1972	322.4	49.2	15.2	19.3	17.3	89.5	16.8	2.4	14.2
1973	340.9	59.4	17.4	18.5	10.3	55.3	18.7	3.2	17.2
1974	343.7	56.8	16.5	2.8	–2.6	n.a.	22.7	4.1	17.9
1975	394.7	66.0	16.7	51.0	9.2	18.0	25.0	4.5	18.2
1976	477.4	69.8	14.6	82.2	3.8	4.6	29.3	4.4	15.1
TQ	495.5	74.6	15.1	18.1	4.9	26.9	7.8	1.2	14.9
1977	549.1	95.5	17.4	53.6	20.9	39.0	33.8	5.1	15.0
1978	607.1	121.0	19.9	58.0	25.4	43.5	40.2	7.9	19.5
1979 [5]	640.3	120.3	18.8	33.2	–0.7	n.a.	49.9	10.7	21.5
1980	709.8	121.7	17.1	69.5	1.4	2.0	62.8	11.0	17.5
1981	785.3	130.7	16.6	75.5	9.0	12.0	81.7	16.4	20.1
1982	919.8	140.6	15.3	134.4	9.9	7.4	101.2	18.7	18.5
1983	1,131.6	160.1	14.1	211.8	19.5	9.2	111.6	19.2	17.2
1984	1,300.5	175.5	13.5	168.9	15.4	9.1	133.5	20.3	15.2
1985 [5]	1,499.9	222.9	14.9	199.4	47.4	n.a.	152.9	23.0	15.1
1986	1,736.7	265.5	15.3	236.8	42.7	18.0	159.3	24.2	15.2
1987	1,888.7	279.5	14.8	152.0	14.0	9.2	160.4	25.7	16.0
1988	2,050.8	345.9	16.9	162.1	66.4	40.9	172.3	29.9	17.4
1989	2,189.9	394.9	18.0	139.1	49.0	35.2	189.0	37.1	19.6
1990 [5]	2,410.7	440.3	18.3	220.8	45.4	n.a.	202.4	40.3	19.9
1991	2,688.1	477.3	17.8	277.4	37.0	13.3	214.8	42.0	19.5
1992	2,998.8	535.2	17.8	310.7	57.9	18.6	214.5	40.5	18.9
1993	3,247.5	591.3	18.2	247.4	56.1	22.7	210.2	41.1	19.6
1994	3,432.1	655.8	19.1	184.6	64.5	34.8	210.6	44.5	21.1
1995	3,603.4	848.4	23.5	171.3	192.6	112.4	239.2	58.3	24.4
1996	3,733.0	1,027.7	27.5	129.6	179.3	138.4	246.6	67.7	27.4

[1] Estimated by Treasury Department. These estimates exclude agency debt, the holdings of which are believed to be small. The data on foreign holdings are not recorded by methods that are strictly comparable with the data on debt held by the public. Projections are not available.
[2] Borrowing from the public is defined as equal to the change in debt held by the public from the beginning of the year to the end, except to the extent that the amount of debt is changed by reclassification.
[3] Estimated as interest on the public debt less "interest received by trust funds" (subfunction 901 less subfunctions 902 and 903). Does not include the comparatively small amount of interest on agency debt or the offsets for interest on public debt received by other Government accounts (revolving funds and special funds).
[4] Estimated by Bureau of Economic Analysis, Department of Commerce. These estimates include small amounts of interest from other sources, including the debt of Government-sponsored enterprises, which are not part of the Federal Government.
[5] Benchmark revisions reduced the estimated foreign holdings of Federal debt as of December 1978 and increased the estimated foreign holdings as of December 1984 and December 1989. As a result, the data on foreign holdings in different time periods are not strictly comparable, and the "borrowing" from foreign residents in 1979, 1985, and 1989 reflects the benchmark revision as well as the net purchases of Federal debt securities.

Debt Held by Foreign Residents

During most of American history the Federal debt was held almost entirely by individuals and institutions within the United States. In the late 1960s, as shown in Table 12–6, foreign holdings were just over $10.0 billion, less than 5 percent of the total Federal debt held by the public.

Foreign holdings began to grow significantly starting in 1970. This increase has been primarily due to foreign decisions, both official and private, rather than the direct marketing of these securities to foreign residents. At the end of fiscal year 1996 foreign holdings of Treasury debt were $1,027.7 billion, which was 27.5 percent of the total debt held by the public. Foreign central banks owned 54 percent of the Federal debt held by foreign residents; private investors owned nearly all the rest. All the Federal debt held by foreign residents is denominated in dollars. Although the amount of debt held by foreigners has grown greatly since the early 1980s, the proportion they own did not change much during this period until 1995. In 1995 and 1996, however, foreign holdings increased by $192.6 billion and $179.3 billion,[12] respectively, which was more than the total Federal borrowing from the public. As a result, the percentage of Federal debt held by foreign residents grew from 19.1 percent at the end of 1994 to 27.5 percent at the end of 1996.

Foreign holdings of Federal debt are almost one-fourth of the foreign-owned assets in the U.S., and for-

[12] The amounts reported by the Bureau of Economic Analysis, Department of Commerce, were different, but similarly large, due to a different method of valuing the securities.

eign purchases of Federal debt securities are normally only a moderate part of the gross capital inflow from abroad. The foreign purchases of Federal debt securities do not measure the full impact of the capital inflow from abroad on the market for Federal debt securities. The capital inflow supplies additional funds to the credit market generally, which affect the market for Federal debt. For example, the capital inflow includes deposits in U.S. financial intermediaries that themselves buy Federal debt.

Federally Assisted Borrowing

The effect of the Government on borrowing in the credit market arises not only from its own borrowing to finance Federal operations but also from its assistance to certain borrowing by the public. Federally assisted borrowing is of two principal types: Government-guaranteed borrowing, which is another term for guaranteed lending, and borrowing by Government-sponsored enterprises (GSEs). The Federal Government also exempts the interest on most State and local government debt from income tax; and it insures the deposits of banks and thrift institutions, which themselves make loans.

Federal credit assistance is discussed in Chapter 8, “Underwriting Federal Credit and Insurance.” Detailed data are presented in tables at the end of that chapter.

Table 12–7 brings together the totals of Federal and federally assisted borrowing and lending and shows the trends since 1965 in terms of both dollar amounts and, more significantly, as percentages of total credit market borrowing or lending by domestic nonfinancial sectors. The Federal and federally assisted lending is recorded at the principal amount. It does not measure the degree of subsidy provided by the credit assistance, nor does it indicate the extent to which the credit assistance changed the allocation of financial and real resources. The estimates for GSE borrowing in 1997 and 1998 were developed by the GSEs based on certain assumptions but are subject to periodic review and revision and do not represent official GSE forecasts of future activity.

The Federal borrowing participation rate trended strongly upward from the 1960s to the early 1990s, though with cyclical variation. Much of the increase in the 1980s and early 1990s was due to higher GSE borrowing as well as Federal deficits. Since 1992, the Federal borrowing participation rate has declined, falling to a little under 50 percent in 1995 and 1996. The Federal lending participation rate has been smaller and more stable over time than the borrowing participation rate, because Federal direct loans are much smaller than Federal borrowing.

Table 12–7. FEDERAL PARTICIPATION IN THE CREDIT MARKET

(Dollar amounts in billions)

	Actual												Estimates	
	1965	1970	1975	1980	1985	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total net borrowing in credit market[1]	66.7	88.0	169.2	336.9	819.2	722.5	504.7	539.7	576.2	624.7	733.5	706.0	....	....
Federal borrowing from the public	3.9	3.5	51.0	69.5	199.4	220.8	277.4	310.7	247.4	184.7	171.3	129.6	142.8	145.6
Guaranteed borrowing	5.0	7.8	8.6	31.6	21.6	40.7	22.1	19.7	–2.0	38.7	26.2	89.9	55.4	49.2
Government-sponsored enterprise borrowing[2]	1.2	4.9	5.3	21.4	57.9	115.4	124.6	150.8	169.3	121.3	133.9	117.6	178.2	186.0
Total, Federal and federally assisted borrowing	10.1	16.2	65.0	122.5	278.9	376.9	424.1	481.2	414.7	344.7	331.4	337.1	376.4	380.8
Federal borrowing participation rate (percent)	**15.1**	**18.4**	**38.2**	**36.4**	**34.0**	**52.2**	**84.0**	**89.2**	**72.0**	**55.2**	**45.2**	**47.8**	....	....
Total net lending in credit market[1]	66.7	88.0	169.2	336.9	819.2	722.5	504.7	539.7	576.2	624.7	733.5	706.0	....	....
Direct loans	2.0	3.0	12.7	24.2	28.0	2.8	–7.5	7.0	–1.7	–0.8	1.6	4.0	18.0	15.7
Guaranteed loans	5.0	7.8	8.6	31.6	21.6	40.7	22.1	19.7	–2.0	38.7	26.2	89.9	55.4	49.2
Government-sponsored enterprise loans[2]	1.4	5.2	5.5	24.1	60.7	90.0	90.7	145.2	162.3	125.3	68.2	135.8	160.5	187.8
Total, Federal and federally assisted lending	8.3	15.9	26.9	79.9	110.3	133.5	105.3	171.9	158.6	163.2	96.0	229.7	233.9	252.7
Federal lending participation rate (percent)	**12.4**	**18.1**	**15.9**	**23.7**	**13.3**	**18.5**	**20.9**	**31.9**	**27.5**	**26.1**	**13.1**	**32.5**	....	....

[1] Total net borrowing (or lending) in credit market by domestic nonfinancial sectors excluding equities. Financial sectors are omitted to avoid double counting, since financial intermediaries both borrow and lend in the credit market. Source: Federal Reserve Board flow of funds accounts. Projections are not available.

[2] Most Government-sponsored enterprises (GSEs) are financial intermediaries. GSE borrowing (lending) is nevertheless compared with total credit market borrowing (lending), because GSE borrowing (lending) is a proxy for the borrowing (lending) by nonfinancial sectors that is intermediated by GSEs. It assists the utlimate nonfinancial borrower (lender) whose loans are purchased or otherwise financed by GSEs. Data are adjusted, with some degree of approximation, to remove double counting: GSE borrowing and lending are calculated net of transactions with Federal agencies, transactions between GSEs, transactions between components of GSEs, and transactions in guaranteed loans. Borrowing and lending include mortgage-backed security programs.

BUDGET ENFORCEMENT ACT PREVIEW REPORT

13. PREVIEW REPORT

The Budget Enforcement Act of 1990 (BEA) contains procedures designed to enforce the deficit reduction agreement of the Omnibus Budget Reconciliation Act of 1990. For 1991 through 1995, the BEA limited discretionary spending and established a "pay-as-you-go" requirement that legislation changing direct spending and receipts must, in total, be at least deficit neutral. These provisions were extended through 1998 by the Omnibus Budget Reconciliation Act of 1993 (OBRA 1993), which became law on August 10, 1993. The Administration will propose to extend the BEA again, through the year 2002, and make other amendments to the BEA requirements. (See "Budget Process Reforms" below.)

This Preview Report discusses the status of discretionary appropriations and pay-as-you-go legislation based on laws enacted as of December 31, 1996. In addition, it explains the differences between the OMB and CBO estimates of the discretionary caps.

The OMB estimates use the economic and technical assumptions underlying the President's budget submission, as required by the BEA. The OMB Update Report that will be issued in August, and the Final Report that will be issued after the end of the Congressional session, must also use these economic and technical assumptions. Estimates in the Update Report and the Final Report will be revised only to reflect laws enacted after the Preview Report.

Discretionary Sequestration Report

Discretionary programs are, in general, those that have their program levels established annually through the appropriations process. The scorekeeping guidelines accompanying the BEA identify accounts with discretionary resources. The BEA, as amended, limits budget authority and outlays available for discretionary programs each year through 1998. Appropriations that cause either the budget authority or outlay limits to

Table 13–1. SUMMARY OF CHANGES TO DISCRETIONARY SPENDING LIMITS

(In billions of dollars

		1991	1992	1993	1994	1995	1996	1997	1998	1991–98
TOTAL DISCRETIONARY										
Statutory Caps as set in OBRA 1990 and OBRA 1993	BA	491.7	503.4	511.5	510.8	517.7	519.1	528.1	530.6	4,113.0
	OL	514.4	524.9	534.0	534.8	540.8	547.3	547.3	547.9	4,291.4
Adjustments for changes in concepts and definitions	BA	....	7.7	8.2	8.2	8.8	–0.6	–0.4	3.1	35.0
	OL	....	1.0	2.4	2.3	3.0	–0.5	–2.6	–2.8	2.8
Adjustments for changes in inflation	BA	....	–0.5	–5.1	–9.5	–11.8	3.0	2.6	0.0	–21.2
	OL	....	–0.3	–2.5	–5.8	–8.8	1.8	2.3	0.9	–12.2
Adjustments for credit reestimates, IRS funding, debt forgiveness, IMF, and CDRs	BA	0.2	0.2	13.0	0.6	0.7	0.1	0.2	0.1	15.0
	OL	0.3	0.3	0.8	0.8	0.9	0.1	0.3	0.1	3.6
Adjustments for emergency requirements	BA	0.9	8.3	4.6	12.2	7.7	5.1	1.6	....	40.4
	OL	1.1	1.8	5.4	9.0	10.1	6.4	5.4	1.7	40.9
Adjustment pursuant to Sec. 2003 of P.L. 104–19[1]	BA	....	....	....	....	–15.0	–0.1	–0.1	....	–15.1
	OL	....	....	....	....	–1.1	–3.5	–2.4	–1.5	–8.5
Adjustments for special allowances:										
Discretionary new budget authority	BA	....	3.5	2.9	2.9	2.9	....	....	....	12.1
	OL	....	1.4	2.2	2.6	2.7	1.1	0.5	0.1	10.7
Outlay allowance	BA	....								
	OL	2.6	1.7	0.5	1.0	....	....	....	....	5.7
Subtotal, adjustments excluding Desert Shield/Desert Storm	BA	1.1	19.2	23.6	14.3	–6.7	7.5	4.0	3.1	66.2
	OL	3.9	5.9	8.8	10.0	6.8	5.5	3.7	–1.5	43.0
Adjustments for Operation Desert Shield/Desert Storm	BA	44.2	14.0	0.6	*	*	....	....	....	58.8
	OL	33.3	14.9	7.6	2.8	1.1	....	....	....	59.6
Total adjustments	BA	45.4	33.2	24.2	14.3	–6.7	7.5	4.0	3.1	140.1
	OL	37.2	20.8	16.4	12.8	7.8	5.5	3.7	–1.5	111.1
Preview Report spending limits[2]	BA	537.1	536.6	535.7	525.1	511.0	526.7	532.0	533.8	4,238.0
	OL	551.6	545.7	550.4	547.6	548.6	552.7	551.0	546.4	4,394.0

* $50 million or less.

[1] P.L. 104–19, Emergency Supplemental Appropriations for Additional Disaster Assistance, for Anti-Terrorism Initiatives, for Assistance in the Recovery from the Tragedy that Occurred at Oklahoma City, and Rescissions Act, 1995, was signed into law on July 27, 1995. Section 2003 of that bill directed the Director of OMB to make a downward adjustment in the discretionary spending limits for 1995–1998 by the aggregate amount of the estimated reductions in new budget authority and outlays for discretionary programs resulting from the provisions of the bill, other than emergencies appropriations.

[2] Reflects combined General Purpose Discretionary and Violent Crime Reduction Trust Fund Discretionary spending limits.

be exceeded will trigger a sequester to eliminate any such breach.

The Administration is proposing that the Congress adopt a joint resolution on the budget covering each of the fiscal years 1998 through 2002. This proposal is discussed in the "Budget Process Reforms" section of this report.

Adjustments to the limits.—The BEA permits certain adjustments to the discretionary limits—also known as caps. On November 15, 1996, the Office of Management and Budget submitted the Final Sequestration Report for 1997 required by the BEA. This report described adjustments permitted by the BEA as of the time the report was issued. The caps resulting from these adjustments are the starting points for this Preview Report. Included in this report are cap adjustments for differences between current and previous estimates of inflation, changes in concepts and definitions, and estimates of emergency spending. Table 13–1 is a summary of all changes to the 1991 through 1998 caps originally enacted in law. Table 13–2 shows the impact on the caps of adjustments being made in this Preview Report. Table 13–2 displays both the General Purpose Discretionary Spending caps and the Violent Crime Reduction Trust Fund caps established by Public Law 103–322, the Violent Crime Control and Law Enforcement Act of 1994.

OBRA 1993 extended the original discretionary caps through 1998 and also requires OMB to adjust these caps for differences between the inflation estimates contained in the House Conference Report on the 1994 Budget Resolution and those that are assumed in the President's Budget. The inflation estimates in the 1998 Budget are lower than those contained in the 1997 Budget.

The 1997 Budget inflation estimates were 2.7 percent per year for 1996 through 1998. For the 1998 Budget, the comparable inflation estimates are 2.2 percent for 1996, 2.5 percent for 1997, and 2.6 percent for 1998. Thus, inflation estimates are lower in 1996, 1997, and 1998 by 0.5 percent, 0.2 percent, and 0.1 percent, respectively. Adjusting the caps for these changes in inflation estimates reduces 1998 budget authority by $4.2 billion. The estimated spendout of these reductions in budget authority reduces outlays by $2.5 billion in 1998.

Several cap adjustments represent changes in concepts and definitions resulting from legislative action that reclassified certain programs. These actions shifted programs between the mandatory (i.e., direct spending) category and the discretionary category. For instance, several 1997 appropriations bills included provisions that modified mandatory programs. Since funding controlled by appropriations action is considered discretionary, the effects of these provisions are recorded as adjustments to the caps.

Table 13–2. DISCRETIONARY SPENDING LIMITS

(In millions of dollars)

		1994	1995	1996	1997	1998
General Purpose Discretionary						
Total General Purpose Discretionary Spending Limits, November 15, 1996, Final Sequestration Report	**BA**	**525,146**	**508,546**	**522,376**	**527,031**	**528,857**
	OL	**547,559**	**547,930**	**550,400**	**547,055**	**544,078**
Adjustments:						
Inflation	BA	....	....	....	....	–4,154
	OL	....	....	....	....	–2,492
Changes in concepts and definitions:						
Statutory and other shifts between categories	BA	....	....	....	....	–110
	OL	....	....	....	....	–85
Conversion of obligation limitations to discretionary budget authority	BA	....	....	....	....	3,687
	OL	....	....	....	....	....
Contingent emergency appropriations released	BA	....	....	....	5	....
	OL	....	....	....	5	....
Subtotal, Adjustments for the Preview Report	BA	....	....	....	5	–577
	OL	....	....	....	5	–2,577
Preview Report General Purpose Discretionary Limits	**BA**	**525,146**	**508,546**	**522,376**	**527,036**	**528,280**
	OL	**547,559**	**547,930**	**550,400**	**547,060**	**541,501**
Adjustments Under the Revised Budget Enforcement Act for Appropriations Committee Action:						
Proposed Emergency Spending:						
Emergency supplemental appropriations contained in the 1998 Budget	BA	....	....	....	2,098	....
	OL	....	....	....	1,585	401

Table 13–2. DISCRETIONARY SPENDING LIMITS—Continued

(In millions of dollars)

		1994	1995	1996	1997	1998
The Budget contains FY 1997 emergency supplemental requests for the National Transportation Safety Board and for the Department of Defense.						
Contingent emergency appropriations for unanticipated disasters contained in the 1998 Budget	BA	....	....	....	....	(5,800)
	OL	....	....	....	....	(2,320)
The Budget contains a request for contingent emergency appropriations for natural disasters of $5.8 billion. This emergency spending would be scored upon release by the President and the Congress.						
User Fee Proposals:						
Department of Health and Human Services						
Food and Drug Administration (FDA): FDA user fees	BA	....	....	....	....	237
	OL	....	....	....	....	237
The Budget proposes new user fees to finance FDA activities, including the review of prescription drugs and medical devices, approval of animal drugs, import inspections, food additive petition reviews, generic/over-the-counter drug applications and fees for post market surveillance of products.						
Department of Labor:						
Alien labor certification fees	BA	....	....	....	....	25
	OL	....	....	....	....	25
The Budget proposes new user fees to fund discretionary spending. Fees would be charged to employers who receive certification from the Labor Department of the admissibility of aliens to work in the United States.						
Department of State:						
Immigration, passport, and other user fees	BA	....	....	....	....	455
	OL	....	....	....	....	387
The Budget proposes to dedicate existing governmental receipts generated by consular activities toward support and improvement of State Department operations. Discretionary spending caps would be increased by the amount of estimated annual appropriations of the receipts.						
Machine readable visa fees	BA	....	....	....	....	140
	OL	....	....	....	....	119
The Budget proposes to correct the classification of existing receipts used to support the State Department's border security program. These fees were previously classified as offsetting collections; they will now be classified as governmental receipts.						
Department of Transportation:						
Federal Aviation Administration (FAA) $300 million gross increase in user fees	BA	....	....	....	....	225
	OL	....	....	....	....	198
The Budget proposes new user fees to fund discretionary spending for the FAA. Discretionary spending caps increased by amount of spending of increased governmental receipts.						
Department of Veterans Affairs:						
VA medical care cost recovery	BA	....	....	....	....	(440)
	OL	....	....	....	....	(440)
Existing user fees (offsetting receipts) are reclassified as discretionary with a PAYGO cost. Discretionary spending would be offset by user fees. No change in the discretionary spending caps.						
Social Security Administration:						
Supplementary Security Income (SSI) user fee (administration of State supplementary payments)	BA	....	....	....	....	(40)
	OL	....	....	....	....	(37)
SSA currently charges States to administer the payment process. Discretionary spending would be offset by the proposed increase in SSI user fees (offsetting collections). No change in the discretionary spending caps.						
National Transportation Safety Board (NTSB):						
NTSB user fee	BA	....	....	....	....	5
	OL	....	....	....	....	5
The Budget proposes a new user fee to fund discretionary spending on commercial aviation accident investigations. Discretionary spending caps increased by amount of spending of increased governmental receipts.						
Other Proposals Included in the Budget Affecting the Discretionary Spending Caps:						
Funding for additional continuing disability reviews (CDRs)	BA	....	....	....	....	190
	OL	....	....	....	....	175

Table 13–2. DISCRETIONARY SPENDING LIMITS—Continued

(In millions of dollars)

		1994	1995	1996	1997	1998
Discretionary spending cap adjusted upward to reflect increased spending on associated additional continuing disability reviews (CDRs).						
Welfare reform implementation	BA	....	....	....	....	100
	OL	....	....	....	....	92
Discretionary spending cap adjusted upward to reflect increased administrative spending associated with implementation of changes to the Supplemental Security Income program in the welfare reform bill.						
State unemployment insurance cost containment proposal	BA	....	....	....	....	89
	OL	....	....	....	....	89
Discretionary spending cap adjusted upward to reflect increased spending on integrity activities in this area.						
Financial Management Service's reimbursement to the Federal Reserve Board (FRB)	BA	....	....	....	....	122
	OL	....	....	....	....	122
The Budget includes increases for discretionary spending for payment to the Federal Reserve. Mandatory governmental receipts would increase in an equal amount as a result of this discretionary increase.						
Exemption of Federal vaccine purchases from the payment of vaccine excise tax	BA	....	....	....	....	–54
	OL	....	....	....	....	–54
Governmental receipts and outlays in the Medicaid accounts are reduced as a result of this proposal. This proposal does not affect services.						
Subtotal, Adjustments Under the Revised Budget Enforcement Act for Appropriations Committee Action	**BA**	....	....	....	**2,098**	**1,534**
	OL	....	....	....	**1,585**	**1,796**
Proposed adjustment to offset restored PAYGO balances	BA	....	....	....	–6,236	....
	OL	....	....	....	–6,236	....
Preview Report General Purpose Discretionary Limits, Including Further Adjustments	**BA**	**525,146**	**508,546**	**522,376**	**522,898**	**529,814**
	OL	**547,559**	**547,930**	**550,400**	**542,409**	**543,297**
Violent Crime Reduction Trust Fund Discretionary						
Total Violent Crime Reduction Trust Fund (VCRTF) Spending Limits, November 15, 1996, Final Sequestration Report	**BA**	....	**2,423**	**4,287**	**5,000**	**5,500**
	OL	....	**703**	**2,334**	**3,936**	**4,904**
Preview Report Violent Crime Reduction Trust Fund (VCRTF) Spending Limits	**BA**	....	**2,423**	**4,287**	**5,000**	**5,500**
	OL	....	**703**	**2,334**	**3,936**	**4,904**
Combined General Purpose and Violent Crime Reduction Trust Fund Discretionary Spending Limits	**BA**	**525,146**	**510,969**	**526,663**	**527,898**	**535,314**
	OL	**547,559**	**548,633**	**552,734**	**546,345**	**548,201**

Another cap adjustment for changes in concepts and definitions is for the redefinition of certain obligation limitations as discretionary budget authority. For example, administrative expenses for the Social Security Administration (SSA) are controlled by a limitation on total funding from several financing sources including the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) trust funds. Prior to the 1998 Budget, the funding for administrative expenses attributable to these two sources had been classified as a discretionary obligation limitation, rather than discretionary budget authority. Thus, administrative expenses for the OASI and DI programs and expenses for other agencies' accounts with similar types of limitations on obligations were not covered by the budget authority caps or by the 602 allocation contained in the BEA, although they were covered by the outlay caps and the 602 allocation contained in the BEA for outlays. This anomaly was corrected in the 1990 BEA for the Medicare trust funds, the Unemployment trust fund, and the railroad retirement trust funds. Beginning with the 1998 budget, obligation limitations enacted in appropriations acts will be defined as discretionary budget authority. The budget authority caps are increased for this conceptual change.

Other adjustments to the limits.—

- *Emergency appropriations.* Spending that is designated as an emergency requirement by the President and Congress would result in an upward adjustment to the caps. The Budget contains FY 1997 emergency supplemental requests for the National Transportation Safety Board (NTSB) and for the Department of Defense (DOD). The NTSB request would provide funds for TWA Flight 800 accident investigation costs, including fire and explosion testing, and overtime and command center costs related to the investigation. In addition, funds would be provided for assistance to families of victims of aviation accidents. The emergency request for DOD would support United States participation in the Bosnia stabilization force (SFOR) and the continuation of enforcing no-fly zones in northern and southern Iraq. Table 12–2 displays estimated adjustments for these emergency appropriations. The actual adjustments to the discretionary caps cannot be determined until appropriations have been enacted.

- *Contingent emergency appropriations.* The Budget also proposes the establishment of a contingent reserve (see the "Emergency Requirements for Disasters" account in the Funds Appropriated to the President chapter of the Budget *Appendix*) to fund the unanticipated needs that arise from both natural and man-made disasters. The reserve, which is described in the "Budget Process Reform" section of this report, is intended to avoid emergency supplemental requests and provide flexibility in responding to disasters. The discretionary caps would be adjusted when the President makes contingent emergency funds available for use.
- *User fee proposals.* The Budget will include several proposals to allow user fees, both existing fees and new fees, to be used to finance discretionary spending. A change will be proposed to the BEA to establish a procedure for such proposals to be enacted and used to offset discretionary activities. The purpose of this change is to promote the use of appropriate fees by Federal Government agencies to support and improve agency operations. This new treatment is designed to be deficit neutral so that new discretionary spending is financed by new user fees or by other offsets. Further discussion of this proposal is included in the "Budget Process Reforms" section of this report.
- *Savings proposals.* The Administration supports several discretionary proposals that would result in additional savings to be derived from administrative efficiencies in benefit programs. These mandatory savings would more than offset discretionary costs; however, the Administration is not proposing to use these savings as offsets to other spending. These proposals include:

  Cap adjustments that would be made under existing authority:

  —*Funding for additional continuing disability reviews (CDRs).*—CDRs are conducted to verify that recipients of Social Security disability insurance benefits and Supplemental Security Income (SSI) benefits for persons with disabilities are still eligible. A cap adjustment would ensure that the Social Security Administration (SSA) has sufficient funds to increase CDRs to achieve the savings assumed in the debt ceiling bill. Authority to make this cap adjustment was originally provided in the debt ceiling bill.

  —*Welfare reform implementation.*—This cap adjustment would ensure that the SSA has sufficient funds for administrative expenses to carry out the implementation of changes made to the SSI program in the welfare reform bill. Authority to make this cap adjustment was provided in the welfare reform bill, through a modification to the cap adjustment authority provided in the debt ceiling bill described in the preceding paragraph.

  Cap adjustment that would be made under proposed authority:

  —*State unemployment insurance cost containment proposal.*—In addition to the two cap adjustments already mandated by current law, the Budget proposes an additional cap adjustment to reflect increased spending on program integrity activities in the Labor Department's State Unemployment Insurance and Employment Service Operations account (SUIESO). These would include activities such as eligibility reviews and tax audits. This additional spending is expected to result in reduced overpayments and increased tax collections.
- *Other changes.* The Budget also contains additional cap adjustments that would occur as a result of proposals included in the Budget. These include changes in the treatment of the Financial Management Service's reimbursement to the Federal Reserve Board and the exemption of Federal vaccine purchases from the payment of vaccine excise tax. The Federal Reserve currently provides certain services on behalf of FMS, which the Federal Reserve currently funds using a portion of its earnings. The net profit is remitted to Treasury and is recorded as revenue in the budget. The Budget requests permanent appropriations to fund these expenses. This proposal will have no net impact on the deficit, since the additional discretionary spending will be offset by the increase in Federal Reserve profits that are remitted to the Treasury. The effect of the proposal is to make the funding more explicit in the Budget. Instead of offsetting the spending against income in the Federal Reserve's budget, the profits and spending will be shown on a gross basis in the Federal budget.

The Budget also proposes to exempt Federal vaccine purchases from the payment of vaccine excise tax. Current and projected vaccine excise tax receipts to the Vaccine Injury Compensation Trust Fund far exceed current and projected claims on the Trust Fund. The Budget proposes lowering revenue to the Trust Fund by exempting Federal programs (which provide free vaccine to low-income, uninsured, and under-insured children) from payment of the vaccine excise tax in 1998.

The Administration proposes to restore to the PAYGO scorecard for 1997 the $6.2 billion in balances that were removed pursuant to the Omnibus Consolidated Appropriations Act of 1997. In order to offset the additional mandatory spending accommodated by restoring the balances, the discretionary caps for 1997 would be reduced by a like amount.

- *Loans to the International Monetary Fund (IMF).* The Budget includes an appropriations request for the dollar equivalent of 2,462 million Special Drawing Rights, scored in the Budget as $3,521 million. This amount is needed to fully fund the U.S. share of the New Arrangements to Borrow (NAB), which is a set of individual credit lines to the IMF, modeled on the existing General Arrangements to Borrow (GAB). Section 251(b)(2)(C) of the BEA of 1990 authorized a budget authority cap adjustment only for a similar proposal because the U.S. transactions with the IMF are not scored in the Budget as outlays. However, because the total discretionary budget authority is well within the caps established by the BEA, the Administration is not requesting cap adjustment authority for this increase. The Administration would seek a cap adjustment for potential future appropriations for an IMF quota increase.

The actual adjustments to the discretionary caps to be included in subsequent sequester reports cannot be determined until appropriations have been enacted. Table 13–3 compares the President's discretionary proposals to the proposed caps for 1997 and 1998. The estimates for 1997 are based on BEA scoring of enacted appropriations bills and have been adjusted for a subsequent emergency release and Presidential proposals included in the 1998 Budget.

Sequester determinations.—Five days after enactment of an appropriations act, OMB must submit a report to Congress estimating the budget authority and outlays provided by the legislation for the current year and the budget year. These estimates must be based on the same economic and technical assumptions used in the most recent President's Budget. In addition, the report must include CBO estimates and explain the differences between the OMB and CBO estimates. The OMB estimates are used in all subsequent calculations to determine whether a breach of any of the budget authority or outlay caps has occurred, and whether a sequester is required.

Compliance with the discretionary caps is monitored throughout the fiscal year. The first determination of whether a sequester is necessary for a given fiscal year occurs when OMB issues its Final Sequestration Report after Congress adjourns to end a session—near the beginning of the fiscal year. The monitoring process begins again after Congress reconvenes for a new session. Appropriations for the fiscal year in progress that cause a breach in the caps would, if enacted before July 1st, trigger a sequester. When such a breach is estimated, a "within-session" sequestration report and Presidential sequestration order are issued. For a breach that re-

Table 13–3. BUDGET PROPOSALS

(in millions of dollars)

		1997	1998
General Purpose Discretionary Spending			
Estimated Limits	BA	522,898	529,814
	OL	542,409	543,297
President's General Purpose Discretionary Proposals	BA	494,712	524,979
	OL	534,305	542,579
President's Proposals Compared to the General Purpose Discretionary Limits	BA	–28,186	–4,835
	OL	–8,104	–718
Violent Crime Reduction Trust Fund Spending			
Estimated Limits	BA	5,000	5,500
	OL	3,936	4,904
President's Violent Crime Reduction Trust Fund (VCRTF) Proposals	BA	4,683	5,500
	OL	3,697	4,883
President's Proposals Compared to the Violent Crime Reduction Limits	BA	–317	....
	OL	–239	–21
Total Discretionary Spending			
Estimated Limits	BA	527,898	535,314
	OL	546,345	548,201
President's Proposals	BA	499,395	530,479
	OL	538,002	547,462
President's Proposals Compared to the Limits	BA	–28,503	–4,835
	OL	–8,343	–739

Note: The President's Proposals for FY 1997 reflect official BEA scoring and do not reflect current budget estimates.

sults from appropriations enacted on or after July 1st, reductions necessary to eliminate the breach are not applied to the budgetary resources available in the current year. Instead, the corresponding caps for the following fiscal year are reduced by the amount of the breach. A within-session sequester can only be caused by newly enacted appropriations. Reestimates of budget authority and outlays for already enacted funds cannot trigger a sequester.

OMB reported in its Final Sequestration Report to the President and the Congress that discretionary appropriations enacted for 1997 were within the prescribed spending limits.

Sequester calculations.—If either the discretionary budget authority or outlay caps are exceeded, an across-the-board reduction of sequestrable budgetary resources is required to eliminate the breach. The percentage reduction for certain special-rule programs is limited to two percent. Once this limit is reached, the uniform percentage reduction for all other discretionary sequestrable resources is increased to a level sufficient to achieve the required reduction. If both the budget authority and outlay caps are exceeded, a sequester would first be calculated to eliminate the budget authority breach. If estimated outlays still remained above the cap, even after applying the available outlay allowance, further reductions in budgetary resources to eliminate the outlay breach would then be required.

Comparison between OMB and CBO discretionary limits.—Section 254(d)(5) of the BEA requires an explanation of differences between OMB and CBO estimates for the discretionary spending limits. Table 13–4 compares OMB and CBO limits for 1997 through 1998. The differences for 1998 are due primarily to the difference in forecast inflation. CBO's forecast for lower inflation in 1997 resulted in a change of $6.7 billion in budget authority and $4.0 billion in outlays in 1998. OMB's forecast resulted in a lower change ($4.2 billion in budget authority and $2.5 billion in outlays) in 1998.

CBO and OMB also differed on their estimates of the effect of discretionary changes made to mandatory accounts in fiscal year 1997 appropriations bills, and, thus, the effect of those changes on the fiscal year 1998 discretionary spending caps. CBO assumed a net decrease to the caps of $220 million in budget authority and $9 million in outlays, while OMB assumed a downward cap adjustment of $110 million in budget authority and $85 million in outlays. Finally, CBO did not make an adjustment for the conversion of obligation limitations to discretionary authority. OMB adjusted the FY 1998 discretionary spending caps upward by $3.7 billion for this conceptual change.

Table 13–4. COMPARISON OF OMB AND CBO DISCRETIONARY SPENDING LIMITS

(In millions of dollars)

	1997	1998
General Purpose Discretionary		
CBO Preview Report limits:		
BA	527,036	521,901
OL	547,060	540,027
OMB Preview Report limits:		
BA	527,036	528,280
OL	547,060	541,501
Difference:		
BA	....	–6,379
OL	....	–1,474
Violent Crime Reduction Trust Fund Discretionary		
CBO Preview Report limits:		
BA	5,000	5,500
OL	3,936	4,904
OMB Preview Report limits:		
BA	5,000	5,500
OL	3,936	4,904
Difference:		
BA	....	....
OL	....	....
Total Discretionary		
CBO Preview Report limits:		
BA	532,036	527,401
OL	550,996	544,931
OMB Preview Report limits:		
BA	532,036	533,780
OL	550,996	546,405
Difference:		
BA	....	–6,379
OL	....	–1,474

Pay-As-You-Go Sequestration Report

This section of the Preview Report discusses the enforcement procedures that apply to direct spending and receipts. The BEA defines direct spending as budget authority provided by law other than appropriations acts, entitlement authority, and the food stamp program. Social Security and the Postal Service are not subject to pay-as-you-go enforcement. Legislation specifically designated as an emergency requirement and legislation fully funding the Government's commitment to protect insured deposits are also exempt from pay-as-you-go enforcement.

Current law requires that direct spending and receipts legislation should not increase the deficit through 1998. If it does, and if it is not fully offset by other legislative savings, the increase must be offset by sequestration of direct spending programs. Under current law, the 1997 and 1998 deficit impact of legislation enacted this year would be combined with the balance to determine whether a sequester is neeeded. The Administration is proposing to extend the pay-as-you-go horizon and restore the 1997 balances that the Congress eliminated last year. As listed in Table 13–2, the discretionary cap for 1997 would be reduced by the amount of the balances restored. Table 13–5 summarizes the impact of the Adminstration's proposals on the pay-as-you-go balances.

Sequester determinations.—Within five days after enactment of direct spending or receipts legislation, OMB is required to submit a report to Congress estimating the change in outlays or receipts for each fiscal year through 1998 resulting from that legislation. The estimates must use the economic and technical assumptions underlying the most recent President's budget. These OMB estimates are used to determine whether the pay-as-you-go requirements have been met.

The cumulative nature of the pay-as-you-go process requires maintaining a "scorecard" that shows, beginning with the 102nd Congress, the deficit impact of enacted direct spending and receipts legislation and required pay-as-you-go sequesters. The pay-as-you-go Preview Report is intended to show how these past actions affect the upcoming fiscal year.

As of December 31, 1996, OMB had issued 391 reports on legislation affecting direct spending and receipts. Most of these (82 percent) either had no effect on the deficit or changed it by less than $10 million in each year. Less than ten percent of the pay-as-you-go legislation had a deficit impact greater than $50 million in any one year.

Table 13–6 shows OMB estimates for legislation enacted through December 31, 1996. In total, pay-as-you-go legislation enacted to date has reduced the combined 1997 and 1998 deficits by $3.4 billion.

Budget Process Reforms

The Administration is proposing several budget process reforms in conjunction with this budget, which are summarized here, and looks forward to working with the Congress on the details of implementation.

Table 13–5. PAY-AS-YOU-GO PROPOSALS

(in billions of dollars)

	1997	1998	1997–98
Pay-as-you-go proposals in the 1998 Budget:			
Receipts	–1.6	6.9	
Mandatory outlays	0.3	–0.1	
Proposed discretionary cap adjustments funded by governmental receipts	0.0	1.0	
Total pay-go proposals	–1.3	7.8	6.5
Current pay-go balance	0.0	–3.5	
Restore pay-go balance (offset by reduction in discretionary cap)	–6.2	0.0	
Proposed pay-go balances	–7.6	4.3	–3.3

Table 13–6. PAY-AS-YOU-GO LEGISLATION ENACTED AS OF DECEMBER 31, 1996

(In millions of dollars)

	1993	1994	1995	1996	1997 [1]	1998	1999	2000	2001	2002
Total, Pay-as-you-go legislation enacted:										
Revenue impact of enacted legislation	5,126	1,265	1,722	–1,227	–1,320	–1,889	–1,869	2,228	–729	–829
Outlay impact of enacted legislation	2,430	785	–100	–2,458	–7,556	–5,355	–8,318	–6,242	–9,994	–11,908
Total deficit impact of enacted legislation [2]	–2,696	–480	–1,822	–1,231	–6,236	–3,466	–6,449	–8,470	–9,266	–11,078

[1] The Omnibus Consolidated Appropriations Act of 1997 (P.L. 104–208) removed the balances for 1997 from the pay-as-you-go scorecard. OMB is proposing to restore the balances and reduce the discretionary cap by a like amount.

[2] The balances shown above for 1997 and 1998 differ from those shown in OMB's Final Sequester Report. The Final Report balances for 1997 included savings of $65 million that should have been included in 1998 instead. The balances shown above reflect this correction.

Joint resolution on the budget.—The President and the Congress share the goal of balancing the budget by 2002. In order to provide an overall budget framework for achieving this goal, the Administration urges the Congress to pass and present to the President for signature a joint resolution on the budget covering each of the fiscal years from 1998 through 2002. It would include the elements of the concurrent resolution on the budget required by the Congressional Budget Act and some elements would be added. Like the concurrent resolution, it would include totals for federal revenue, budget authority, outlays, and the deficit. It would set limits on the appropriate levels of debt for each of the fiscal years covered by the resolution. It would be used as the budget resolution for all purposes of the Act. The joint budget resolution would include major economic assumptions for the 5-year period.

Budget Enforcement Act.—The BEA, which will expire at the end of fiscal year 1998, has been an effective constraint on discretionary spending and laws that would increase the deficit. The Administration recommends that Congress extend it, with the proposed modifications described in this budget, through 2002.

The "pay-as-you-go" (PAYGO) requirements for offsets to legislation that would increase mandatory spending or reduce receipts would continue to be a useful enforcement mechanism. The Administration proposes to extend the existing PAYGO requirements through 2002. In the course of extending the requirements, the Administration also recommends that the legislation restore to the PAYGO scorecard for 1997 the $6.2 billion in balances that were removed pursuant to the Omnibus Consolidated Appropriations Act of 1997. In order to offset the additional mandatory spending accommodated by restoring the balances, the discretionary caps for 1997 would be reduced by a like amount.

Whether the BEA is extended in its current form or as part of a joint budget resolution approach, some aspects of the current rules should be changed. These are discussed in the following paragraphs.

User fees.—It is sound budget policy to charge fees to users directly availing themselves of, or subject to, a government service, program, or activity, in order to cover the government's costs. However, under current BEA scoring rules, it is difficult to align user fees with the spending for agency operations that they are intended to support. This is because receipts usually are scored as PAYGO and the spending for agency operations usually is scored as discretionary spending.

The Administration proposes a revised scoring rule that would avoid these problems. It would (1) employ a definition of user fees that is currently part of the House rules on jurisdiction, (2) support the longstanding practice of authorizing user fees in authorizing legislation, and (3) require the fees to be appropriated before they could be spent.

The budget treatment of user fees should provide both government agencies and users an incentive to support user fees. For example, it may be appropriate to deposit the fees in a special fund of the Treasury, rather than the general fund, where the fees would be available only for appropriation to the collecting agency for administration of the program they are intended to support. This would create a direct link between the fee payments and the level of funding for the agency operations that affect them. Also, the agency's budget for administering a program should be dependent, at least in part, on the success of the agency's collections. In some existing cases, user fees are earmarked for and appropriated to an agency's program, but the program is guaranteed a funding level from the general fund whether the fees are collected or not.

This budget applies the new scoring rule to several user fee proposals. These proposals are identified in the "Discretionary Sequestration Report" section of this chapter. The Administration intends to work with the Congress to identify other programs where the principle and revised scoring treatment should be applied.

Emergency funding requirements for disaster assistance.—The current BEA permits the Congress and the President to jointly designate any discretionary spending measure as an emergency requirement that does not count under the limits on discretionary spending. The BEA does not define emergency spending.

This budget proposes the establishment of a $5.8 billion contingent reserve for the emergency funding requirements for disaster assistance. This amount is the average annual emergency budget authority adjustment made to the discretionary spending caps under the existing rule. It is proposed that this amount be appropriated to the President for the purposes of the disaster relief activities of the Federal Emergency Management Agency, the wildland firefighting activities of the Departments of Interior and Agriculture, the flood control and emergency conservation activities of the Department of Agriculture, the emergency highway activities of the Department of Transportation, the disaster loan program of the Small Business Administration, and the flood control and coastal emergency activities of the Corps of Engineers.

The regular budget request for each of those agencies includes discretionary appropriations for these activities at the higher of the 1997 enacted amount or the 10-year average of nonemergency appropriations for each of the disaster assistance programs.

The contingent reserve is an attempt to anticipate, to the extent possible, the annual cost to the government of sudden, urgent, and unforseen requirements for natural and man-made disasters, and to avoid the necessity of emergency supplemental appropriations. These funds would be available for obligation only after the President designates them as emergency requirements and not until 15 days after the President notifies Congress of the designation. This built-in constraint is designed to give the Executive Branch a mechanism to respond to pressing disaster situations in a timely fashion while allowing the Congress the time to consider the proposal and take appropriate action. The designated amount would be transferred to the appropriate agency as needed. The appropriation language and budget presentation for this proposal is shown in the Funds Appropriated to the President chapter of the *Appendix*. The current emergency provision should be extended to cover emergency requirements that, in an extraordinary year, could exceed even the contingent amount.

Cap adjustment authority for savings initiatives.—When the BEA was enacted in 1990, it authorized cap adjustments, within specified limits, for each of the years 1991 through 1995 in order to accommodate annual appropriations for an Internal Revenue Service compliance initiative. The cap adjustment was authorized because increases in revenue were expected to more than offset the increase in discretionary spending. This budget includes similar initiatives and cap adjustment authority (see the "Discretionary Sequestration Report"). However, rather than enact specific cap increase limits for specific purposes in the BEA, the Administration proposes a rule, similar to the current emergency requirements rule, that would allow the Congress and the President to designate appropriations as spending for savings initiatives and would require OMB to adjust the limits on discretionary spending (such as the previously enacted adjustments for continuing disability reviews). This would allow savings initiatives to be identified and funded as the opportunities arise and without needing to amend the BEA, when both the President and the Congress support the initiative.

Amend the asset sale scoring rule.—A provision of the BEA prohibits scoring the proceeds of asset sales as offsets to discretionary spending or PAYGO legislation, even where there is general agreement that selling the asset is good policy. The Credit Reform Act of 1990 effectively ended this practice for loan assets by scoring them at their cost in present value terms. Thus, the rule currently applies solely to the sale of real assets. Repealing the rule could create a scoring incentive to sell real assets at less than the long-term value to the government, because the proceeds would be scored in the year of the sale, but the loss in future income to the government would be realized over a period of many years. Therefore, the Administration proposes to replace the current provision of law with a scoring rule that would allow the sales proceeds to be scored, on a cash basis, only if they exceed the present value cost of continued ownership and operation.

Scoring capital asset acquisitions.—This Administration continues to work to improve planning and budgeting for the government's capital assets, including buildings, information technology, and a wide variety of equipment and other construction. These efforts are discussed in "Part II: Planning, Budgeting, and Acquisition of Capital Assets," of Chapter 6 of this volume. One of the principles stressed is full funding: budget authority sufficient to complete a useful segment of a capital project (or the entire project, if it is not divisible into useful segments) must be appropriated before any obligations for the useful segment (or project) may be incurred. In order to enforce this principle, the Administration proposes a new BEA scoring rule that would require an appropriations act to be scored for the estimated total budget authority necessary to complete a useful segment, even if the act actually provides only partial funding for a useful segment. The proposed rule is discussed in more detail in the Appendix to Part II of Chapter 6.

Mechanism to ensure balance in 2002.—The budget includes a mechanism to ensure that the President's plan reaches balance in 2002 under OMB or CBO assumptions. If OMB's assumptions prove correct, as the Administration expects, then the mechanism would not take effect. If, however, CBO proves correct—and the President and Congress cannot agree on how to close the gap through expedited procedures—then most of the President's tax cuts would sunset, and discretionary budget authority and identified entitlement programs would face an across-the-board limit.

14. REVIEW OF DIRECT SPENDING AND RECEIPTS

Introduction

The Budget Enforcement Act of 1990 established caps to control discretionary spending and a pay-as-you-go requirement to control legislative changes to mandatory programs and revenues. It did not, however, control the growth of mandatory spending resulting from economic and technical factors. In August 1993, the President established procedures to control this growth in mandatory spending by issuing Executive Order 12857. The Order set targets on the level of mandatory spending, excluding deposit insurance and net interest, for 1994 through 1997. The Order also specified actions to be taken if the targets had been exceeded. These actions could have included specific revenue or direct spending changes or reductions in the discretionary caps. If the targets were exceeded, the savings to remove the excess in the prior, current, and/or budget years were required over a six-year period covering the current year through four years beyond the budget year. The President also had the option of recommending breaching the targets because of economic conditions or other specific reasons. This chapter presents the final annual review of direct spending and receipts. The Administration is proposing to control both discretionary and mandatory spending through a joint budget resolution (see Chapter 13, "Preview Report" in this volume).

OMB issued an initial report to the Congress in September 1993 setting the mandatory targets for 1994 through 1997. The initial targets were based on the economic and technical assumptions used in preparing the congressional budget resolution for 1994. They were consistent with the policies in the resolution as adjusted by final Congressional action on the Omnibus Budget Reconciliation Act of 1993 (OBRA 1993). The targets were revised in the 1995, 1996, and 1997 Budgets. Under the Order, no further adjustments are required.

Comparison of Mandatory Targets and Outlays under Current Law

Table 14–1 shows the major changes from the 1997 Budget in estimated outlays for mandatory programs in existing law that are covered by the target. Over the two year period, current law estimates have declined by $37.8 billion. Most of this difference is the result of reestimates for Medicaid, Medicare and credit liquidating accounts. In addition, outlays decreased for a redefinition of the budgetary component of the Universal Service Fund and changed for timing shifts in spectrum auction receipts. Table 14–2 shows the beneficiary assumptions of major benefit programs.

As Table 14–1 shows, estimates of spending for programs covered by the targets were $46.7 below in 1996 and are projected to be $63.3 billion below the target in 1997. Since current law spending is projected to be below the targets, a special message to reduce direct spending is not required.

Table 14–1. MANDATORY TARGETS AND SUMMARY OF CHANGES TO CURRENT LAW OUTLAYS

(In billions of dollars)

	1996	1997	1996–97
Mandatory targets as of March 1996	840.0	908.5	
Changes to outlays under current laws			
Outlays under current laws as of March 1996	808.6	867.7	
Changes since March 1996:			
Medicaid	–2.9	–3.8	–6.7
Universal service fund	–3.3	–3.3	–6.6
Credit liquidating accounts	–4.1	–2.3	–6.3
Medicare	–3.4	–1.6	–5.0
Spectrum auctions	3.9	–6.4	–2.5
Other	–5.5	–5.2	–10.7
Total adjustments	–15.3	–22.5	–37.8
Outlays under current laws as of February 1997	793.3	845.2	
Amount over (+) or under (–) the current target	–46.7	–63.3	–110.0
Memorandum:			
Initial mandatory targets (Executive Order 12857)	823.7	887.7	

Table 14–2. BENEFICIARIES ESTIMATES FOR MAJOR BENEFIT PROGRAMS

(Annual average, in thousands)

	1996	1997	1998	1999	2000	2001	2002
Family education loans	3,221	3,080	2,928	2,681	2,610	2,710	2,812
Direct education loans	1,731	2,194	2,644	3,140	3,447	3,574	3,702
Foster care and adoption assistance	390	417	445	475	508	540	572
Medicaid [1]	34,152	34,495	34,996	35,547	36,100	36,633	37,207
Medicare:							
Hospital insurance	37,675	38,117	38,561	39,025	39,523	40,022	40,531
Supplementary medical insurance	35,978	36,481	36,906	37,327	37,751	38,181	38,601
Railroad retirement	775	754	731	708	685	663	641
Federal civil service retirement	2,322	2,350	2,380	2,407	2,429	2,446	2,468
Military retirement	1,836	1,864	1,891	1,916	1,934	1,949	1,961
Unemployment insurance	8,270	8,350	8,820	9,300	9,430	9,510	9,510
Food stamps	25,633	24,303	23,377	23,511	23,526	23,525	23,527
Child nutrition	28,199	28,646	29,059	29,484	29,902	30,808	30,700
Supplemental security income (SSI):							
Aged	1,318	1,263	1,019	994	972	952	934
Blind/Disabled	5,000	5,004	4,807	4,846	4,916	4,968	5,022
Subtotal, SSI	6,318	6,267	5,826	5,840	5,888	5,920	5,956
Temporary assistance for needy families [2]	4,389	*	*	*	*	*	*
Child Care Entitlement to States	NA	393	407	409	436	462	477
Earned income tax credit	14,528	14,777	15,012	15,299	15,483	15,692	15,898
Social Security (OASDI):							
Old age and survivors insurance	37,504	37,821	38,129	38,435	38,766	39,128	39,527
Disability insurance	5,910	6,160	6,432	6,714	6,994	7,270	7,541
Veterans compensation	2,549	2,571	2,589	2,606	2,619	2,632	2,645
Veterans pensions	765	738	714	694	677	663	650

NA = Not Applicable.
[1] Average number of enrolles during the year.
[2] TANF replaced AFDC with a block grant giving States broad flexibility to design and run welfare programs. HHS has little information on which to base future estimates of beneficiaries. The 1996 figure represents the AFDC caseload at the end of 1996.

Growth in Mandatory Programs

Table 14–3 shows outlays for mandatory and related programs for the years 1996 through 2002. Under current law, spending on mandatory programs including net interest is projected to be $1,140.0 billion in 1998, $59.3 billion more than the 1997 estimate of $1,080.7 billion. By 2002, spending for mandatory programs including net interest is projected to reach $1,384.9 billion.

Spending on programs covered by the mandatory targets is projected to grow from $845.2 billion in 1997 to $1,139.2 billion in 2002, an annual average rate of 6.2 percent. In percentage terms, the areas of largest growth are the health entitlements. More than half of the growth is in Medicaid and Medicare. For additional information on the trends in mandatory spending, see Chapter 16 "Current Services Estimates" in this volume.

Table 14–3. OUTLAYS FOR MANDATORY AND RELATED PROGRAMS UNDER CURRENT LAW

(In billions of dollars)

	1996 actual	Estimate						Total 1997–2002
		1997	1998	1999	2000	2001	2002	
Human resources programs:								
Education, training, employment, and social services:								
Family education loans	3.0	0.3	2.4	2.2	2.1	2.2	2.3	11.5
Direct loans	0.6	0.4	1.1	1.4	1.3	1.2	1.3	6.7
Social services.	8.7	9.4	9.5	9.9	10.3	10.6	11.1	60.9
Other	1.6	0.4	–0.3	–0.5	–0.5	–0.5	–0.5	–2.0
Subtotal, education, training, employment, and social services	13.9	10.5	12.7	13.0	13.3	13.5	14.1	77.1
Health:								
Medicaid	92.0	98.5	104.5	111.2	119.6	129.1	139.2	702.0
FEHB and other	4.8	5.0	5.1	5.1	5.2	5.5	5.9	31.9
Subtotal, health	96.8	103.5	109.6	116.3	124.8	134.6	145.1	734.0
Medicare:								
Hospital insurance	126.5	136.3	147.5	159.5	172.0	185.6	199.6	1000.5
Supplementary medical insurance	67.2	74.9	82.5	91.1	100.0	109.7	120.6	578.9
Medicare premiums and collections	–22.4	–19.7	–21.3	–22.4	–23.3	–24.2	–25.2	–136.1
Subtotal, medicare	171.3	191.6	208.6	228.2	248.8	271.1	295.1	1,443.3

Table 14–3. OUTLAYS FOR MANDATORY AND RELATED PROGRAMS UNDER CURRENT LAW—Continued

(In billions of dollars)

	1996 actual	Estimate 1997	1998	1999	2000	2001	2002	Total 1997–2002
Income security:								
General retirement and disability:								
Railroad retirement	4.4	4.2	4.2	4.2	4.4	4.5	4.5	26.1
Other	0.5	....	....	–0.1	0.1	0.1	....	0.2
Subtotal, general retirement and disability	4.8	4.2	4.2	4.2	4.5	4.7	4.5	26.3
Federal employee retirement and disability:								
Civilian employees retirement	40.1	41.9	43.9	46.0	48.0	50.0	52.3	282.1
Military retirement	28.8	30.1	31.3	32.4	33.5	34.5	35.5	197.3
Other	–1.0	–0.9	–1.1	–0.9	–0.8	–0.8	–0.7	–5.4
Subtotal, Federal employees retirement and disability	68.0	71.1	74.1	77.4	80.6	83.7	87.1	474.0
Unemployment compensation	22.6	22.8	24.7	26.1	27.4	28.5	29.6	159.0
Food and nutrition assistance:								
Food stamps (incl. Puerto Rico)	25.4	24.5	25.0	26.1	27.0	27.9	28.8	159.4
State child nutrition programs	7.9	8.3	8.5	8.9	9.3	9.8	10.3	54.9
Other	0.4	0.5	0.4	0.4	0.4	0.4	0.4	2.6
Subtotal, food and nutrition assistance	33.7	33.2	33.9	35.4	36.7	38.1	39.5	216.9
Other income security:								
Supplemental security income	24.1	26.6	25.5	26.8	29.7	26.5	29.7	164.7
AFDC and temporary assistance for needy families	16.7	18.8	19.7	20.2	20.1	20.1	20.1	119.0
Earned income tax credit	19.2	21.2	22.0	22.9	23.8	24.6	25.5	140.0
Other	–1.1	–0.4	–0.3	–0.4	–0.4	–0.3	–0.4	–2.3
Subtotal, other income security	58.9	66.1	66.8	69.5	73.2	70.9	75.0	421.5
Subtotal, income security	188.0	197.4	203.8	212.6	222.5	225.9	235.6	1,297.7
Social Security	347.1	364.2	380.9	398.6	417.7	438.0	459.7	2459.2
Veterans' benefits and services:								
Compensation [1]	14.2	16.2	16.7	17.3	19.1	17.0	18.8	105.1
Pensions	2.8	3.1	3.2	3.7	4.0	3.5	3.9	21.4
Other	1.8	1.3	2.1	2.6	2.5	2.5	2.5	13.5
Subtotal, veterans benefits and services	18.8	20.6	22.0	23.6	25.6	23.0	25.2	140.0
Subtotal, human resources programs	835.8	887.8	937.7	992.3	1,052.6	1,106.1	1,174.8	6,151.3
Other programs included in the entitlement target:								
Commodity Credit Corporation	4.6	7.8	9.9	9.5	9.0	7.8	7.6	51.6
Undistributed offsetting receipts:								
Employer share, employee retirement	–33.5	–34.4	–35.3	–36.4	–38.1	–39.7	–41.7	–225.5
Rents and royalties on the Outer Continental Shelf	–3.7	–4.2	–4.4	–4.0	–3.9	–4.0	–4.3	–24.8
Spectrum auction	–0.3	–8.0	–9.4	–1.3	–0.3	–0.1	....	–19.0
Other undistributed offsetting receipts	....	....	–4.3	....	....	....	....	–4.3
Subtotal, undistributed offsetting receipts	–37.6	–46.5	–53.3	–41.7	–42.2	–43.8	–46.0	–273.6
Other functions	–9.6	–3.9	–0.4	–1.2	3.7	2.6	2.8	3.7
Subtotal, other programs included in the entitlement target	–42.5	–42.6	–43.8	–33.5	–29.5	–33.4	–35.6	–218.3
Subtotal, mandatory programs included in the entitlement target	793.3	845.2	894.0	958.9	1,023.1	1,072.7	1,139.2	5,933.0
Deposit insurance	–8.4	–12.1	–3.9	–1.9	–1.3	–1.6	–1.5	–22.2
Net interest:								
Interest on the public debt	344.0	356.7	365.2	370.9	371.9	374.1	375.9	2,214.7
Interest received on trust funds	–97.4	–104.0	–108.1	–111.8	–114.4	–116.8	–120.1	–675.0
Other interest	–5.5	–5.2	–7.2	–6.6	–7.3	–8.0	–8.7	–43.0
Subtotal net interest	241.1	247.6	249.9	252.4	250.2	249.4	247.2	1,496.7
Total, outlays for mandatory and related programs	1,026.0	1,080.7	1,140.0	1,209.4	1,272.0	1,320.5	1,384.9	7,407.5

[1] 13 benefit payments are outlayed in 2000. Only 11 benefit payments are outlayed in 1996.

Growth in Receipts

Baseline receipts are projected to be $1,573.8 billion in 1998, $70.0 billion more than the 1997 estimate. By 2002, baseline receipts are projected to reach $1,901.6 billion. For additional information on the trends in baseline receipts, see Chapter 16 "Current Service Estimates" in this volume.

The Order requires a comparison between the current level of receipts and the levels projected as of the date of enactment of OBRA 93 (September 1993 Midsession). As shown in Table 14–4, receipts are higher than the September 1993 Midsession estimates in each year, by amounts ranging from $46.2 billion to $61.2 billion. These increases are the net effect of legislative, administrative and regulatory changes; revisions in economic assumptions; and technical estimating revisions. Revised economic assumptions have increased receipts in each year, by amounts ranging from $29.0 billion to $38.0 billion. These economic changes are primarily the effect of higher wages and sales and corporate profits, partially offset by the effects of lower interest rates. Technical revisions, primarily reflecting collection experience, updated tabulations from tax returns, and revisions in historical economic data, have increased receipts in each year. Regulatory and legislative changes since September 1993 have also increased receipts in each year.

Table 14–4. COMPARISON OF 1994 MIDSESSION (CBO UPDATED) AND 1997 BUDGET BASELINE RECEIPTS

(In billions of dollars)

	1996	1997	1998
1994 Midsession baseline estimate	1,402.9	1,457.6	1,512.6
Revised economic assumptions:			
Individual income taxes	10.2	9.2	17.0
Corporation income taxes	19.9	17.4	18.4
Social insurance taxes and contributions	–0.6	3.6	4.9
Excise taxes	1.0	1.1	1.2
Estate and gift taxes	0.2	0.2	0.2
Customs duties	–0.1	0.3	0.7
Federal Reserve deposit of earnings	0.2	–2.8	–4.3
Other miscellaneous receipts	....	....	....
Subtotal, economic assumptions	30.7	29.0	38.0
Technical revisions:			
Individual income taxes	11.1	6.8	6.9
Corporation income taxes	19.3	22.6	30.2
Social insurance taxes and contributions	–7.7	–7.8	–11.6
Excise taxes	–3.4	–6.4	–6.5
Estate and gift taxes	2.2	1.6	1.8
Customs duties	–2.0	–2.7	–2.4
Federal Reserve deposit of earnings	2.0	6.9	7.4
Other miscellaneous receipts	–3.7	–3.8	–3.6
Subtotal technical revisions	17.6	17.2	22.2
Enacted legislation and Administration action	1.9	0.1	1.0
Total changes	50.2	46.2	61.2
1998 Budget baseline estimate	1,453.1	1,503.8	1,573.8

15. DEFICIT REDUCTION FUND

On August 4, 1993, the President issued Executive Order 12858 to guarantee that the net deficit reduction achieved by the Omnibus Budget Reconciliation Act (OBRA) of 1993 is dedicated exclusively to reducing the deficit. The order established the Deficit Reduction Fund and requires that amounts equal to the spending reductions and revenue increases resulting from OBRA be credited to the Fund. The order also requires that information about the fund, including statements of the amounts in and Federal debt redeemed by the fund, be included in the President's budget. Table 15–1 presents the amounts that will be credited to the fund, based on the final scoring of OBRA by OMB:

Table 15–1. REVENUE INCREASES AND SPENDING REDUCTIONS CREDITED TO THE DEFICIT REDUCTION FUND

(In millons of dollars)

Fiscal Year	Annual amount	Cumulative amount
1994	46,752	46,752
1995	82,713	129,465
1996	100,554	230,019
1997	128,898	358,917
1998	145,846	504,763

Each year, amounts are credited to the fund on a daily basis equal to the net deficit reduction achieved by OBRA. The order requires that the fund balances be used exclusively to redeem maturing debt obligations of the Treasury held by foreign governments. On October 1, 1993, amounts began to be credited to the fund. Since then, the deposits made have been used for the stated debt redemption purposes.

The status of the fund on December 31, 1996, was:

Table 15–2. STATUS OF THE DEFICIT REDUCTION FUND

(In millions of dollars)

Description	Amount
Deposits made between October 1, 1993, and December 31, 1996	261,986
Redemptions of Treasury debt held by foreign governments between October 1, 1993, and December 31, 1996	260,439
Fund balance as of December 31, 1996	1,547

CURRENT SERVICES ESTIMATES

16. CURRENT SERVICES ESTIMATES

The current services baseline is designed to show what receipts, outlays, deficits, and budget authority would be if no changes are made to laws already enacted. The baseline is not a prediction of the final outcome of the annual budget process, nor is it a proposed budget. Instead it is largely a mechanical application of estimating models to existing laws. By itself, the current services baseline commits no one to any particular policy, and it does not constrain the choices available. The commitments or constraints reflected in the current services estimates are inherent in the tax and spending policies contained in current law.

The current services baseline can be useful for several reasons: It warns of future problems, either for Government fiscal policy as a whole or for individual tax and spending programs. It provides a starting point for formulating the annual budget. It is a "policy-neutral" benchmark against which the President's budget and other budget proposals can be compared to see the magnitude of the proposed changes. Under the Budget Enforcement Act (BEA), it is the basis for determining the amount that would be sequestered from each mandatory account and the level of funding that would be available after sequestration. The following table shows current services estimates of receipts, outlays, and deficits for 1996 through 2002. They are based on the economic assumptions described later in this chapter. The estimates are shown on a unified budget basis. The off-budget receipts and outlays of the Social Security trust funds and the Postal Service Fund are added to the on-budget receipts and outlays to calculate the unified budget totals. The table also shows the current services estimates by major component. These estimates assume that discretionary funding is held constant in real terms at the 1997 enacted level.

Conceptual Basis for Estimates

Receipts and outlays are divided into two categories that are important for calculating the current services estimates: those controlled by authorizing legislation (direct spending and receipts) and those controlled through the annual appropriations process (discretionary spending). Different estimating rules apply to each category.

Direct spending and receipts.—Direct spending includes the major entitlement programs, such as social security, medicare, medicaid, Federal employee retirement, unemployment compensation, food stamps and other means-tested entitlements. It also includes such programs as deposit insurance and farm price and income supports, where the Government is legally obligated to make payments under certain conditions. Receipts and direct spending are alike in that they involve ongoing activities that generally operate under permanent authority (they do not require annual authorization), and the underlying statutes generally specify the

Table 16–1. CURRENT SERVICES ESTIMATES, 1996–2002

(In billions of dollars)

	1996	1997	1998	1999	2000	2001	2002
Receipts	1,453.1	1,503.8	1,573.8	1,644.7	1,731.0	1,813.8	1,901.6
Outlays:							
Discretionary:							
Defense	266.0	268.7	265.4	276.7	282.2	290.5	297.1
Nondefense	268.4	282.0	288.0	298.7	304.4	311.3	320.3
Subtotal, discretionary	534.4	550.7	553.4	575.4	586.6	601.8	617.4
Mandatory:							
Social security	347.1	364.2	380.9	398.6	417.7	438.0	459.7
Medicare	171.3	191.6	208.6	228.2	248.8	271.1	295.1
Medicaid	92.0	98.5	104.5	111.2	119.6	129.1	139.2
All other	174.6	178.9	196.0	218.9	235.7	233.0	243.8
Subtotal, mandatory	784.9	833.2	890.0	957.0	1,021.8	1,071.2	1,137.7
Net interest	241.1	247.6	249.9	252.4	250.2	249.4	247.2
Total, outlays	1,560.3	1,631.5	1,693.4	1,784.8	1,858.6	1,922.3	2,002.3
Deficit (–)	–107.3	–127.7	–119.5	–140.1	–127.6	–108.5	–100.8
On-budget	–174.3	–201.6	–195.7	–227.0	–223.2	–210.9	–209.4
Off-budget	67.0	73.9	76.2	86.9	95.7	102.4	108.7
MEMORANDUM							
With discretionary spending at BEA caps:							
Discretionary	534.4	550.7	548.2	563.0	578.2	593.8	609.8
Deficit (–)	–107.3	–127.7	–114.2	–127.1	–118.2	–99.1	–91.4

level of receipts or benefits that must be collected or paid, and who must pay or who is eligible to receive benefits. The current services baseline assumes that receipts and direct spending programs continue in the future as specified by current law. In most cases, that is what will occur without enactment of new legislation.

Provisions of law providing spending authority and the authority to collect taxes or other receipts that expire under current law are usually assumed to expire as scheduled. However, the current services baseline assumes extension of two types of authority that, in fact, normally are extended in some form by Congress. First, expiring provisions affecting excise taxes dedicated to a trust fund, such as highway gasoline taxes, are assumed to be extended at current rates. The excise taxes deposited in the Airport and Airway Trust Fund that expired on December 31, 1996 have not yet been renewed. Because these taxes have already expired, they are not renewed in the current services estimates. Second, direct spending programs that will expire under current law are assumed to be extended if their 1997 outlays exceed $50 million. The budgetary impact of anticipated regulations and administrative actions that are permissible under current law are also reflected in the estimates.

Discretionary spending.—Discretionary programs differ in one important aspect from direct spending programs—Congress usually provides spending authority for discretionary programs one year at a time. The spending authority is normally provided in the form of annual appropriations. Absent appropriations of additional funds in the future, discretionary programs would cease to exist after existing balances were spent. For this reason, the definition of current services for discretionary programs is somewhat arbitrary.

The definition used here is that, for 1997, the current services estimates for discretionary programs are equal to the enacted 1997 appropriations. For 1998 through 2002, funding is equal to the 1997 level adjusted for inflation. Other assumptions about discretionary funding are plausible. For example, aggregate discretionary funding could be set equal to the discretionary cap level established in the BEA for 1998 with adjustment for inflation thereafter. The memorandum to Table 16–1 provides an alternative set of estimates that reflect this assumption. A detailed discussion of the discretionary caps is contained in the Preview Report (chapter 13 of this volume).

Economic Assumptions

The current services estimates are based on the same economic assumptions as the President's budget. These assumptions assume that the President's budget proposals will be adopted. The economy and the budget interact. Economic conditions significantly alter the estimates of tax receipts, unemployment benefits, entitlement payments that are automatically adjusted for changes in cost-of-living (COLAs), income support programs for low-income individuals, and interest on the Federal debt. In turn, Government tax and spending policies influence prices, economic growth, consumption, savings, and investment. Because of these interactions, it would be reasonable, from an economic perspective, to assume different economic paths for the current services baseline and the President's budget. However, this would diminish the value of current services estimates as a benchmark for measuring proposed policy changes, because it would then be difficult to separate the effects of proposed policy changes from the effects of different economic assumptions. By using the same economic assumptions for current services and the President's budget, this potential source of confusion is eliminated. The economic assumptions underlying both the budget and the current service estimates are summarized in the Table 16–2. The economic outlook underlying these assumptions is discussed in greater detail in Chapter 1 of this volume.

Major Programmatic Assumptions

A number of programmatic assumptions must be made in order to calculate the baseline estimates. These include assumptions about the number of beneficiaries who will receive payments from the major benefit programs and annual cost-of-living adjustments in the indexed programs. Assumptions on baseline caseload projections for the major benefit programs are shown in Chapter 14, Review of Direct Spending and Receipts. Assumptions about various automatic cost-of-living-adjustments are shown in Table 16–2.

Many other important assumptions must be made in order to calculate the baseline estimates. These include assumptions about the timing and substance of regulations that will be issued over the projection period, which programs that expire under current law are extended and which are allowed to expire, the use of administrative discretion provided under current law, and other assumptions about the way programs operate.

Table 16–3 lists many of these assumptions and their impact on the baseline estimates. It is not intended to be an exhaustive listing; the variety and complexity of Government programs are too great to provide a complete list. Instead, some of the more important assumptions are shown.

Table 16–2. SUMMARY OF ECONOMIC ASSUMPTIONS

(Fiscal years; dollar amounts in billions)

	1996	1997	1998	1999	2000	2001	2002
Gross Domestic Product (GDP):							
Levels, dollar amounts in billions:							
Current dollars	7,485	7,854	8,219	8,612	9,043	9,494	9,965
Constant (1992) dollars	6,854	7,021	7,161	7,313	7,482	7,655	7,832
Percent change, year over year:							
Current dollars	4.1	4.9	4.6	4.8	5.0	5.0	5.0
Constant (1992) dollars	2.0	2.4	2.0	2.1	2.3	2.3	2.3
Inflation measures (percent change, year/year):							
GDP deflator	2.2	2.5	2.6	2.6	2.6	2.6	2.6
Consumer price index (all urban)	2.8	2.8	2.6	2.7	2.7	2.7	2.7
Unemployment rate, civilian (percent)	5.5	5.3	5.5	5.6	5.5	5.5	5.5
Interest rates (percent):							
91-day Treasury bills	5.1	5.0	4.8	4.5	4.3	4.1	4.0
10-year Treasury notes	6.3	6.2	6.0	5.6	5.3	5.2	5.1
MEMORANDUM							
Related programmatic assumptions:							
Automatic benefit increases (percent):							
Social security and veterans pensions	2.6	2.9	2.7	2.7	2.7	2.7	2.7
Federal employee retirement	2.6	2.9	2.7	2.7	2.7	2.7	2.7
Food stamps	2.9	3.7	3.7	2.6	2.7	2.7	2.7
Insured unemployment rate	2.3	2.3	2.3	2.4	2.4	2.3	2.3

Table 16–3. OUTLAY IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE

(In millions of dollars)

	1997	1998	1999	2000	2001	2002
REGULATIONS [1]						
Child nutrition: Family day care home income test and rate changes	–81	–332	–377	–428	–477	–529
Disability insurance (DI):						
Improve accuracy and processing	18	23	27	29	31	33
Drug addiction and alcoholism:						
Monitoring	20	....	....	....	....	....
Effect of terminations	–161	–234	–272	–312	–347	–379
Old age and survivors insurance (OASI) and DI:						
Payment cycling	–5	–45	–110	–185	–260	–350
Increase in collected overpayments	–2	–5	–10	–15	–18	–20
Revised reporting requirements	....	....	15	20	20	20
Medicare, HI: OBRA 1993 Codifying Regulations	–8,360	–9,150	–10,015	....	....	....
Medicare, SMI: OBRA 1993 Codifying Regulations	–4,405	–5,435	–6,705	....	....	....
Medicaid:						
OBRA 1993 Codifying Regulations	–2,504	–2,801	–3,338	....	....	....
1997 DSH allotments	11,616	....	....	....	....	....
SSI eligibility redetermination extension	....	50	....	....	....	....
SSI childhood disability standard to implement welfare reform (Medicaid effect)	–10	–85	–110	–125	–125	–135
Supplemental security income (SSI):						
Improve accuracy and processing	5	8	9	11	13	14
Drug addiction and alcoholism:						
Monitoring	59	....	....	....	....	....
Effect of terminations	–148	–242	–291	–367	–347	–410
Revised childhood disability eligibility standard to implement welfare reform	–120	–715	–945	–1075	–905	–1,010
EXPIRING AUTHORIZATIONS						
Provisions extended in the baseline (effect of extension):						
Contingency fund for state welfare programs	....	....	....	....	....	145
Family education loans	....	....	2,242	2,181	2,249	2,371
Family preservation program	....	....	255	255	255	255
Rehabilitation services programs	....	1,961	2,498	2,666	2,736	2,810
Selected child nutrition authorizations	....	....	414	445	478	515
Trade adjustment assistance	....	....	255	319	341	343
Provisions not extended in the baseline (effect of extension):						
Child nutrition:						
Border baby demonstration project	....	....	*	*	*	*

Table 16–3. OUTLAY IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(In millions of dollars)

	1997	1998	1999	2000	2001	2002
Categorical eligibility for Even Start participants	–1	–1	–1	–1	–1	–1
Medicare, HI:						
HHA cost limits	–150	–270	–310	–340	–380	–420
Hospital capital payments	–1,640	–1,890	–2,000	–2,120	–2,140	–2,020
SNF cost limits	–170	–330	–380	–420	–460	–500
Medicare, SMI:						
25% part B premium	....	....	–1,040	–2,500	–4,130	–5,940
Payment reduction for outpatient hospital services	....	....	–520	–580	–630	–690
Medicare, HI and SMI:						
IRS/SSA/HCFA data match	....	....	–140	–320	–520	–770
MSP for the disabled	....	....	–1,070	–1,330	–1,480	–1,640
MSP requirements for ESRD	....	....	–25	–40	–45	–55
Medicaid:						
Impact of Medicare expiring authorizations	....	....	90	215	355	510
VA pensions/nursing home provision	....	....	300	300	300	300
Transition benefits	....	....	....	....	....	600
NAFTA transitional trade adjustment assistance	....	....	26	43	48	50
Temporary assistance for needy families: Supplemental grant for population increases in certain states	....	....	....	....	....	260
Veterans pensions:						
Authority to limit benefits to Medicaid-eligible beneficiaries in nursing homes (gross savings)	....	....	–506	–516	–529	–541
Authority to verify income of beneficiaries with the IRS and SSA	....	....	–10	–23	–36	–51
Veterans housing: Authority to collect higher loan fees and reduce resale losses	....	....	–204	–198	–197	–192
OTHER IMPORTANT PROGRAM ASSUMPTIONS						
Child nutrition: [4]						
National school lunch program—liabilities resulting from coordinated review effort	–1	–1	–1	–1	–1	–1
Child support enforcement: [2, 5]						
Increased Federal costs due to waivers in effect prior to Temporary Assistance to Needy Families (TANF) implementation and new cost neutrality requirements	....	14	13	12	6	3
Effect of matches above the normal program rates	70	29	23	29	7	....
Effects of block granting AFDC on the Federal share of child support collections	....	29	63	142	200	224
Family support payments to States:						
AFDC emergency assistance	335	206	64	14	6	....
AFDC quality control recoveries	....	–15	–25	–51	–54	–54
Food stamps: [2, 3, 4]						
Tax offset, recoupment, and general claims collection	–35	–85	–85	–90	–90	–85
Food donations program on indian reservations	75	77	78	80	81	83
Quality control liabilities	–62	–61	–62	–63	–63	–63
Work requirement for 18–50's including effects of waiver guidance and the definition of disability	–445	–695	–595	–480	–370	–285
State incentive payments	19	19	20	22	24	27
Foster care: [6]						
Enhanced automation match costs	70	45	....	....	....	....
Disallowances, deferrals and disputes	–81	–81	–81	–81	–81	–81
Medicare: Medicare Integrity Program (MIP)	–5,250	–5,750	–6,250	–6,800	–7,000	–7,050
Medicaid: [2, 3]						
Home and Community Care for the Frail Elderly (Section 1929)	60	70	80	90	100	110
Financial management recoveries	–409	–451	–495	–544	–598	–657
Vaccines for Children, total program costs	523	365	509	568	607	583
Personal Responsibility and Work Opportunity Reconciliation Act of 1996	65	–280	–75	–535	–800	–1,650
Health Insurance Portability and Accountability Act of 1996	90	90	70	....	....	....
Contract with America Advancement Act of 1995—SSI Eligibility Changes	–94	–129	–167	–243	–327	–405
Alternative Payment for High DSH States	200	....	....	....	....	....
48 Hour Maternity Stay	....	10	15	20	20	20
Repeal of Annual Resident Review Requirements in PASARR	....	–11	–11	–11	–12	–12
HHS Inspector General: Audit and Investigative Recoveries	–490	–560	–630	–770	–840	–980
Approved Demonstrations:						
Medicare, HI:						
Home Health Prospective Payment:						
Costs	598	298	....	....	....	....
Replacement Benefits	598	298	....	....	....	....

Table 16–3. OUTLAY IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(In millions of dollars)

	1997	1998	1999	2000	2001	2002
Montana Rural Health (MAF):						
Costs	1	1	2	....	....	....
Replacement Benefits	1	1	2	....	....	....
Ventilator dependent units:						
Costs	2	....	....	....	....	....
Replacement Benefits	1	....	....	....	....	....
Nursing Home Case Mix and Quality:						
Costs	754	816	....	....	....	....
Replacement Benefits	754	816	....	....	....	....
Medicare, SMI:						
Telemedicine:						
Costs	2	2	2	....	....	....
Replacement Benefits	1	1	1	....	....	....
Municipal Health:						
Costs	79	20	....	....	....	....
Replacement Benefits	37	9	....	....	....	....
United Mine Workers capitation:						
Costs	157	169	181	193	155	....
Replacement Benefits	157	169	181	193	155	....
Medicare, HI and SMI:						
Choices:						
Costs	200	214	229	245	262	....
Replacement Benefits	200	214	229	245	262	....
Community Nursing Organization (CNO):						
Costs	8	2	....	....	....	....
Replacement Benefits	8	2	....	....	....	....
Coronary Artery Bypass Graft (CABG):						
Costs	54	....	....	....	....	....
Replacement Benefits	54	....	....	....	....	....
Evercare:						
Costs	46	66	67	70	....	....
Replacement Benefits	46	66	67	70	....	....
Monroe County (NY) LTC:						
Costs	1	2	2	....	....	....
Replacement Benefits	1	2	2	....	....	....
Health Care Anti-Fraud Demonstration (Operation Restore Trust):						
Costs	2	....	....	....	....	....
Replacement Benefits	2	....	....	....	....	....
Medicaid:						
Alabama:						
Costs	36	65	68	72	75	33
Replacement Benefits	36	65	68	72	75	33
Arizona AHCCS:						
Costs	1169	1282	1347	1471	....	....
Replacement Benefits	1,169	1,282	1,347	1,471	....	....
Delaware Statewide:						
Costs	88	92	98	105	28	....
Replacement Benefits	88	92	98	105	28	....
D.C. Special Needs Children:						
Costs	26	30	....	....	....	....
Replacement Benefits	26	30	....	....	....	....
Drug Utilization Review Demo:						
Costs	*	....	....	....	....	....
Replacement Benefits	*	....	....	....	....	....
Florida Health Security (amended version):						
Costs	5,225	5,851	6,535	7,189	1,977	....
Replacement Benefits	5,225	5,851	6,535	7,189	1,977	....
Hawaii Health QUEST:						
Costs	194	213	168	....	....	....
Replacement Benefits	194	213	168	....	....	....
Illinois:						
Costs	1,645	1,920	2,328	2,613	2,775	....
Replacement Benefits	1,645	1,920	2,328	2,613	2,775	....
Kentucky (amended version):						
Costs	432	1,767	1,926	2,101	2,290	....
Replacement Benefits	432	1,767	1,926	2,101	2,290	....
LA County:						
Costs	979	1,043	1,115	1,193	....	....

Table 16–3. OUTLAY IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(In millions of dollars)

	1997	1998	1999	2000	2001	2002
Replacement Benefits	979	1,043	1,115	1,193	....	....
Maryland Family Planning:						
Costs	5	9	14	20	25	....
Replacement Benefits	5	9	14	20	25	....
Maryland Pediatric Care:						
Costs	3	2	....	....	....	
Replacement Benefits	3	2	....	....	....	
Maryland:						
Costs	600	819	881	948	1,021	270
Replacement Benefits	600	819	881	948	1,021	270
Massachusetts Statewide:						
Costs	722	1,592	1,694	1,803	1,017	....
Replacement Benefits	722	1,592	1,694	1,803	1,017	....
Minnesota Statewide:						
Costs	938	1,054	1,187	1,338	1,510	....
Replacement Benefits	938	1,054	1,187	1,338	1,510	....
New Hope:						
Costs	*	*	*	....	....	....
Replacement Benefits	*	*	*	....	....	....
Oklahoma Statewide:						
Costs	670	726	786	841	216	....
Replacement Benefits	670	726	786	841	216	....
OhioCare:						
Costs	1,673	1,790	1,971	2,123	1,686	....
Replacement Benefits	1,673	1,790	1,971	2,123	1,686	....
Oregon Health Plan:						
Costs	322	394	143	....	....	....
Replacement Benefits	322	394	143	....	....	....
Pregnant Substance Abusers:						
Costs	*	....	....	....	....	....
Replacement Benefits	*	....	....	....	....	....
Preconceptual Intervention:						
Costs	1	1	....	....	....	....
Replacement Benefits	1	1	....	....	....	....
Rhode Island Rite Care (including costs of amendments):						
Costs	62	65	67	70	....	....
Replacement Benefits	62	65	67	70	....	....
SC Family Planning:						
Costs	9	14	7	....	....	....
Replacement Benefits	9	14	7	....	....	....
TennCare:						
Costs	2,627	2,780	716	....	....	....
Replacement Benefits	2,627	2,780	716	....	....	....
Vermont:						
Costs	116	127	138	151	40	....
Replacement Benefits	116	127	138	151	40	....
Welfare Reform:						
Costs	72	74	76	74	72	70
Replacement Benefits	72	74	76	74	72	70
Medicare and Medicaid:						
PACE—Medicare:						
Costs	63	73	101	120	....	....
Replacement Benefits	63	73	101	120	....	....
PACE—Medicaid:						
Costs	82	97	130	150	....	....
Replacement Benefits	82	97	130	150	....	....
On Lok—Medicare:						
Costs	9	9	10	11	11	12
Replacement Benefits	9	9	10	11	11	12
On Lok—Medicaid:						
Costs	12	13	13	14	14	16
Replacement Benefits	12	13	13	14	14	16
S/HMOs—Medicare:						
Costs	500	588	694	819	....	....
Replacement Benefits	500	588	694	819	....	....
S/HMOs—Medicaid:						
Costs	50	59	70	83	....	....
Replacement Benefits	50	59	70	83	....	....

Table 16–3. OUTLAY IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued

(In millions of dollars)

	1997	1998	1999	2000	2001	2002
S/HMO II—Medicare:						
Costs	1,007	1,178	1,378	1,612	....	....
Replacement Benefits	723	995	1,105	1,213	....	....
S/HMO II—Medicaid:						
Costs	200	235	276	324	....	....
Replacement Benefits	200	235	276	324	....	....
Minnesota Long Term Care Options—Medicare:						
Costs	67	75	96	112	....	....
Replacement Benefits	67	75	96	112	....	....
Minnesota Long Term Care Options—Medicaid:						
Costs	43	57	75	84	....	....
Replacement Benefits	43	57	75	84	....	....
Developmental Demonstrations (waivers not yet approved):						
Medicare, HI: Graduate Medical Education	105	620	1,205	1,301	1,405	1,518
Medicare, HI and SMI:						
Competitive Bidding for Labs	....	....	54	55	56	57
Competitive Bidding for DME	....	10	57	71	77	69
Competitive Pricing for HMOs	1,100	1,262	1,513	2,034	2,240	....
Outlier Pool Demonstration	431	473	130	....	....	....
Medicare insured groups (MIGs)	175	200	200	200	....	....
End Stage Renal Disease Managed Care	47	125	177	170	....	....
Per Case Payment	....	101	107	113	120	127
Group Volume Performance Standards	....	3,527	3,879	4,268	4,695	5,164
Centers of Excellence	300	1,302	1,367	1,435	1,507	....
Medicare and Medicaid:						
Maine NET—Medicare	....	8	30	45	....	....
Maine NET—Medicaid	....	27	70	105	....	....
OASI,DI, SSI:						
Expansion of tax refund offset to debts previously written off (OASI, SSI)	–10	–10	–10	–10	–10	–10
Performance of continuing disability reviews (baseline levels) (DI, SSI)	–60	–175	–300	–415	–510	–630
Collection of overpayments:						
OASI	–968	–1,026	–1,063	–1,136	–1,190	–1,246
DI	–214	–244	–275	–305	–336	–367
SSI	–404	–426	–447	–506	–454	–513
Debts written off as uncollectable (no effect on outlays):						
OASI	73	77	81	85	89	94
DI	121	138	155	173	190	208
SSI	272	309	344	374	406	434
DI:						
Payments to states for vocational rehabilitation	45	56	68	69	71	71
Demonstration projects	2	1	....	....	....	....
Limitation on prisoner's benefits	–4	–8	–11	–12	–13	–13
OASI: limitation on prisoner's benefits	–2	–4	–5	–6	–7	–7
SSI:						
Payments to states for vocational rehabilitation	–45	–46	–47	–48	–48	–48
Payments from states for state supplemental benefits	–3,010	–3,010	–3,010	–3,245	–2,775	–3,010
Payments for state supplemental benefits	3,010	3,010	3,010	3,245	2,775	3,010
Fees for administration	–138	–139	–139	–140	–141	–142

[1] Not shown on the table are medicare and medicaid regulations assumed in the baseline that have not been specifically priced. For medicare HI, these include payments for nurses and allied health education and conditions of participation for rural health clinics. For medicare SMI, these include Part B advance payments to physicians and suppliers, coverage of clinical psychologists and social workers, coverage of screening mammography, coverage of pap smears, payment for clinical laboratory diagnostic tests and reasonable compensation equivalent limits. For medicare and medicaid, these include regulations implementing the Social Security Act Amendments of 1994. For medicaid, these include payments for outpatient drugs under rebate agreements with manufacturers, payment of medicaid cost-sharing for QMBs and SLMBs, protection of income and resources for spouses of institutionalized individuals, targeted care management, federally-qualified health centers and EPSDT services.

[2] Estimates for Food Stamps, Child Support Enforcement, Foster Care and Medicaid include administrative costs that historically have been allocated to those programs. The estimates assume the administrative costs that have been allocated to AFDC in the past will be allocated to its successor programs.

[3] Estimates for Food Stamp, TANF and Medicaid assume States will be held harmless for increased Federal costs due to welfare waivers in effect prior to TANF implementation.

[4] Estimates for Food Stamps and Child Nutrition assume regulatory reform and simplification will not increase federal costs.

[5] Estimates for child support enforcement assume that regulatory revisions to incentives payments required by P.L. 104–193 will not increase outlays above what they would be without such regulatory changes.

[6] Estimates for Foster Care assume State IV–E waivers will not increase federal costs.

Current Services Receipts, Outlays, and Budget Authority

Receipts.—Table 16–4 shows baseline receipts by major source. Total receipts are projected to increase by $70.0 billion from 1997 to 1998 and by $327.7 billion from 1998 to 2002, largely due to assumed increases in incomes resulting from both real economic growth and inflation.

Individual income taxes are estimated to increase by $34.0 billion from 1997 to 1998 under current law. This growth of five percent is primarily the effect of increased collections resulting from rising personal in-

Table 16–4. BASELINE RECEIPTS BY SOURCE

(In billions of dollars)

	1996 actual	Estimates 1997	1998	1999	2000	2001	2002
Individual income taxes	656.4	674.3	708.4	737.7	775.6	818.0	863.9
Corporation income taxes	171.8	176.2	187.0	195.9	207.4	215.3	222.4
Social insurance taxes and contributions	509.4	535.8	557.9	584.1	612.7	640.2	669.7
On-budget	(141.9)	(146.9)	(153.0)	(159.0)	(165.8)	(172.6)	(179.8)
Off-budget	(367.5)	(388.9)	(404.9)	(425.2)	(446.9)	(467.6)	(489.9)
Excise taxes	54.0	54.0	53.3	54.2	54.6	55.7	56.6
Other	61.4	63.5	67.3	72.7	80.8	84.7	89.0
Total	1,453.1	1,503.8	1,573.8	1,644.7	1,731.0	1,813.8	1,901.6
On-budget	(1,085.6)	(1,114.9)	(1,168.9)	(1,219.5)	(1,284.1)	(1,346.2)	(1,411.7)
Off-budget	(367.5)	(388.9)	(404.9)	(425.2)	(446.9)	(467.6)	(489.9)

comes. Individual income taxes are projected to grow at an annual rate of 5.1 percent between 1998 and 2002.

Corporation income taxes under current law are estimated to grow by $10.8 billion or six percent from 1997 to 1998, in large part due to higher corporate profits. Corporation income taxes are projected to increase at an annual rate of 4.4 percent from 1998 to 2002.

Social insurance taxes and contributions are estimated to increase by $22.2 billion between 1997 and 1998, and by an additional $111.7 billion between 1998 and 2002. The estimates reflect assumed increases in total wages and salaries paid, and scheduled increases in the social security taxable earnings base from $65,400 in 1997 to $79,800 in 2002. The estimates also reflect expiration of the temporary unemployment surtax of 0.2 percent imposed on employers, which expires after December 31, 1998.

Excise taxes are estimated to increase by $2.6 billion from 1997 to 2002, in large part due to increased economic activity. These estimates reflect extension of the excise taxes deposited in the Highway Trust Fund, which are scheduled to expire after September 30, 1999. The estimates also reflect expiration of the excise taxes deposited in the Airport and Airway Trust Fund on December 31, 1996. Other baseline receipts (estate and gift taxes, customs duties, and miscellaneous receipts) are projected to increase by $25.5 billion from 1997 to 2002.

Outlays.—Current services outlays are estimated to be $1,631.5 billion in 1997 and $1,693.4 billion in 1998, a four percent increase. Between 1998 and 2002, they are projected to increase at an average annual rate of four percent. Outlays for discretionary programs increase from $550.7 billion in 1997 to $553.4 billion in 1998, largely reflecting increases in resources to keep pace with inflation. Again reflecting increases in resources to keep pace with inflation, outlays continue

Table 16–5. CHANGE IN BASELINE OUTLAY ESTIMATES BY CATEGORY

(Dollar amounts in billions)

	1997	1998	2002	Change 1997 to 1998		Change 1997 to 2002	
				Amount	Percent	Amount	Annual average rate
Discretionary:							
Defense	268.7	265.4	297.1	–3.3	–1%	28.4	2%
Nondefense	282.0	288.0	320.3	5.9	2%	38.2	3%
Subtotal, discretionary	550.7	553.4	617.4	2.7	*%	66.7	2%
Mandatory:							
Deposit insurance	–12.1	–3.9	–1.5	8.1	–67%	10.6	–35%
Medicaid	98.5	104.5	139.2	6.0	6%	40.7	7%
Medicare	191.6	208.6	295.1	17.1	9%	103.5	9%
Federal employee retirement	71.1	74.1	87.1	3.0	4%	16.0	4%
Unemployment compensation	22.8	24.7	29.6	1.9	8%	6.8	5%
Social security	364.2	380.9	459.7	16.7	5%	95.5	5%
Undistributed offsetting receipts	–46.5	–53.3	–46.0	–6.8	15%	0.5	–*%
Other	143.6	154.5	174.6	10.9	8%	31.0	4%
Subtotal, mandatory	833.2	890.0	1,137.7	56.9	7%	304.6	6%
Net interest	247.6	249.9	247.2	2.3	1%	–0.4	–*%
Total, outlays	1,631.5	1,693.4	2,002.3	61.9	4%	370.8	4%

*0.5 or less.

to increase each year thereafter, reaching $617.4 billion in 2002. Entitlement and other mandatory programs grow from $833.2 billion in 1997 to $890.0 billion in 1998, and to $1,137.7 billion in 2002, due in large part to changes in the number of beneficiaries and to automatic cost-of-living adjustments and other adjustments for inflation. Social security outlays grow from $364.2 billion in 1997 to $459.7 billion in 2002, an average annual rate of five percent. Medicare and medicaid are projected to grow at annual average rates of nine and seven percent, respectively, outpacing inflation. Other areas of growth include Federal employee retirement programs (annual average growth rate of four percent) and unemployment compensation (annual average rate of growth of five percent).

Net interest payments to the public remain nearly constant over the projection period, with assumed declining interest rates offsetting increased borrowing by the Government that is estimated to occur over the period. Tables 16–6 and 16–7 show current services outlays by function and by agency, respectively. A more detailed presentation of outlays (by function, subfunction, and program) appears at the end of this chapter.

Table 16–6. CURRENT SERVICES OUTLAYS BY FUNCTION

(in billions of dollars)

Function	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
National defense:							
Department of Defense—Military	253.2	255.0	252.6	263.2	268.6	276.6	282.7
Other	12.6	12.9	12.1	12.8	13.0	13.3	13.9
Total, National defense	265.7	267.9	264.7	276.0	281.6	290.0	296.6
International affairs	13.5	14.8	14.8	15.4	15.9	16.4	17.0
General science, space, and technology	16.7	16.6	17.0	17.0	17.8	18.3	18.8
Energy	2.8	2.1	2.1	1.5	2.5	2.4	1.8
Natural resources and environment	21.6	22.8	22.2	22.7	23.6	24.5	25.1
Agriculture	9.2	10.3	12.5	12.0	11.7	10.8	10.7
Commerce and housing credit	–10.6	–8.8	3.8	5.7	10.2	9.1	10.3
On-Budget	(–10.0)	(–10.8)	(–0.2)	(4.9)	(10.4)	(10.8)	(11.6)
Off-Budget	(–0.6)	(2.0)	(4.1)	(0.8)	(–0.2)	(–1.8)	(–1.3)
Transportation	39.6	39.2	39.3	40.5	41.1	41.9	43.0
Community and regional development	10.7	12.6	11.1	11.5	10.6	10.2	10.3
Education, training, employment, and social services	52.0	51.7	54.9	57.1	58.2	59.5	61.1
Health	119.4	127.6	134.8	142.4	151.4	162.0	173.3
Medicare	174.2	194.3	211.4	231.0	251.7	274.1	298.2
Income security	226.0	238.2	245.2	255.0	265.7	270.3	281.3
Social security	349.7	367.7	384.6	402.4	421.6	441.9	463.8
On-Budget	(5.8)	(6.9)	(7.6)	(8.1)	(8.7)	(8.7)	(9.9)
Off-Budget	(343.9)	(360.8)	(376.9)	(394.3)	(413.0)	(433.2)	(453.9)
Veterans benefits and services	37.0	39.6	41.6	43.8	46.5	44.7	47.6
Administration of justice	17.5	20.8	23.6	26.4	26.0	26.3	27.5
General government	11.9	13.1	13.1	13.5	14.2	14.4	14.8
Net interest	241.1	247.6	249.9	252.4	250.2	249.4	247.2
On-Budget	(277.6)	(288.8)	(295.1)	(301.7)	(303.4)	(306.6)	(308.7)
Off-Budget	(–36.5)	(–41.2)	(–45.2)	(–49.2)	(–53.2)	(–57.3)	(–61.6)
Undistributed offsetting receipts:							
Employer share, employee retirement (on-budget)	–27.3	–27.9	–28.2	–28.8	–29.7	–30.7	–31.9
Employer share, employee retirement (off-budget)	–6.3	–6.5	–7.0	–7.6	–8.4	–8.9	–9.8
Rents and royalties on the Outer Continental Shelf	–3.7	–4.2	–4.4	–4.0	–3.9	–4.0	–4.3
Sale of major assets	....	....	–4.3	....	....	....	....
Other undistributed offsetting receipts	–0.3	–8.0	–9.4	–1.3	–0.3	–0.1	....
Total, Undistributed offsetting receipts	–37.6	–46.5	–53.3	–41.7	–42.2	–43.8	–46.0
On-Budget	(–31.3)	(–40.0)	(–46.3)	(–34.1)	(–33.9)	(–34.9)	(–36.2)
Off-Budget	(–6.3)	(–6.5)	(–7.0)	(–7.6)	(–8.4)	(–8.9)	(–9.8)
Total	**1,560.3**	**1,631.5**	**1,693.4**	**1,784.8**	**1,858.6**	**1,922.3**	**2,002.3**
On-Budget	(1,259.9)	(1,316.5)	(1,364.6)	(1,446.5)	(1,507.3)	(1,557.1)	(1,621.1)
Off-Budget	(300.5)	(315.0)	(328.8)	(338.3)	(351.2)	(365.2)	(381.2)

Table 16–7. CURRENT SERVICES OUTLAYS BY AGENCY

(in billions of dollars)

Agency	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
Legislative Branch	2.3	2.5	2.7	2.7	2.7	2.8	2.9
The Judiciary	3.1	3.6	3.5	3.6	3.7	3.9	4.0
Executive Office Of the President	0.2	0.2	0.2	0.2	0.2	0.2	0.3
Funds Appropriated to the President	9.7	9.7	10.0	10.3	10.6	10.8	11.1
Agriculture	54.3	56.5	58.6	58.4	60.6	61.1	62.8
Commerce	3.7	3.8	3.8	4.0	4.1	4.2	4.3
Defense—Military	253.3	255.0	252.6	263.2	268.6	276.6	282.7
Defense—Civil	32.5	33.9	35.0	36.2	37.4	38.6	39.7
Education	29.7	28.7	31.6	33.1	33.3	33.8	34.7
Energy	16.2	15.4	14.6	15.5	15.7	16.0	15.6
Health and Human Services	319.8	351.0	376.5	404.8	435.0	468.1	503.7
Housing and Urban Development	25.5	29.9	32.9	33.1	33.3	34.0	34.8
Interior	6.7	7.4	7.0	7.2	7.4	7.7	7.9
Justice	12.0	14.5	17.0	19.5	19.0	19.1	20.0
Labor	32.5	32.9	35.1	37.1	39.2	40.6	42.1
State	5.0	5.5	5.4	5.5	5.7	5.9	6.1
Transportation	38.8	38.3	38.6	39.6	40.1	41.0	42.0
Treasury	364.6	380.7	389.5	395.9	397.7	400.3	402.8
Veterans Affairs	36.9	39.6	41.6	43.8	46.4	44.5	47.5
Environmental Protection Agency	6.0	6.3	6.3	6.5	6.8	7.2	7.3
General Services Administration	0.7	1.1	0.9	0.8	0.9	0.9	0.8
National Aeronautics and Space Administration	13.9	13.7	14.0	14.0	14.7	15.1	15.5
Office of Personnel Management	42.9	44.8	46.8	48.9	51.0	53.4	56.0
Small Business Administration	0.9	0.5	0.3	0.4	0.7	0.8	0.9
Social Security Administration	375.2	395.7	411.5	430.6	452.6	469.9	494.9
On-Budget	(31.4)	(35.0)	(34.6)	(36.3)	(39.7)	(36.7)	(41.0)
Off-Budget	(343.9)	(360.8)	(376.9)	(394.3)	(413.0)	(433.2)	(453.9)
Other Independent Agencies	8.9	10.4	19.9	23.3	27.5	26.3	27.8
On-Budget	(9.5)	(8.5)	(15.8)	(22.4)	(27.6)	(28.1)	(29.2)
Off-Budget	(–0.6)	(2.0)	(4.1)	(0.8)	(–0.2)	(–1.8)	(–1.3)
Undistributed Offsetting Receipts	–135.0	–150.5	–162.5	–153.5	–156.6	–160.6	–166.0
On-Budget	(–92.2)	(–102.7)	(–110.3)	(–96.7)	(–95.1)	(–94.4)	(–94.7)
Off-Budget	(–42.8)	(–47.7)	(–52.2)	(–56.9)	(–61.5)	(–66.2)	(–71.3)
Total	**1,560.3**	**1,631.5**	**1,693.4**	**1,784.8**	**1,858.6**	**1,922.3**	**2,002.3**
On-Budget	(1,259.9)	(1,316.5)	(1,364.6)	(1,446.5)	(1,507.3)	(1,557.1)	(1,621.1)
Off-Budget	(300.5)	(315.0)	(328.8)	(338.3)	(351.2)	(365.2)	(381.2)

Budget authority.—Tables 16–8 and 16–9 show current services estimates of budget authority by function and by agency, respectively.

Table 16–8. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION

(in billions of dollars)

Function	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
National defense:							
Department of Defense—Military	254.4	252.8	260.3	268.1	276.3	284.6	293.2
Other	11.6	12.3	12.7	13.0	13.4	13.7	14.1
Total, National defense	266.0	265.1	272.9	281.1	289.7	298.4	307.3
International affairs	16.4	17.4	17.6	17.4	18.2	19.2	20.1
General science, space, and technology	16.7	16.7	17.1	17.6	18.1	18.6	19.1
Energy	2.6	1.0	1.8	1.4	2.7	2.3	2.3
Natural resources and environment	21.6	22.2	22.9	23.4	24.2	25.0	25.7
Agriculture	9.6	11.5	12.2	12.2	12.0	11.0	11.0
Commerce and housing credit	8.3	12.8	8.7	10.0	14.7	17.7	19.2
On-Budget	(4.9)	(4.8)	(3.8)	(8.6)	(13.6)	(15.3)	(15.9)
Off-Budget	(3.4)	(8.0)	(4.9)	(1.4)	(1.2)	(2.4)	(3.3)
Transportation	36.6	43.8	45.1	46.4	47.6	48.9	50.3
Community and regional development	12.5	10.3	9.9	10.3	10.5	10.7	10.8
Education, training, employment, and social services	52.0	54.2	57.1	58.5	60.0	61.7	63.7
Health	109.9	130.1	130.4	142.8	152.2	162.9	174.1
Medicare	179.7	194.1	211.1	231.5	251.5	274.0	298.7
Income security	222.0	232.1	237.9	254.0	268.1	274.3	286.4
Social security	352.1	367.3	386.1	404.1	423.4	443.9	465.8
On-Budget	(5.8)	(6.9)	(7.6)	(8.1)	(8.7)	(8.7)	(9.9)
Off-Budget	(346.3)	(360.3)	(378.5)	(396.0)	(414.8)	(435.1)	(455.9)
Veterans benefits and services	38.8	39.4	41.7	43.8	45.0	46.3	47.5
Administration of justice	21.1	23.8	24.1	24.8	25.6	26.4	27.3
General government	11.6	12.9	13.1	13.5	13.9	14.4	14.9
Net interest	241.1	247.6	249.9	252.4	250.2	249.4	247.2
On-Budget	(277.6)	(288.8)	(295.1)	(301.7)	(303.4)	(306.6)	(308.7)
Off-Budget	(–36.5)	(–41.2)	(–45.2)	(–49.2)	(–53.2)	(–57.3)	(–61.6)
Undistributed offsetting receipts:							
Employer share, employee retirement (on-budget)	–27.3	–27.9	–28.2	–28.8	–29.7	–30.7	–31.9
Employer share, employee retirement (off-budget)	–6.3	–6.5	–7.0	–7.6	–8.4	–8.9	–9.8
Rents and royalties on the Outer Continental Shelf	–3.7	–4.2	–4.4	–4.0	–3.9	–4.0	–4.3
Sale of major assets	....	....	–4.3	....	....	....	....
Other undistributed offsetting receipts	–0.3	–8.0	–9.4	–1.3	–0.3	–0.1	....
Total, Undistributed offsetting receipts	–37.6	–46.5	–53.3	–41.7	–42.2	–43.8	–46.0
On-Budget	(–31.3)	(–40.0)	(–46.3)	(–34.1)	(–33.9)	(–34.9)	(–36.2)
Off-Budget	(–6.3)	(–6.5)	(–7.0)	(–7.6)	(–8.4)	(–8.9)	(–9.8)
Total	**1,581.1**	**1,655.7**	**1,706.5**	**1,803.7**	**1,885.4**	**1,961.0**	**2,045.5**
On-Budget	(1,274.1)	(1,335.1)	(1,375.3)	(1,463.1)	(1,531.1)	(1,589.7)	(1,657.6)
Off-Budget	(307.0)	(320.6)	(331.2)	(340.6)	(354.4)	(371.3)	(387.9)
MEMORANDUM							
Discretionary budget authority:							
National Defense	265.0	265.8	273.6	281.8	290.2	298.9	307.8
Nondefense	237.4	242.9	257.8	269.2	279.2	288.9	298.8
Total, discretionary	502.5	508.8	531.4	551.0	569.4	587.7	606.6

Table 16–9. CURRENT SERVICES BUDGET AUTHORITY BY AGENCY

(in billions of dollars)

Agency	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
Legislative Branch	2.5	2.5	2.6	2.7	2.8	2.9	3.0
The Judiciary	3.2	3.4	3.5	3.6	3.7	3.9	4.0
Executive Office Of the President	0.2	0.2	0.2	0.2	0.2	0.2	0.3
Funds Appropriated to the President	10.2	10.6	10.5	10.2	10.7	11.6	12.1
Agriculture	58.7	60.2	59.9	60.7	63.1	64.0	66.7
Commerce	3.6	3.7	3.9	4.2	4.3	4.4	4.6
Defense—Military	254.4	252.8	260.3	268.1	276.3	284.6	293.2
Defense—Civil	32.4	33.8	35.1	36.3	37.5	38.7	39.8
Education	29.1	29.7	33.3	34.0	34.7	35.5	36.6
Energy	14.1	14.2	15.0	15.6	16.0	16.4	15.9
Health and Human Services	318.5	357.3	370.0	404.5	435.7	469.3	505.6
Housing and Urban Development	21.1	19.6	24.6	29.7	32.3	34.6	36.2
Interior	7.2	7.1	7.1	7.3	7.5	7.8	8.0
Justice	15.2	17.4	17.5	18.0	18.6	19.2	19.8
Labor	33.4	34.4	36.8	38.7	40.3	41.8	43.2
State	5.1	5.2	5.4	5.6	5.8	5.9	6.1
Transportation	35.7	43.0	44.2	45.5	46.7	47.9	49.3
Treasury	365.8	382.7	391.4	397.7	399.4	402.3	404.8
Veterans Affairs	38.7	39.4	41.6	43.7	44.9	46.2	47.4
Environmental Protection Agency	6.3	6.6	6.8	7.0	7.3	7.5	7.7
General Services Administration	0.2	0.6	0.6	0.6	0.6	0.6	0.6
National Aeronautics and Space Administration	13.9	13.7	14.1	14.5	14.9	15.3	15.7
Office of Personnel Management	43.8	44.8	48.1	50.4	52.6	55.0	57.6
Small Business Administration	1.1	0.9	0.8	0.8	0.9	0.9	1.0
Social Security Administration	377.3	395.4	411.2	432.0	454.4	471.8	496.9
On-Budget	(31.0)	(35.1)	(32.8)	(36.0)	(39.7)	(36.7)	(41.0)
Off-Budget	(346.3)	(360.3)	(378.5)	(396.0)	(414.8)	(435.1)	(455.9)
Other Independent Agencies	24.3	27.0	24.4	25.6	30.7	33.3	35.2
On-Budget	(20.9)	(19.0)	(19.5)	(24.1)	(29.5)	(30.9)	(31.9)
Off-Budget	(3.4)	(8.0)	(4.9)	(1.4)	(1.2)	(2.4)	(3.3)
Undistributed Offsetting Receipts	–135.0	–150.5	–162.5	–153.5	–156.6	–160.6	–166.0
On-Budget	(–92.2)	(–102.7)	(–110.3)	(–96.7)	(–95.1)	(–94.4)	(–94.7)
Off-Budget	(–42.8)	(–47.7)	(–52.2)	(–56.9)	(–61.5)	(–66.2)	(–71.3)
Total	**1,581.1**	**1,655.7**	**1,706.5**	**1,803.7**	**1,885.4**	**1,961.0**	**2,045.5**
On-Budget	(1,274.1)	(1,335.1)	(1,375.3)	(1,463.1)	(1,531.1)	(1,589.7)	(1,657.6)
Off-Budget	(307.0)	(320.6)	(331.2)	(340.6)	(354.4)	(371.3)	(387.9)

Current Services Outlays and Budget Authority by Function and Program.—Tables 16–10 and 16–11 present current services budget authority and outlays, respectively, in function order, with category, subfunction and program level detail.

Table 16–10. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM

(in millions of dollars)

Source	1996 Actual	Estimate 1997	1998	1999	2000	2001	2002
050 National defense:							
Discretionary:							
Department of Defense—Military:							
Military personnel	69,776	69,939	71,457	73,683	75,980	78,346	80,788
Operation and maintenance	93,640	90,890	94,131	97,179	100,329	103,589	106,957
Procurement	42,417	44,198	45,347	46,526	47,735	48,976	50,249
Research, development, test and evaluation	34,971	36,589	37,612	38,638	39,694	40,780	41,894
Military construction	6,891	5,862	6,025	6,188	6,358	6,530	6,708
Family housing	4,259	4,122	4,231	4,342	4,456	4,575	4,696
Revolving, management and trust funds	1,761	2,203	2,431	2,507	2,583	2,663	2,746
Discretionary offsetting receipts	–100	–102	–102	–92	–92	–92	–92
Total, Department of Defense—Military	253,615	253,701	261,132	268,971	277,043	285,367	293,946
Atomic energy defense activities:							
Weapons activities	3,455	3,911	4,016	4,123	4,233	4,345	4,461
Defense environmental restoration and waste management	5,545	5,619	5,772	5,925	6,083	6,247	6,413
Defense nuclear waste disposal	248	200	205	211	216	222	227
Other atomic energy defense activities	1,447	1,622	1,667	1,711	1,757	1,804	1,852
Total, Atomic energy defense activities	10,695	11,352	11,660	11,970	12,289	12,618	12,953
Defense-related activities:							
Discretionary programs	697	793	825	838	864	891	916
Total, Discretionary	265,007	265,846	273,617	281,779	290,196	298,876	307,815
Mandatory:							
Department of Defense—Military:							
Revolving, trust and other DoD mandatory	1,374	132	187	183	163	162	162
Offsetting receipts	–583	–1,069	–1,067	–1,029	–901	–901	–901
Total, Department of Defense—Military	791	–937	–880	–846	–738	–739	–739
Atomic energy defense activities:							
Proceeds from sales of excess DOE assets	–5	–25	–15	–15	–15	–15	–15
Defense-related activities:							
Mandatory programs	214	196	197	210	223	237	251
Total, Mandatory	1,000	–766	–698	–651	–530	–517	–503
Total, National defense	266,007	265,080	272,919	281,128	289,666	298,359	307,312
150 International affairs:							
Discretionary:							
International development, humanitarian assistance:							
Development assistance and operating expenses	2,141	2,149	2,211	2,274	2,339	2,405	2,473
Multilateral development banks (MDB's)	1,163	1,014	1,039	1,068	1,095	1,124	1,154
Assistance for the New Independent States	518	576	591	606	622	638	655
Food aid	836	881	904	928	951	977	1,002
Refugee programs	721	700	718	737	756	775	796
Assistance for Central and Eastern Europe	463	475	487	500	513	527	540
Voluntary contributions to international organizations	285	272	279	286	294	301	309
Peace Corps	218	220	228	236	244	252	260
Other development and humanitarian assistance	303	361	451	457	369	373	392
Total, International development, humanitarian assistance	6,648	6,648	6,908	7,092	7,183	7,372	7,581

Table 16–10. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1996 Actual	Estimate 1997	1998	1999	2000	2001	2002
International security assistance:							
Foreign military financing grants and loans	3,351	3,308	3,395	3,482	3,573	3,666	3,760
Economic support fund	2,341	2,363	2,424	2,487	2,552	2,619	2,686
Other security assistance	236	257	266	272	279	287	295
Total, International security assistance	5,928	5,928	6,085	6,241	6,404	6,572	6,741
Conduct of foreign affairs:							
State Department operations	2,097	2,102	2,183	2,257	2,347	2,426	2,509
Foreign buildings	321	389	402	413	426	438	451
Assessed contributions to international organizations	892	882	905	928	953	977	1,003
Assessed contributions for international peacekeeping	359	352	361	371	380	390	400
Other conduct of foreign affairs	156	165	169	177	183	190	196
Total, Conduct of foreign affairs	3,825	3,890	4,020	4,146	4,289	4,421	4,559
Foreign information and exchange activities:							
U.S. Information Agency	1,124	1,090	1,128	1,165	1,201	1,240	1,279
Other information and exchange activities	6	8	8	8	9	9	9
Total, Foreign information and exchange activities	1,130	1,098	1,136	1,173	1,210	1,249	1,288
International financial programs:							
Export-Import Bank	764	715	743	764	786	810	832
Special defense acquisition fund	–173	–166	–106	–30	....	....	....
Total, International financial programs	591	549	637	734	786	810	832
Total, Discretionary	18,122	18,113	18,786	19,386	19,872	20,424	21,001
Mandatory:							
International development, humanitarian assistance:							
Credit liquidating accounts	–564	–521	–457	–452	–472	–468	–458
Other development and humanitarian assistance	....	–13	–13	–13	–13	–13	–13
Total, International development, humanitarian assistance	–564	–534	–470	–465	–485	–481	–471
International security assistance:							
Repayment of foreign military financing loans	–661	–637	–535	–364	–268	–183	–133
Foreign military loan liquidating account	–229	–203	–191	–189	–201	–228	–227
Total, International security assistance	–890	–840	–726	–553	–469	–411	–360
Foreign affairs and information:							
Conduct of foreign affairs	8	3	3	3	3	3	3
U.S. Information Agency trust funds	1	1	1	1	1	1	1
Japan-U.S. Friendship Commission	....	1	1	1	1	1	1
Total, Foreign affairs and information	9	5	5	5	5	5	5
International financial programs:							
Foreign military sales trust fund (net)	552	760	90	–820	–580	–150	–10
Exchange stabilization fund	–778	....	....	....	....	....	....
Other international financial programs	–55	–108	–110	–112	–190	–142	–50
Total, International financial programs	–281	652	–20	–932	–770	–292	–60
Total, Mandatory	–1,726	–717	–1,211	–1,945	–1,719	–1,179	–886
Total, International affairs	16,396	17,396	17,575	17,441	18,153	19,245	20,115
250 General science, space, and technology:							
Discretionary:							
General science and basic research:							
National Science Foundation programs	3,156	3,207	3,292	3,379	3,470	3,561	3,655

Table 16–10. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
Department of Energy general science programs	966	996	1,022	1,049	1,076	1,104	1,133
Total, General science and basic research	4,122	4,203	4,314	4,428	4,546	4,665	4,788
Space flight, research, and supporting activities:							
Science, aeronautics and technology	5,032	4,746	4,869	4,996	5,126	5,259	5,396
Human space flight	5,457	5,540	5,684	5,832	5,983	6,139	6,299
Mission support	2,065	2,123	2,209	2,288	2,369	2,453	2,541
Other NASA programs	16	17	18	18	19	20	21
Total, Space flight, research, and supporting activities	12,570	12,426	12,780	13,134	13,497	13,871	14,257
Total, Discretionary	16,692	16,629	17,094	17,562	18,043	18,536	19,045
Mandatory:							
General science and basic research:							
National Science Foundation donations	24	38	38	31	31	31	31
Total, General science, space, and technology	16,716	16,667	17,132	17,593	18,074	18,567	19,076
270 Energy:							
Discretionary:							
Energy supply:							
Research and development	3,323	3,094	3,179	3,262	3,349	3,439	3,532
Naval petroleum reserves operations	148	144	148	152	156	160	164
Uranium enrichment activities	343	201	206	212	217	223	228
Decontamination transfer	–350	–377	–388	–398	–410	–421	–435
Nuclear waste program	151	182	187	192	198	203	209
Federal power marketing	316	233	234	248	256	265	274
Rural electric and telephone discretionary loans	124	66	68	71	73	76	78
Financial management services	–18	–4	–2	–2	–2	–2	–2
Total, Energy supply	4,037	3,539	3,632	3,737	3,837	3,943	4,048
Energy conservation and preparedness:							
Energy conservation	533	550	565	580	596	612	629
Emergency energy preparedness	....	....	225	232	238	245	251
Total, Energy conservation and preparedness	533	550	790	812	834	857	880
Energy information, policy, and regulation:							
Nuclear Regulatory Commission (NRC)	18	15	13	358	375	392	410
Federal Energy Regulatory Commission fees and recoveries, and other	–52	–31	–22	–22	–23	–24	–25
Departmental and other administration	364	183	192	197	201	208	216
Total, Energy information, policy, and regulation	330	167	183	533	553	576	601
Total, Discretionary	4,900	4,256	4,605	5,082	5,224	5,376	5,529
Mandatory:							
Energy supply:							
Naval petroleum reserves oil and gas sales	–419	–444	–175	–10	–10	–10	–10
Federal power marketing	–996	–798	–828	–773	–744	–746	–799
Tennessee Valley Authority	55	–182	–285	....	....	....	....
United States Enrichment Corporation	....	–29	–100	–89	–80	–100	–940
Nuclear waste fund program	–634	–649	–655	–657	–659	–660	–660
Rural electric and telephone liquidating accounts	–259	–1,193	–770	–2,166	–1,038	–1,573	–863
Total, Energy supply	–2,253	–3,295	–2,813	–3,695	–2,531	–3,089	–3,272
Total, Energy	2,647	961	1,792	1,387	2,693	2,287	2,257
300 Natural resources and environment:							
Discretionary:							
Water resources:							
Corps of Engineers	3,340	3,493	3,553	3,669	3,829	3,947	4,067
Bureau of Reclamation	808	774	803	828	853	878	906

Table 16–10. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1996 Actual	Estimate 1997	1998	1999	2000	2001	2002
Other discretionary water resources programs	261	210	218	226	235	242	256
Total, Water resources	4,409	4,477	4,574	4,723	4,917	5,067	5,229
Conservation and land management:							
Forest Service	2,336	2,556	2,661	2,758	2,856	2,960	3,068
Management of public lands (BLM)	1,017	947	982	1,015	1,051	1,085	1,125
Conservation of agricultural lands	740	655	683	706	733	761	789
Other conservation and land management programs	604	580	600	619	637	659	679
Total, Conservation and land management	4,697	4,738	4,926	5,098	5,277	5,465	5,661
Recreational resources:							
Operation of recreational resources	2,167	2,237	2,323	2,404	2,486	2,575	2,663
Other recreational resources activities	39	40	41	42	43	44	46
Total, Recreational resources	2,206	2,277	2,364	2,446	2,529	2,619	2,709
Pollution control and abatement:							
Regulatory, enforcement, and research programs	2,383	2,464	2,551	2,635	2,720	2,807	2,898
State and tribal assistance grants	2,813	2,910	2,986	3,064	3,143	3,225	3,309
Hazardous substance superfund	1,311	1,394	1,436	1,478	1,520	1,564	1,609
Other control and abatement activities	128	132	134	139	143	147	151
Total, Pollution control and abatement	6,635	6,900	7,107	7,316	7,526	7,743	7,967
Other natural resources:							
NOAA	1,933	1,977	2,045	2,109	2,176	2,247	2,317
Other natural resource program activities	788	752	783	808	838	867	896
Total, Other natural resources	2,721	2,729	2,828	2,917	3,014	3,114	3,213
Total, Discretionary	20,668	21,121	21,799	22,500	23,263	24,008	24,779
Mandatory:							
Water resources:							
Mandatory water resource programs	–155	51	–46	–95	–110	–111	–109
Conservation and land management:							
Conservation Reserve Program	1,924	2,121	2,347	2,204	2,311	2,313	2,296
Other conservation programs	812	603	564	511	508	506	506
Offsetting receipts	–1,856	–2,011	–2,079	–2,115	–2,129	–2,156	–2,200
Total, Conservation and land management	880	713	832	600	690	663	602
Recreational resources:							
Operation of recreational resources	684	780	759	795	748	765	784
Offsetting receipts	–239	–294	–308	–317	–236	–236	–240
Total, Recreational resources	445	486	451	478	512	529	544
Pollution control and abatement:							
Superfund resources and other mandatory	–205	–147	–125	–100	–100	–101	–101
Other natural resources:							
Other fees and mandatory programs	–23	–68	–12	–29	–29	–29	–29
Total, Mandatory	942	1,035	1,100	854	963	951	907
Total, Natural resources and environment	21,610	22,156	22,899	23,354	24,226	24,959	25,686
350 Agriculture:							
Discretionary:							
Farm income stabilization:							
Agriculture credit insurance loan subsidies	422	384	396	411	423	437	451
P.L.480 market development activities	238	188	193	198	203	208	213

Table 16–10. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1996 Actual	Estimate 1997	1998	1999	2000	2001	2002
Administrative expenses	801	817	842	868	895	922	949
Total, Farm income stabilization	1,461	1,389	1,431	1,477	1,521	1,567	1,613
Agricultural research and services:							
Research programs	1,225	1,275	1,316	1,354	1,395	1,437	1,478
Extension programs	428	426	437	449	461	473	485
Marketing programs	48	40	41	41	43	44	45
Animal and plant inspection programs	459	438	449	461	473	485	498
Economic intelligence	134	153	159	164	172	179	185
Grain inspection user fees	23	23	24	24	25	25	26
Other programs and unallocated overhead	428	442	458	474	492	507	525
Total, Agricultural research and services	2,745	2,797	2,884	2,967	3,061	3,150	3,242
Total, Discretionary	4,206	4,186	4,315	4,444	4,582	4,717	4,855
Mandatory:							
Farm income stabilization:							
Commodity Credit Corporation	5,129	6,668	7,483	7,297	6,824	5,621	5,378
Crop insurance and other farm credit activities	1,605	1,791	1,590	1,512	1,578	1,660	1,759
Credit liquidating accounts (ACIF and FAC)	–1,301	–1,241	–1,190	–1,129	–1,073	–1,016	–1,011
Total, Farm income stabilization	5,433	7,218	7,883	7,680	7,329	6,265	6,126
Agricultural research and services:							
Miscellaneous mandatory programs	136	221	182	235	239	194	200
Offsetting receipts	–148	–136	–137	–137	–137	–137	–137
Total, Agricultural research and services	–12	85	45	98	102	57	63
Total, Mandatory	5,421	7,303	7,928	7,778	7,431	6,322	6,189
Total, Agriculture	9,627	11,489	12,243	12,222	12,013	11,039	11,044
370 Commerce and housing credit:							
Discretionary:							
Mortgage credit:							
Federal Housing Administration (FHA) Loan Subsidies	905	–311	191	197	207	213	221
Government National Mortgage Association (GNMA)	....	....	....	....	1	1	1
Other Housing and Urban Development	5	3	3	4	5	5	6
Rural housing insurance fund	646	557	577	597	617	638	659
Total, Mortgage credit	1,556	249	771	798	830	857	887
Postal service:							
Payments to the Postal Service fund (On-budget)	85	85	87	89	92	94	97
Deposit insurance:							
FSLIC Resolution Fund (transfer of balances)	....	–26	....	....	....	....	....
Other discretionary	11	1	1	1	1	1	1
Total, Deposit insurance	11	–25	1	1	1	1	1
Other advancement of commerce:							
Small and minority business assistance	516	555	569	584	600	615	632
Science and technology	572	598	634	655	674	696	718
Economic and demographic statistics	330	392	408	425	438	453	470
Regulatory agencies	251	140	136	179	175	181	189
International Trade Administration	267	270	280	290	300	310	321
Other discretionary	133	98	170	175	181	187	194
Total, Other advancement of commerce	2,069	2,053	2,197	2,308	2,368	2,442	2,524
Total, Discretionary	3,721	2,362	3,056	3,196	3,291	3,394	3,509

Table 16–10. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1996 Actual	Estimate 1997	1998	1999	2000	2001	2002
Mandatory:							
Mortgage credit:							
FHA and GNMA negative subsidies	–1,012	....	–1,315	–1,637	–1,712	–1,793	–1,953
Mortgage credit liquidating accounts	732	–10	–724	401	301	1,131	1,116
Other mortgage credit activities	13	22	....	....	....	....	....
Total, Mortgage credit	–267	12	–2,039	–1,236	–1,411	–662	–837
Postal service:							
Payments to the Postal Service fund for nonfunded liabilities (On-budget)	37	36	35	33	32	30	29
Postal Service (Off-budget)	3,441	8,000	4,932	1,442	1,157	2,411	3,326
Total, Postal service	3,478	8,036	4,967	1,475	1,189	2,441	3,355
Other advancement of commerce:							
Universal Service Fund	944	1,400	2,240	6,350	11,325	12,194	12,838
Payments to copyright owners	223	243	245	255	263	271	282
Spectrum auction subsidy	1	838	388	....	....	....	....
Regulatory fees	–41	–38	–38	–38	–38	–38	–38
Patent and trademark fees	–111	–115	–119	....	....	....	....
Credit liquidating accounts	22	....	....	....	....	....	....
Other mandatory	370	102	43	44	96	97	99
Total, Other advancement of commerce	1,408	2,430	2,759	6,611	11,646	12,524	13,181
Total, Mandatory	4,619	10,478	5,687	6,850	11,424	14,303	15,699
Total, Commerce and housing credit	8,340	12,840	8,743	10,046	14,715	17,697	19,208
400 Transportation:							
Discretionary:							
Ground transportation:							
Highways	278	82	84	86	89	91	93
State infrastructure banks	....	150	154	158	162	166	171
Highway safety	10	111	136	141	145	149	154
Mass transit	1,275	823	845	867	889	917	938
Railroads	868	1,032	1,060	1,088	1,118	1,147	1,179
Regulation	22	12	12	13	13	14	14
Total, Ground transportation	2,453	2,210	2,291	2,353	2,416	2,484	2,549
Air transportation:							
Airports and airways (FAA)	6,695	7,027	7,159	7,384	7,614	7,854	8,100
Aeronautical research and technology	1,315	1,283	1,322	1,361	1,401	1,442	1,485
Payments to air carriers	–23	–14	–13	–14	–14	–14	–15
Total, Air transportation	7,987	8,296	8,468	8,731	9,001	9,282	9,570
Water transportation:							
Marine safety and transportation	2,708	2,784	2,855	2,964	3,104	3,197	3,291
Ocean shipping	135	130	135	137	143	148	154
Total, Water transportation	2,843	2,914	2,990	3,101	3,247	3,345	3,445
Other transportation:							
Other discretionary programs	345	342	353	363	375	387	400
Total, Discretionary	13,628	13,762	14,102	14,548	15,039	15,498	15,964
Mandatory:							
Ground transportation:							
Highways	17,871	22,185	22,763	23,371	23,850	24,387	25,086
Highway safety	266	270	256	263	270	276	283
Mass transit	2,775	4,800	4,925	5,053	5,185	5,319	5,457
Offsetting receipts and liquidating accounts	–19	–25	–35	–26	–30	–30	–30
Total, Ground transportation	20,893	27,230	27,909	28,661	29,275	29,952	30,796

Table 16–10. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
Air transportation:							
Airports and airways (FAA)	1,550	2,230	2,397	2,458	2,521	2,585	2,651
Payments to air carriers	39	39	89	90	91	92	93
Total, Air transportation	1,589	2,269	2,486	2,548	2,612	2,677	2,744
Water transportation:							
Coast Guard retired pay	579	612	646	676	710	746	782
Other water transportation programs	–43	–31	–21	20	22	25	25
Total, Water transportation	536	581	625	696	732	771	807
Other transportation:							
Other mandatory transportation programs	–33	–32	–32	–32	–32	–32	–32
Total, Mandatory	22,985	30,048	30,988	31,873	32,587	33,368	34,315
Total, Transportation	36,613	43,810	45,090	46,421	47,626	48,866	50,279
450 Community and regional development:							
Discretionary:							
Community development:							
Community development loan guarantees	33	33	34	35	36	36	37
Community development block grant	4,650	4,600	4,720	4,842	4,968	5,097	5,230
Community development financial institutions	45	50	51	52	54	56	57
Other community development programs	355	250	258	268	277	286	296
Total, Community development	5,083	4,933	5,063	5,197	5,335	5,475	5,620
Area and regional development:							
Rural development	777	790	810	833	856	882	906
Economic Development Administration	372	374	384	395	405	416	426
Indian programs	968	935	966	995	1,026	1,059	1,092
Appalachian Regional Commission	170	160	164	168	173	177	182
Tennessee Valley Authority	109	106	110	114	118	122	127
Total, Area and regional development	2,396	2,365	2,434	2,505	2,578	2,656	2,733
Disaster relief and insurance:							
Small Business Administration disaster loans	331	327	336	344	353	362	372
Disaster relief	3,393	1,320	1,354	1,390	1,426	1,463	1,501
Other disaster assistance programs	442	368	381	393	405	419	430
Total, Disaster relief and insurance	4,166	2,015	2,071	2,127	2,184	2,244	2,303
Total, Discretionary	11,645	9,313	9,568	9,829	10,097	10,375	10,656
Mandatory:							
Area and regional development:							
Indian programs	490	544	457	461	468	474	476
Rural development programs	137	451	5	55	55	5	5
Credit liquidating accounts	103	128	188	270	204	219	64
Offsetting receipts	–359	–258	–254	–254	–258	–264	–268
Total, Area and regional development	371	865	396	532	469	434	277
Disaster relief and insurance:							
National flood insurance fund	527	114	–31	–52	–71	–93	–113
Credit liquidating accounts	....	–1	–1	....	....	....	....
Total, Disaster relief and insurance	527	113	–32	–52	–71	–93	–113
Total, Mandatory	898	978	364	480	398	341	164
Total, Community and regional development	12,543	10,291	9,932	10,309	10,495	10,716	10,820

Table 16–10. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1996 Actual	Estimate 1997	1998	1999	2000	2001	2002
500 Education, training, employment, and social services:							
Discretionary:							
Elementary, secondary, and vocational education:							
Education reform	530	691	709	727	746	766	786
School improvement programs	1,218	1,426	1,463	1,501	1,540	1,580	1,621
Education for the disadvantaged	5,896	7,690	7,890	8,095	8,305	8,521	8,743
Special education	3,245	4,036	4,141	4,249	4,359	4,472	4,589
Impact aid	693	730	749	768	788	809	830
Vocational and adult education	1,340	1,487	1,526	1,565	1,606	1,648	1,690
Indian education programs	583	610	630	647	667	686	707
Bilingual and immigrant education	178	262	269	276	283	290	298
Other	7	7	7	7	8	8	8
Total, Elementary, secondary, and vocational education	13,690	16,939	17,384	17,835	18,302	18,780	19,272
Higher education:							
Student financial assistance	6,258	7,560	7,757	7,959	8,166	8,377	8,596
Higher education account	837	879	902	925	949	974	999
Federal family education loan program	30	46	48	49	51	52	54
Other higher education programs	309	325	333	341	350	361	370
Total, Higher education	7,434	8,810	9,040	9,274	9,516	9,764	10,019
Research and general education aids:							
Library of Congress	254	258	268	278	287	298	309
Public broadcasting	313	296	286	288	296	303	311
Smithsonian institution	459	461	478	495	513	531	549
Education research, statistics, and improvement	351	598	613	630	645	662	680
Other	704	701	725	745	769	793	816
Total, Research and general education aids	2,081	2,314	2,370	2,436	2,510	2,587	2,665
Training and employment:							
Training and employment services	4,140	4,716	4,840	4,967	5,097	5,231	5,368
Older Americans employment	373	463	475	487	500	513	526
Federal-State employment service	1,192	1,249	1,282	1,316	1,350	1,385	1,422
Other employment and training	83	81	85	87	91	94	98
Total, Training and employment	5,788	6,509	6,682	6,857	7,038	7,223	7,414
Other labor services:							
Labor law, statistics, and other administration	957	1,003	1,043	1,079	1,119	1,158	1,199
Social services:							
National service initiative	600	616	633	651	668	686	705
Children and families services programs	4,766	5,364	5,507	5,652	5,800	5,952	6,109
Aging services program	829	830	852	874	897	921	945
Other	2	2	2	2	2	2	2
Total, Social services	6,197	6,812	6,994	7,179	7,367	7,561	7,761
Total, Discretionary	36,147	42,387	43,513	44,660	45,852	47,073	48,330
Mandatory:							
Elementary, secondary, and vocational education:							
Vocational and adult education	7	7	7	7	7	7	7
Higher education:							
Federal family education loan program	3,546	471	2,539	2,343	2,348	2,463	2,605
Federal direct loan program	680	600	1,395	1,523	1,388	1,285	1,357
Other higher education programs	–88	–79	–80	–76	–74	–74	–71
Credit liquidating account (Family education loan program)	1,153						
Total, Higher education	5,291	992	3,854	3,790	3,662	3,674	3,891
Research and general education aids:							
Mandatory programs	21	17	18	21	22	21	22

Table 16–10. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
Training and employment:							
Trade adjustment assistance	123	114	119	97	97	97	97
Payments to States for AFDC work programs	1,000	1,000					
Total, Training and employment	1,123	1,114	119	97	97	97	97
Social services:							
Payments to States for foster care and adoption assistance	4,322	4,445	4,311	4,631	4,986	5,345	5,773
Family support and preservation	225	240	255	255	255	255	255
Social services block grant	2,381	2,500	2,380	2,380	2,380	2,380	2,380
Rehabilitation services	2,456	2,509	2,583	2,653	2,722	2,794	2,870
Other social services	12	16	20	24	27	31	34
Total, Social services	9,396	9,710	9,549	9,943	10,370	10,805	11,312
Total, Mandatory	15,838	11,840	13,547	13,858	14,158	14,604	15,329
Total, Education, training, employment, and social services	51,985	54,227	57,060	58,518	60,010	61,677	63,659
550 Health:							
Discretionary:							
Health care services:							
Substance abuse and mental health services	1,885	2,134	2,190	2,248	2,307	2,368	2,430
Indian health	1,984	2,054	2,135	2,214	2,292	2,373	2,458
Other discretionary health care services programs	5,038	5,473	5,626	5,780	5,939	6,103	6,273
Total, Health care services	8,907	9,661	9,951	10,242	10,538	10,844	11,161
Health research and training:							
National Institutes of Health	11,928	12,741	13,092	13,444	13,808	14,181	14,565
Clinical training	261	295	303	310	318	328	336
Other health research and training	231	307	317	328	339	350	361
Total, Health research and training	12,420	13,343	13,712	14,082	14,465	14,859	15,262
Consumer and occupational health and safety:							
Food safety and inspection	545	574	602	627	653	679	707
Occupational safety and health	514	536	556	577	596	616	638
Other consumer health programs	917	931	969	1,005	1,039	1,077	1,116
Total, Consumer and occupational health and safety	1,976	2,041	2,127	2,209	2,288	2,372	2,461
Total, Discretionary	23,303	25,045	25,790	26,533	27,291	28,075	28,884
Mandatory:							
Health care services:							
Medicaid grants	82,142	101,212	99,591	111,203	119,580	129,105	139,171
Federal employees' and retired employees' health benefits	3,727	3,067	4,318	4,432	4,649	5,015	5,414
Coal miners retirees health benefits	351	342	336	328	320	314	307
Other mandatory health services activities	332	413	356	312	324	336	347
Total, Health care services	86,552	105,034	104,601	116,275	124,873	134,770	145,239
Health research and safety:							
Health research and training	14	38	32	29	28	26	22
Total, Mandatory	86,566	105,072	104,633	116,304	124,901	134,796	145,261
Total, Health	109,869	130,117	130,423	142,837	152,192	162,871	174,145
570 Medicare:							
Discretionary:							
Medicare:							
Hospital insurance (HI) administrative expenses	1,169	1,114	1,167	1,221	1,276	1,334	1,396
Supplementary medical insurance (SMI) administrative expenses	1,770	1,484	1,548	1,614	1,680	1,750	1,822
Total, Discretionary	2,939	2,598	2,715	2,835	2,956	3,084	3,218

Table 16–10. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1996 Actual	Estimate 1997	1998	1999	2000	2001	2002
Mandatory:							
Medicare:							
Hospital insurance (HI)	130,931	136,141	147,274	159,875	171,833	185,375	200,044
Supplementary medical insurance (SMI)	67,139	74,931	82,463	91,166	100,039	109,691	120,643
Medicare premiums and collections	–21,357	–19,600	–21,307	–22,416	–23,286	–24,192	–25,181
Total, Mandatory	176,713	191,472	208,430	228,625	248,586	270,874	295,506
Total, Medicare	179,652	194,070	211,145	231,460	251,542	273,958	298,724
600 Income security:							
Discretionary:							
General retirement and disability insurance:							
Railroad retirement	319	300	307	314	320	327	334
Pension Benefit Guaranty Corporation	11	10	10	10	11	11	12
Pension and Welfare Benefits Administration and other	68	78	81	84	86	89	92
Total, General retirement and disability insurance	398	388	398	408	417	427	438
Federal employee retirement and disability:							
Civilian retirement and disability program administrative expenses	82	86	89	93	96	99	102
Armed forces retirement home	56	56	58	61	63	65	67
Total, Federal employee retirement and disability	138	142	147	154	159	164	169
Unemployment compensation:							
Unemployment programs administrative expenses	2,272	2,361	2,634	2,855	2,960	3,071	3,151
Housing assistance:							
Subsidized, public, homeless and other HUD housing	15,808	14,860	20,549	24,244	26,765	28,865	30,935
Rural housing assistance	601	579	594	609	625	643	659
Other housing assistance	1	....	....	....	....	....	....
Total, Housing assistance	16,410	15,439	21,143	24,853	27,390	29,508	31,594
Food and nutrition assistance:							
Special supplemental food program for women, infants, and children (WIC)	3,694	3,730	3,827	3,926	4,029	4,133	4,241
Other nutrition programs	525	513	529	544	559	576	591
Total, Food and nutrition assistance	4,219	4,243	4,356	4,470	4,588	4,709	4,832
Other income assistance:							
Refugee assistance	413	427	438	450	461	473	485
Low income home energy assistance	1,080	1,005	1,000	1,026	1,053	1,080	1,108
Child care and development block grant	935	19	937	961	986	1,012	1,038
Supplemental security income (SSI) administrative expenses	1,887	2,141	2,225	2,301	2,382	2,465	2,551
Total, Other income assistance	4,315	3,592	4,600	4,738	4,882	5,030	5,182
Total, Discretionary	27,752	26,165	33,278	37,478	40,396	42,909	45,366
Mandatory:							
General retirement and disability insurance:							
Railroad retirement	4,459	4,240	4,250	4,247	4,294	4,459	4,400
Special benefits for disabled coal miners	1,210	1,177	1,105	1,069	1,025	978	934
Pension Benefit Guaranty Corporation	–11	–10	–11	–10	–11	–11	–12
Special workers' compensation expenses	129	150	151	158	168	175	183
Total, General retirement and disability insurance	5,787	5,557	5,495	5,464	5,476	5,601	5,505
Federal employee retirement and disability:							
Federal civilian employee retirement and disability	40,387	42,081	44,117	46,288	48,307	50,369	52,646
Military retirement	28,991	30,195	31,345	32,485	33,577	34,616	35,644
Federal employees workers' compensation (FECA)	218	214	202	198	202	208	241
Federal employees life insurance fund	20	28	31	35	38	41	44
Total, Federal employee retirement and disability	69,616	72,518	75,695	79,006	82,124	85,234	88,575

Table 16–10. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
Unemployment compensation:							
Unemployment insurance programs	22,469	22,567	24,445	25,892	27,159	28,258	29,310
Trade adjustment assistance	223	211	230	226	242	244	246
Total, Unemployment compensation	22,692	22,778	24,675	26,118	27,401	28,502	29,556
Housing assistance:							
Mandatory housing assistance programs	20	46	46	46	44	44	43
Food and nutrition assistance:							
Food stamps (including Puerto Rico)	27,661	27,618	27,540	28,732	29,518	30,420	31,304
State child nutrition programs	7,966	8,659	7,770	8,912	9,367	9,836	10,347
Funds for strengthening markets, income, and supply (Sec.32)	588	423	461	417	417	417	417
Total, Food and nutrition assistance	36,215	36,700	35,771	38,061	39,302	40,673	42,068
Other income support:							
Supplemental security income (SSI)	23,828	26,711	23,718	26,437	29,717	26,454	29,722
Family support payments	18,014	6,958	607	1,641	2,839	2,901	3,112
Federal share of child support collections	....	–839	–1,032	–1,097	–1,106	–1,110	–1,208
Temporary assistance for needy families and related programs	111	13,703	16,836	17,145	17,191	17,212	16,960
Child care entitlement to states	....	1,967	2,175	2,270	2,463	2,653	2,791
Earned income tax credit (EITC)	19,159	21,163	21,983	22,864	23,818	24,634	25,518
Other assistance	37	32	66	65	68	69	69
SSI recoveries and receipts	–1,187	–1,324	–1,390	–1,452	–1,626	–1,474	–1,648
Total, Other income support	59,962	68,371	62,963	67,873	73,364	71,339	75,316
Total, Mandatory	194,292	205,970	204,645	216,568	227,711	231,393	241,063
Total, Income security	222,044	232,135	237,923	254,046	268,107	274,302	286,429
650 Social security:							
Discretionary:							
Social security:							
Old-age and survivors insurance (OASI)administrative expenses	1,828	2,069	2,151	2,225	2,302	2,383	2,466
Disability insurance (DI) administrative expenses	1,307	1,382	1,436	1,483	1,534	1,586	1,639
Office of the Inspector General—Social Security Adm.	5	6	6	6	7	7	7
Total, Discretionary	3,140	3,457	3,593	3,714	3,843	3,976	4,112
Mandatory:							
Social security:							
Old-age and survivors insurance (OASI)(Off-budget)	305,791	317,816	331,803	345,960	360,951	377,392	393,956
Quinquennial OASI and DI adjustments	–332	....	....	....	....	–553	....
Disability insurance (DI)(Off-budget)	43,522	45,997	50,715	54,433	58,625	63,048	67,731
Intragovernmental transactions	15	10	....	....	....	....	....
Total, Mandatory	348,996	363,823	382,518	400,393	419,576	439,887	461,687
Total, Social security	352,136	367,280	386,111	404,107	423,419	443,863	465,799
700 Veterans benefits and services:							
Discretionary:							
Veterans education, training, and rehabilitation:							
Loan fund program account	1	1	1	1	1	1	1
Hospital and medical care for veterans:							
Medical care and hospital services	16,871	17,336	18,027	18,663	19,321	20,001	20,710
Construction of medical facilities	373	453	465	476	490	502	515
Total, Hospital and medical care for veterans	17,244	17,789	18,492	19,139	19,811	20,503	21,225
Veterans housing:							
Housing program loan subsidies	118	139	146	152	158	164	171

Table 16–10. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1996 Actual	Estimate 1997	1998	1999	2000	2001	2002
Other veterans benefits and services:							
Other general operating expenses	996	981	1,022	1,056	1,099	1,140	1,181
Total, Discretionary	18,359	18,910	19,661	20,348	21,069	21,808	22,578
Mandatory:							
Income security for veterans:							
Compensation	15,415	16,163	16,438	16,577	16,662	16,746	16,830
Proposed Legislation (non-PAYGO)	....	....	331	740	1,162	1,595	2,042
Subtotal, Compensation	15,415	16,163	16,769	17,317	17,824	18,341	18,872
Pensions	3,074	3,144	3,178	3,714	3,765	3,823	3,876
Burial benefits and miscellaneous assistance	114	117	119	121	124	127	130
National service life insurance trust fund	1,288	1,230	1,182	1,113	1,045	987	929
All other insurance programs	50	46	57	56	55	55	54
Insurance program receipts	–238	–258	–218	–207	–193	–178	–163
Total, Income security for veterans	19,703	20,442	21,087	22,114	22,620	23,155	23,698
Veterans education, training, and rehabilitation:							
Readjustment benefits (GI Bill and related programs)	1,155	1,377	1,366	1,465	1,469	1,514	1,530
All-volunteer force educational assistance trust fund	–143	–331	–224	–234	–235	–240	–234
Total, Veterans education, training, and rehabilitation	1,012	1,046	1,142	1,231	1,234	1,274	1,296
Hospital and medical care for veterans:							
Fees, charges and other mandatory medical care	–432	–415	–468	–308	–355	–404	–452
Veterans housing:							
Housing loan subsidies	94	–581	192	396	386	377	374
Other veterans programs:							
Other mandatory veterans programs	27	34	41	41	80	65	32
Total, Mandatory	20,404	20,526	21,994	23,474	23,965	24,467	24,948
Total, Veterans benefits and services	38,763	39,436	41,655	43,822	45,034	46,275	47,526
750 Administration of justice:							
Discretionary:							
Federal law enforcement activities:							
Criminal investigations (DEA, FBI, FinCEN, ICDE)	3,634	4,057	4,203	4,336	4,481	4,627	4,778
Alcohol, tobacco, and firearms investigations (ATF)	393	468	486	504	523	541	561
Border enforcement activities (Customs and INS)	3,198	3,785	3,964	4,101	4,237	4,382	4,530
Equal Employment Opportunity Commission	233	240	247	252	259	266	273
Other law enforcement activities	1,121	1,231	1,289	1,333	1,379	1,427	1,478
Total, Federal law enforcement activities	8,579	9,781	10,189	10,526	10,879	11,243	11,620
Federal litigative and judicial activities:							
Civil and criminal prosecution and representation	2,226	2,382	2,474	2,549	2,623	2,713	2,807
Representation of indigents in civil cases	278	283	290	298	306	314	322
Federal judicial and other litigative activities	2,841	3,046	3,161	3,271	3,386	3,503	3,627
Total, Federal litigative and judicial activities	5,345	5,711	5,925	6,118	6,315	6,530	6,756
Correctional activities:							
Discretionary programs	2,883	3,193	3,318	3,433	3,552	3,674	3,803
Criminal justice assistance:							
Discretionary programs	3,877	4,134	4,242	4,352	4,467	4,582	4,701
Total, Discretionary	20,684	22,819	23,674	24,429	25,213	26,029	26,880
Mandatory:							
Federal law enforcement activities:							
Assets forfeiture fund	304	350	367	362	372	381	391

Table 16–10. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1996 Actual	Estimate 1997	1998	1999	2000	2001	2002
Border enforcement activities (Customs and INS)	1,270	1,599	1,489	1,497	1,550	1,604	1,661
Customs and INS fees	–2,161	–2,261	–2,319	–2,390	–2,476	–2,542	–2,622
Other mandatory law enforcement programs	288	294	309	309	312	315	318
Total, Federal law enforcement activities	–299	–18	–154	–222	–242	–242	–252
Federal litigative and judicial activities:							
Mandatory programs	411	415	403	411	421	430	439
Correctional activities:							
Mandatory programs	–2	–4	–4	–4	–4	–4	–5
Criminal justice assistance:							
Mandatory programs	257	559	208	213	218	225	231
Total, Mandatory	367	952	453	398	393	409	413
Total, Administration of justice	21,051	23,771	24,127	24,827	25,606	26,438	27,293
800 General government:							
Discretionary:							
Legislative functions:							
Legislative branch discretionary programs	1,829	1,878	1,948	2,015	2,090	2,164	2,239
Executive direction and management:							
Drug control programs	89	218	224	230	236	242	249
Executive Office of the President	179	176	180	188	197	203	212
Presidential transition and former Presidents	2	8	8	8	8	9	9
Total, Executive direction and management	270	402	412	426	441	454	470
Central fiscal operations:							
Tax administration	7,335	7,031	7,328	7,599	7,877	8,167	8,468
Other fiscal operations	527	583	605	624	646	669	692
Total, Central fiscal operations	7,862	7,614	7,933	8,223	8,523	8,836	9,160
General property and records management:							
Real property activities	68	393	393	413	424	436	447
Records management	203	214	219	225	230	238	243
Other general and records management	151	152	158	162	169	175	181
Total, General property and records management	422	759	770	800	823	849	871
Central personnel management:							
Discretionary central personnel management programs	154	150	155	162	168	173	181
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	712	719	738	757	777	797	817
Payments to States and counties from Federal land management activities	11	11	11	12	12	12	13
Payments in lieu of taxes	114	114	117	120	123	126	130
Other	1	1	1	1	1	1	1
Total, General purpose fiscal assistance	838	845	867	890	913	936	961
Other general government:							
Discretionary programs	164	159	163	169	175	179	185
Total, Discretionary	11,539	11,807	12,248	12,685	13,133	13,591	14,067
Mandatory:							
Legislative functions:							
Congressional members compensation and other	96	95	102	94	96	96	95
Central fiscal operations:							
Mandatory programs	–184	–142	–162	–164	–167	–169	–170

Table 16–10. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
General property and records management:							
Mandatory programs	16	18	14	13	11	11	11
Offsetting receipts	–23	–21	–21	–20	–18	–18	–18
Total, General property and records management	–7	–3	–7	–7	–7	–7	–7
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	–12	–12	–12	–12	–12	–15	....
Payments to States and counties	747	810	840	778	800	821	844
Payments to territories and Puerto Rico	110	123	127	130	134	138	143
Tax revenues for Puerto Rico (Treasury, BATF)	221	230	230	230	230	230	230
Other general purpose fiscal assistance	90	92	94	96	98	100	102
Total, General purpose fiscal assistance	1,156	1,243	1,279	1,222	1,250	1,274	1,319
Other general government:							
Territories	175	268	167	165	167	169	169
Treasury claims	509	750	635	635	615	615	615
Presidential election campaign fund	66	66	66	66	66	66	66
Other mandatory programs	–63	–48	–60	–60	–60	–60	–60
Total, Other general government	687	1,036	808	806	788	790	790
Deductions for offsetting receipts:							
Offsetting receipts	–1,694	–1,184	–1,184	–1,184	–1,184	–1,184	–1,184
Total, Mandatory	54	1,045	836	767	776	800	843
Total, General government	11,593	12,852	13,084	13,452	13,909	14,391	14,910
900 Net interest:							
Mandatory:							
Interest on the public debt:							
Interest on the public debt	343,955	356,717	365,230	370,899	371,867	374,080	375,930
Interest received by on-budget trust funds:							
Civil service retirement and disability fund	–28,530	–30,727	–32,023	–32,942	–33,347	–33,887	–34,507
Military retirement	–11,501	–11,600	–11,800	–12,000	–12,300	–12,500	–12,700
Medicare	–11,777	–11,389	–10,314	–8,654	–6,405	–3,661	–1,562
Other on-budget trust funds	–9,061	–9,019	–8,726	–8,987	–9,149	–9,447	–9,730
Total, Interest received by on-budget trust funds	–60,869	–62,735	–62,863	–62,583	–61,201	–59,495	–58,499
Interest received by off-budget trust funds:							
Interest received by social security trust funds	–36,507	–41,238	–45,199	–49,228	–53,181	–57,272	–61,554
Other interest:							
Interest on loans to Federal Financing Bank	–6,458	–4,351	–3,958	–3,503	–3,121	–2,779	–2,425
Interest on refunds of tax collections	2,172	2,644	2,753	2,855	2,991	3,143	3,295
Payment to the Resolution Funding Corporation	2,328	2,328	2,328	2,328	2,328	2,328	2,328
Interest paid to loan guarantee financing accounts	2,350	2,438	2,504	2,563	2,623	2,688	2,767
Interest received from direct loan financing accounts	–3,031	–4,391	–5,732	–6,982	–8,217	–9,477	–10,747
Interest on deposits in tax and loan accounts	–757	–736	–750	–750	–750	–750	–750
Interest received from Outer Continental Shelf escrow account, Interior	–1	....	–1,142	....	....	....	....
All other interest	–2,091	–3,083	–3,232	–3,158	–3,142	–3,115	–3,175
Total, Other interest	–5,488	–5,151	–7,229	–6,647	–7,288	–7,962	–8,707
Total, Mandatory	241,091	247,593	249,939	252,441	250,197	249,351	247,170
Total, Net interest	241,091	247,593	249,939	252,441	250,197	249,351	247,170
950 Undistributed offsetting receipts:							
Mandatory:							
Employer share, employee retirement (on-budget):							
Contributions to military retirement fund	–11,174	–11,180	–10,544	–10,566	–10,730	–10,850	–11,078
Postal Service contributions to Civil Service Retirement and Disability Fund	–5,712	–5,916	–6,103	–6,065	–6,280	–6,488	–6,733
Other contributions to civil and foreign service retirement and disability fund	–7,991	–8,303	–8,971	–9,348	–9,783	–10,304	–10,879

Table 16–10. CURRENT SERVICES BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1996 Actual	Estimate 1997	1998	1999	2000	2001	2002
Contributions to HI trust fund	–2,382	–2,470	–2,625	–2,777	–2,942	–3,072	–3,259
Total, Employer share, employee retirement (on-budget)	–27,259	–27,869	–28,243	–28,756	–29,735	–30,714	–31,949
Employer share, employee retirement (off-budget):							
Contributions to social security trust funds	–6,278	–6,505	–7,028	–7,633	–8,356	–8,942	–9,781
Rents and royalties on the Outer Continental Shelf:							
OCS Receipts	–3,741	–4,152	–4,375	–4,036	–3,885	–4,050	–4,254
Sale of major assets:							
Proceeds from Sale of U.S. Enrichment Corporation	....	....	–1,800	....	....	....	....
Privatization of Elk Hills	....	....	–2,415	....	....	....	....
Proceeds from sale of Power Marketing Administrations	....	....	–85	....	....	....	....
Total, Sale of major assets	....	....	–4,300	....	....	....	....
Other undistributed offsetting receipts:							
Spectrum Auction	–342	–7,961	–9,359	–1,304	–264	–132	....
Total, Mandatory	–37,620	–46,487	–53,305	–41,729	–42,240	–43,838	–45,984
Total, Undistributed offsetting receipts	–37,620	–46,487	–53,305	–41,729	–42,240	–43,838	–45,984
Total	1,581,063	1,655,684	1,706,487	1,803,682	1,885,437	1,961,023	2,045,468
On-budget	(1,274,092)	(1,335,090)	(1,375,293)	(1,463,102)	(1,531,065)	(1,589,683)	(1,657,600)
Off-budget	(306,971)	(320,594)	(331,194)	(340,580)	(354,372)	(371,340)	(387,868)

Table 16–11. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM

(in millions of dollars)

Source	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
050 National defense:							
Discretionary:							
Department of Defense—Military:							
Military personnel	66,669	70,071	71,229	73,330	75,615	77,968	80,394
Operation and maintenance	88,754	90,642	92,052	95,572	98,561	101,840	105,129
Procurement	48,913	45,582	43,687	44,842	46,030	46,792	47,232
Research, development, test and evaluation	36,494	36,034	35,497	37,464	38,432	39,554	40,719
Military construction	6,683	6,568	5,815	5,963	6,022	6,178	6,308
Family housing	3,828	4,352	4,206	4,279	4,320	4,437	4,543
Revolving, management and trust funds	2,363	2,540	1,202	2,853	530	700	–723
General transfer authority	....	280	–60	–120	–60	–20	–20
Discretionary offsetting receipts	–100	–102	–102	–92	–92	–92	–92
Total, Department of Defense—Military	253,604	255,967	253,526	264,091	269,358	277,357	283,490
Atomic energy defense activities:							
Weapons activities	3,873	4,020	3,995	4,101	4,211	4,323	4,438
Defense environmental restoration and waste management	6,130	6,074	5,247	5,723	5,730	5,904	6,217
Defense nuclear waste disposal	151	182	203	250	255	219	225
Other atomic energy defense activities	1,490	1,688	1,657	1,703	1,748	1,794	1,842
Total, Atomic energy defense activities	11,644	11,964	11,102	11,777	11,944	12,240	12,722
Defense-related activities:							
Discretionary programs	708	769	818	820	863	881	904
Total, Discretionary	265,956	268,700	265,446	276,688	282,165	290,478	297,116
Mandatory:							
Department of Defense—Military:							
Revolving, trust and other DoD mandatory	166	116	145	152	151	151	151
Offsetting receipts	–583	–1,069	–1,067	–1,029	–901	–901	–901
Total, Department of Defense—Military	–417	–953	–922	–877	–750	–750	–750
Atomic energy defense activities:							
Proceeds from sales of excess DOE assets	–5	–25	–15	–15	–15	–15	–15
Defense-related activities:							
Mandatory programs	214	196	197	210	223	237	251
Total, Mandatory	–208	–782	–740	–682	–542	–528	–514
Total, National defense	265,748	267,918	264,706	276,006	281,623	289,950	296,602
150 International affairs:							
Discretionary:							
International development, humanitarian assistance:							
Development assistance and operating expenses	2,499	2,308	2,156	2,221	2,278	2,344	2,393
Multilateral development banks (MDB's)	1,751	1,698	1,532	1,298	1,324	1,173	1,204
Assistance for the New Independent States	765	696	692	595	600	605	622
Food aid	798	1,096	898	918	941	966	991
Refugee programs	638	852	749	733	752	772	791
Assistance for Central and Eastern Europe	444	497	493	492	498	507	519
Voluntary contributions to international organizations	302	287	277	285	292	299	307
Peace Corps	213	239	228	234	242	250	258
Other development and humanitarian assistance	225	313	320	324	321	332	348
Total, International development, humanitarian assistance	7,635	7,986	7,345	7,100	7,248	7,248	7,433
International security assistance:							
Foreign military financing grants and loans	3,012	3,252	3,555	3,661	3,687	3,693	3,727
Economic support fund	2,237	2,465	2,451	2,467	2,502	2,549	2,607
Other security assistance	196	203	238	258	277	281	288
Total, International security assistance	5,445	5,920	6,244	6,386	6,466	6,523	6,622

Table 16–11. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
Conduct of foreign affairs:							
State Department operations	2,008	2,113	2,173	2,243	2,319	2,399	2,481
Foreign buildings	496	435	411	411	402	422	434
Assessed contributions to international organizations	903	886	905	928	952	977	1,002
Assessed contributions for international peacekeeping	190	514	361	370	380	390	400
Other conduct of foreign affairs	156	167	167	174	181	187	196
Total, Conduct of foreign affairs	3,753	4,115	4,017	4,126	4,234	4,375	4,513
Foreign information and exchange activities:							
U.S. Information Agency	1,177	1,154	1,122	1,155	1,191	1,231	1,269
Other information and exchange activities	8	9	8	8	9	9	9
Total, Foreign information and exchange activities	1,185	1,163	1,130	1,163	1,200	1,240	1,278
International financial programs:							
Export-Import Bank	436	492	539	564	590	613	632
Special defense acquisition fund	–137	–134	–84	–22	12	4	1
Other IMF	19	26	24	22	16	9	....
Total, International financial programs	318	384	479	564	618	626	633
Total, Discretionary	18,336	19,568	19,215	19,339	19,766	20,012	20,479
Mandatory:							
International development, humanitarian assistance:							
Credit liquidating accounts	–1,476	–1,472	–1,350	–1,253	–1,238	–1,221	–1,192
Other development and humanitarian assistance	1	–14	–12	–19	–12	–12	–12
Total, International development, humanitarian assistance	–1,475	–1,486	–1,362	–1,272	–1,250	–1,233	–1,204
International security assistance:							
Repayment of foreign military financing loans	–661	–637	–535	–364	–268	–183	–133
Foreign military loan liquidating account	–219	–203	–191	–189	–201	–229	–228
Total, International security assistance	–880	–840	–726	–553	–469	–412	–361
Foreign affairs and information:							
Conduct of foreign affairs	8	–55	–4	7	3	3	3
U.S. Information Agency trust funds	1	1	1	1	1	1	1
Japan-U.S. Friendship Commission	1	1	1	1	....	....	....
Total, Foreign affairs and information	10	–53	–2	9	4	4	4
International financial programs:							
Foreign military sales trust fund (net)	–424	–100	–120	30	80	130	120
International monetary fund	675	....	....	....	....	....	....
Exchange stabilization fund	–1,643	–1,660	–1,745	–1,715	–1,749	–1,764	–1,820
Credit liquidating account (Exim)	–1,048	–497	–368	–350	–265	–238	–176
Other international financial programs	–55	–108	–110	–112	–190	–142	–50
Total, International financial programs	–2,495	–2,365	–2,343	–2,147	–2,124	–2,014	–1,926
Total, Mandatory	–4,840	–4,744	–4,433	–3,963	–3,839	–3,655	–3,487
Total, International affairs	13,496	14,824	14,782	15,376	15,927	16,357	16,992
250 General science, space, and technology:							
Discretionary:							
General science and basic research:							
National Science Foundation programs	2,934	3,176	3,150	3,280	3,378	3,467	3,556
Department of Energy general science programs	1,054	989	1,016	1,042	1,069	1,097	1,126
Total, General science and basic research	3,988	4,165	4,166	4,322	4,447	4,564	4,682
Space flight, research, and supporting activities:							
Science, aeronautics and technology	4,199	4,483	4,645	4,725	5,051	5,156	5,290
Human space flight	5,452	5,420	5,862	5,693	5,928	6,082	6,241

Table 16–11. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1996 Actual	Estimate 1997	1998	1999	2000	2001	2002
Mission support	2,035	2,039	2,182	2,210	2,347	2,432	2,521
Other NASA programs	1,007	406	65	65	29	30	21
Total, Space flight, research, and supporting activities	12,693	12,348	12,754	12,693	13,355	13,700	14,073
Total, Discretionary	16,681	16,513	16,920	17,015	17,802	18,264	18,755
Mandatory:							
General science and basic research:							
National Science Foundation donations	28	38	38	31	31	31	31
Total, General science, space, and technology	16,709	16,551	16,958	17,046	17,833	18,295	18,786
270 Energy:							
Discretionary:							
Energy supply:							
Research and development	3,832	3,467	3,389	3,369	3,431	3,472	3,504
Naval petroleum reserves operations	170	154	146	149	153	157	161
Uranium enrichment activities	439	299	217	211	216	222	228
Decontamination transfer	–350	–377	–388	–398	–410	–421	–435
Nuclear waste program	195	166	185	190	195	201	206
Federal power marketing	329	269	232	245	251	261	269
Rural electric and telephone discretionary loans	124	137	106	91	81	79	76
Financial management services	29	18	17	17	17	17	17
Total, Energy supply	4,768	4,133	3,904	3,874	3,934	3,988	4,026
Energy conservation and preparedness:							
Energy conservation	624	565	553	567	583	598	615
Emergency energy preparedness	141	31	235	234	240	246	252
Total, Energy conservation and preparedness	765	596	788	801	823	844	867
Energy information, policy, and regulation:							
Nuclear Regulatory Commission (NRC)	57	20	9	354	371	388	405
Federal Energy Regulatory Commission fees and recoveries, and other	–52	–31	–22	–22	–23	–24	–25
Departmental and other administration	420	248	187	195	198	204	212
Total, Energy information, policy, and regulation	425	237	174	527	546	568	592
Total, Discretionary	5,958	4,966	4,866	5,202	5,303	5,400	5,485
Mandatory:							
Energy supply:							
Naval petroleum reserves oil and gas sales	–419	–444	–175	–10	–10	–10	–10
Federal power marketing	–943	–818	–853	–776	–750	–754	–799
Tennessee Valley Authority	650	–111	–285	–303	–434	–436	–443
United States Enrichment Corporation	–278	....	–100	–89	–80	–100	–940
Nuclear waste fund program	–628	–649	–655	–657	–659	–660	–660
Rural electric and telephone liquidating accounts	–1,504	–891	–698	–1,868	–890	–1,061	–863
Total, Energy supply	–3,122	–2,913	–2,766	–3,703	–2,823	–3,021	–3,715
Total, Energy	2,836	2,053	2,100	1,499	2,480	2,379	1,770
300 Natural resources and environment:							
Discretionary:							
Water resources:							
Corps of Engineers	3,676	3,661	3,525	3,641	3,802	3,917	4,037
Bureau of Reclamation	769	975	797	824	848	874	902
Other discretionary water resources programs	369	358	159	195	228	236	251
Total, Water resources	4,814	4,994	4,481	4,660	4,878	5,027	5,190
Conservation and land management:							
Forest Service	2,331	2,600	2,612	2,739	2,837	2,939	3,044
Management of public lands (BLM)	915	1,109	998	1,008	1,043	1,078	1,114
Conservation of agricultural lands	773	806	735	727	749	773	785

Table 16–11. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
Other conservation and land management programs	600	596	599	610	623	645	664
Total, Conservation and land management	4,619	5,111	4,944	5,084	5,252	5,435	5,607
Recreational resources:							
Operation of recreational resources	2,290	2,295	2,364	2,414	2,485	2,572	2,661
Other recreational resources activities	23	34	41	42	43	44	45
Total, Recreational resources	2,313	2,329	2,405	2,456	2,528	2,616	2,706
Pollution control and abatement:							
Regulatory, enforcement, and research programs	2,273	2,589	2,589	2,626	2,694	2,780	2,868
State and tribal assistance grants	2,573	2,500	2,507	2,634	2,840	3,096	3,063
Hazardous substance superfund	1,416	1,376	1,380	1,394	1,420	1,460	1,528
Other control and abatement activities	151	126	131	135	140	144	149
Total, Pollution control and abatement	6,413	6,591	6,607	6,789	7,094	7,480	7,608
Other natural resources:							
NOAA	2,027	1,936	2,024	2,065	2,146	2,201	2,269
Other natural resource program activities	761	797	777	810	838	868	897
Total, Other natural resources	2,788	2,733	2,801	2,875	2,984	3,069	3,166
Total, Discretionary	20,947	21,758	21,238	21,864	22,736	23,627	24,277
Mandatory:							
Water resources:							
Mandatory water resource programs	–197	44	–147	–44	–81	–74	–98
Conservation and land management:							
Conservation Reserve Program	1,739	2,010	2,219	2,182	2,268	2,270	2,261
Other conservation programs	894	810	734	552	535	533	533
Offsetting receipts	–1,856	–2,011	–2,079	–2,115	–2,129	–2,156	–2,200
Total, Conservation and land management	777	809	874	619	674	647	594
Recreational resources:							
Operation of recreational resources	599	711	735	742	696	711	730
Offsetting receipts	–239	–294	–308	–317	–236	–236	–240
Total, Recreational resources	360	417	427	425	460	475	490
Pollution control and abatement:							
Superfund resources and other mandatory	–233	–143	–124	–100	–100	–101	–101
Other natural resources:							
Other fees and mandatory programs	–40	–82	–18	–37	–42	–40	–42
Total, Mandatory	667	1,045	1,012	863	911	907	843
Total, Natural resources and environment	21,614	22,803	22,250	22,727	23,647	24,534	25,120
350 Agriculture:							
Discretionary:							
Farm income stabilization:							
Agriculture credit insurance loan subsidies	409	370	400	409	423	436	450
P.L.480 market development activities	286	188	194	196	201	206	211
Administrative expenses	756	842	839	864	890	917	944
Total, Farm income stabilization	1,451	1,400	1,433	1,469	1,514	1,559	1,605
Agricultural research and services:							
Research programs	1,175	1,255	1,285	1,330	1,372	1,423	1,450
Extension programs	403	419	433	445	457	469	481
Marketing programs	42	40	36	41	43	44	45
Animal and plant inspection programs	481	429	462	471	471	483	496
Economic intelligence	128	150	159	164	172	177	184

Table 16–11. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
Grain inspection user fees	22	23	24	25	25	25	26
Other programs and unallocated overhead	434	430	477	478	491	507	524
Total, Agricultural research and services	2,685	2,746	2,876	2,954	3,031	3,128	3,206
Total, Discretionary	4,136	4,146	4,309	4,423	4,545	4,687	4,811
Mandatory:							
Farm income stabilization:							
Commodity Credit Corporation	4,634	5,836	7,739	7,278	6,774	5,573	5,299
Crop insurance and other farm credit activities	1,573	1,589	1,528	1,472	1,455	1,520	1,605
Credit liquidating accounts (ACIF and FAC)	–1,181	–1,325	–1,155	–1,213	–1,164	–1,113	–1,117
Total, Farm income stabilization	5,026	6,100	8,112	7,537	7,065	5,980	5,787
Agricultural research and services:							
Miscellaneous mandatory programs	145	168	206	205	228	226	216
Offsetting receipts	–148	–136	–137	–137	–137	–137	–137
Total, Agricultural research and services	–3	32	69	68	91	89	79
Total, Mandatory	5,023	6,132	8,181	7,605	7,156	6,069	5,866
Total, Agriculture	9,159	10,278	12,490	12,028	11,701	10,756	10,677
370 Commerce and housing credit:							
Discretionary:							
Mortgage credit:							
Federal Housing Administration (FHA) Loan Subsidies	398	–242	272	272	286	278	280
Government National Mortgage Association (GNMA)	....	....	....	....	1	1	1
Other Housing and Urban Development	1	2	4	4	5	5	6
Rural housing insurance fund	671	626	604	597	613	633	655
Total, Mortgage credit	1,070	386	880	873	905	917	942
Postal service:							
Payments to the Postal Service fund (On-budget)	85	85	87	89	92	94	97
Deposit insurance:							
FSLIC Resolution Fund (transfer of balances)	4	....	....	....	....	....	....
Other discretionary	7	1	....	....	....	....	....
Total, Deposit insurance	11	1	....	....	....	....	....
Other advancement of commerce:							
Small and minority business assistance	505	541	564	578	593	608	624
Science and technology	595	708	672	676	684	684	700
Economic and demographic statistics	306	371	402	419	434	449	466
Regulatory agencies	178	173	134	170	174	178	184
International Trade Administration	246	261	273	289	296	306	317
Other discretionary	151	84	95	130	136	135	145
Total, Other advancement of commerce	1,981	2,138	2,140	2,262	2,317	2,360	2,436
Total, Discretionary	3,147	2,610	3,107	3,224	3,314	3,371	3,475
Mandatory:							
Mortgage credit:							
FHA and GNMA negative subsidies	–1,012	....	–1,315	–1,637	–1,712	–1,793	–1,953
Mortgage credit liquidating accounts	–4,824	–3,624	–629	–1,153	–1,367	–1,537	–1,475
Other mortgage credit activities	13	18	5	2	....	....	....
Total, Mortgage credit	–5,823	–3,606	–1,939	–2,788	–3,079	–3,330	–3,428
Postal service:							
Payments to the Postal Service fund for nonfunded liabilities (On-budget)	37	36	35	33	32	30	29

Table 16–11. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1996 Actual	Estimate 1997	1998	1999	2000	2001	2002
Postal Service (Off-budget)	–626	1,976	4,059	844	–171	–1,760	–1,343
Total, Postal service	–589	2,012	4,094	877	–139	–1,730	–1,314
Deposit insurance:							
Resolution Trust Corporation Fund	–2,428						
Bank Insurance Fund	–1,089	–3,528	–1,100	156	–293	–834	–864
FSLIC Resolution Fund	–3,610	–3,834	–2,241	–1,834	–902	–906	–543
Savings Association Insurance Fund	–1,060	–4,535	–406	–65	56	354	124
National Credit Union Administration	–179	–169	–172	–168	–168	–168	–168
Other deposit insurance activities	–39	9					
Total, Deposit insurance	–8,405	–12,057	–3,919	–1,911	–1,307	–1,554	–1,451
Other advancement of commerce:							
Universal Service Fund	957	1,400	2,240	6,350	11,325	12,194	12,838
Payments to copyright owners	5	180	278	220	220	220	220
Spectrum auction subsidy	1	838	388				
Regulatory fees	–41	–38	–38	–38	–38	–38	–38
Patent and trademark fees	–111	–115	–119				
Credit liquidating accounts	–85	–82	–259	–180	–90	–88	–85
Other mandatory	298	50	–16	–18	33	34	36
Total, Other advancement of commerce	1,024	2,233	2,474	6,334	11,450	12,322	12,971
Total, Mandatory	–13,793	–11,418	710	2,512	6,925	5,708	6,778
Total, Commerce and housing credit	–10,646	–8,808	3,817	5,736	10,239	9,079	10,253
400 Transportation:							
Discretionary:							
Ground transportation:							
Highways	17,838	17,783	18,135	18,533	18,931	19,268	19,725
State infrastructure banks		22	102	130	140	148	156
Highway safety	348	400	403	410	404	413	425
Mass transit	4,372	4,464	4,107	4,299	4,338	4,564	4,706
Railroads	1,012	917	1,100	1,232	1,105	1,131	1,161
Regulation	21	16	12	13	13	14	14
Total, Ground transportation	23,591	23,602	23,859	24,617	24,931	25,538	26,187
Air transportation:							
Airports and airways (FAA)	8,926	8,554	8,548	8,725	8,953	9,217	9,570
Aeronautical research and technology	1,187	1,348	1,263	1,297	1,383	1,419	1,462
Payments to air carriers	22	27	26	27	28	29	29
Total, Air transportation	10,135	9,929	9,837	10,049	10,364	10,665	11,061
Water transportation:							
Marine safety and transportation	2,734	2,611	2,731	2,891	3,037	3,147	3,249
Ocean shipping	297	294	203	217	204	155	163
Panama Canal Commission	–34	–26	–32	–1	39	19	
Total, Water transportation	2,997	2,879	2,902	3,107	3,280	3,321	3,412
Other transportation:							
Other discretionary programs	341	337	360	371	383	393	408
Total, Discretionary	37,064	36,747	36,958	38,144	38,958	39,917	41,068
Mandatory:							
Ground transportation:							
Highways	2,082	1,967	1,834	1,586	1,386	1,227	1,115
Mass transit	1						
Offsetting receipts and liquidating accounts	–24	–25	–35	–26	–30	–30	–30
Total, Ground transportation	2,059	1,942	1,799	1,560	1,356	1,197	1,085

Table 16–11. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
Air transportation:							
Airports and airways (FAA)	....	....	50	50	50	50	50
Payments to air carriers	....	....	30	50	50	50	50
Total, Air transportation	....	....	80	100	100	100	100
Water transportation:							
Coast Guard retired pay	569	592	635	671	705	741	776
Other water transportation programs	–106	–53	–102	29	22	25	25
Total, Water transportation	463	539	533	700	727	766	801
Other transportation:							
Other mandatory transportation programs	–21	–31	–31	–31	–32	–32	–32
Total, Mandatory	2,501	2,450	2,381	2,329	2,151	2,031	1,954
Total, Transportation	39,565	39,197	39,339	40,473	41,109	41,948	43,022
450 Community and regional development:							
Discretionary:							
Community development:							
Community development loan guarantees	1	23	36	34	35	36	37
Community development block grant	4,545	4,837	4,644	4,890	4,785	4,862	4,982
Community development financial institutions	2	63	63	51	52	54	55
Other community development programs	291	379	331	310	282	283	293
Total, Community development	4,839	5,302	5,074	5,285	5,154	5,235	5,367
Area and regional development:							
Rural development	741	850	964	932	881	851	846
Economic Development Administration	415	466	409	416	396	391	402
Indian programs	980	962	943	968	1,009	1,041	1,073
Appalachian Regional Commission	236	197	188	191	174	167	181
Tennessee Valley Authority	107	109	108	92	102	118	122
Total, Area and regional development	2,479	2,584	2,612	2,599	2,562	2,568	2,624
Disaster relief and insurance:							
Small Business Administration disaster loans	434	311	389	342	351	360	370
Disaster relief	2,232	3,593	2,782	2,886	2,052	1,433	1,471
Other disaster assistance programs	384	462	359	365	373	386	398
Total, Disaster relief and insurance	3,050	4,366	3,530	3,593	2,776	2,179	2,239
Total, Discretionary	10,368	12,252	11,216	11,477	10,492	9,982	10,230
Mandatory:							
Community development:							
Pennsylvania Avenue activities and other programs	111	186	85	....	....	....	....
Credit liquidating accounts	–90	–34	–43	–41	–38	–37	–35
Total, Community development	21	152	42	–41	–38	–37	–35
Area and regional development:							
Indian programs	351	500	438	438	454	459	459
Rural development programs	68	428	13	31	41	38	23
Credit liquidating accounts	128	–286	64	227	207	200	46
Offsetting receipts	–359	–258	–254	–254	–258	–264	–268
Total, Area and regional development	188	384	261	442	444	433	260
Disaster relief and insurance:							
National flood insurance fund	310	77	–69	–93	–114	–139	–160

Table 16–11. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1996 Actual	Estimate 1997	1998	1999	2000	2001	2002
Credit liquidating accounts	–202	–270	–346	–245	–166	–2	–2
Total, Disaster relief and insurance	108	–193	–415	–338	–280	–141	–162
Total, Mandatory	317	343	–112	63	126	255	63
Total, Community and regional development	10,685	12,595	11,104	11,540	10,618	10,237	10,293
500 Education, training, employment, and social services:							
Discretionary:							
Elementary, secondary, and vocational education:							
Education reform	271	691	666	820	741	744	764
School improvement programs	1,246	1,516	1,416	1,539	1,517	1,536	1,576
Education for the disadvantaged	7,019	7,235	7,472	8,046	8,161	8,317	8,533
Special education	3,222	3,426	3,746	4,222	4,222	4,332	4,445
Impact aid	952	901	783	784	784	805	826
Vocational and adult education	1,341	1,589	1,482	1,522	1,562	1,602	1,644
Indian education programs	622	610	599	636	649	669	689
Bilingual and immigrant education	185	225	266	272	275	282	290
Other	6	13	11	7	8	8	8
Total, Elementary, secondary, and vocational education	14,864	16,206	16,441	17,848	17,919	18,295	18,775
Higher education:							
Student financial assistance	6,862	7,599	7,847	7,912	8,038	8,141	8,224
Higher education account	846	880	888	902	924	948	972
Federal family education loan program	41	41	42	48	50	52	53
Other higher education programs	323	316	334	343	351	361	370
Total, Higher education	8,072	8,836	9,111	9,205	9,363	9,502	9,619
Research and general education aids:							
Library of Congress	252	269	271	258	270	279	289
Public broadcasting	324	316	299	293	297	301	309
Smithsonian institution	431	469	472	504	524	543	561
Education research, statistics, and improvement	311	412	555	610	630	646	663
Other	882	799	738	744	756	780	805
Total, Research and general education aids	2,200	2,265	2,335	2,409	2,477	2,549	2,627
Training and employment:							
Training and employment services	4,296	4,718	4,674	4,739	4,936	5,085	5,219
Older Americans employment	382	407	440	474	489	501	514
Federal-State employment service	1,241	1,246	1,206	1,279	1,313	1,362	1,398
Other employment and training	81	78	78	86	89	92	95
Total, Training and employment	6,000	6,449	6,398	6,578	6,827	7,040	7,226
Other labor services:							
Labor law, statistics, and other administration	925	1,004	1,035	1,064	1,103	1,142	1,182
Social services:							
National service initiative	478	504	545	566	624	641	656
Children and families services programs	4,751	5,067	5,445	5,585	5,709	5,856	6,010
Aging services program	818	851	846	878	892	915	939
Other	12	7	5	2	2	2	2
Total, Social services	6,059	6,429	6,841	7,031	7,227	7,414	7,607
Total, Discretionary	38,120	41,189	42,161	44,135	44,916	45,942	47,036
Mandatory:							
Elementary, secondary, and vocational education:							
Vocational and adult education	7	9	7	7	7	7	7
Higher education:							
Federal family education loan program	3,007	322	2,351	2,194	2,130	2,196	2,316
Federal direct loan program	595	412	1,126	1,353	1,342	1,242	1,262

Table 16–11. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1996 Actual	Estimate 1997	1998	1999	2000	2001	2002
Other higher education programs	–98	–82	–84	–78	–78	–77	–76
Credit liquidating account (Family education loan program)	615	6	–414	–541	–558	–595	–583
Total, Higher education	4,119	658	2,979	2,928	2,836	2,766	2,919
Research and general education aids:							
Mandatory programs	15	18	18	20	20	19	20
Training and employment:							
Trade adjustment assistance	99	107	110	108	101	97	97
Payments to States for AFDC work programs	931	324	89	10	....	....	....
Total, Training and employment	1,030	431	199	118	101	97	97
Social services:							
Payments to States for foster care and adoption assistance	3,691	3,789	4,071	4,391	4,766	5,162	5,583
Family support and preservation	126	186	227	247	253	255	255
Social services block grant	2,484	2,694	2,621	2,611	2,607	2,453	2,380
Rehabilitation services	2,411	2,702	2,626	2,653	2,703	2,775	2,850
Other social services	–2	....	....	....	....	....	....
Total, Social services	8,710	9,371	9,545	9,902	10,329	10,645	11,068
Total, Mandatory	13,881	10,487	12,748	12,975	13,293	13,534	14,111
Total, Education, training, employment, and social services	52,001	51,676	54,909	57,110	58,209	59,476	61,147
550 Health:							
Discretionary:							
Health care services:							
Substance abuse and mental health services	2,084	1,880	2,080	2,207	2,270	2,330	2,391
Indian health	2,027	2,117	2,117	2,190	2,261	2,341	2,425
Other discretionary health care services programs	5,722	5,305	5,482	5,643	5,680	5,834	5,994
Total, Health care services	9,833	9,302	9,679	10,040	10,211	10,505	10,810
Health research and training:							
National Institutes of Health	10,212	12,146	12,791	13,203	13,559	13,900	14,267
Clinical training	291	288	296	304	313	322	330
Other health research and training	306	247	292	319	327	339	350
Total, Health research and training	10,809	12,681	13,379	13,826	14,199	14,561	14,947
Consumer and occupational health and safety:							
Food safety and inspection	533	572	601	626	651	678	706
Occupational safety and health	489	534	555	574	593	614	635
Other consumer health programs	908	961	978	993	1,029	1,067	1,105
Total, Consumer and occupational health and safety	1,930	2,067	2,134	2,193	2,273	2,359	2,446
Total, Discretionary	22,572	24,050	25,192	26,059	26,683	27,425	28,203
Mandatory:							
Health care services:							
Medicaid grants	91,990	98,503	104,456	111,203	119,580	129,105	139,171
Federal employees' and retired employees' health benefits	4,135	4,300	4,415	4,440	4,520	4,845	5,284
Coal miners retirees health benefits	351	342	336	328	320	314	307
Other mandatory health services activities	313	336	362	322	317	332	324
Total, Health care services	96,789	103,481	109,569	116,293	124,737	134,596	145,086
Health research and safety:							
Health research and training	18	60	32	28	27	25	21

Table 16–11. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1996 Actual	Estimate 1997	1998	1999	2000	2001	2002
Consumer and occupational health and safety	–1						
Total, Health research and safety	17	60	32	28	27	25	21
Total, Mandatory	96,806	103,541	109,601	116,321	124,764	134,621	145,107
Total, Health	119,378	127,591	134,793	142,380	151,447	162,046	173,310
570 Medicare:							
Discretionary:							
Medicare:							
Hospital insurance (HI) administrative expenses	1,188	1,154	1,169	1,209	1,265	1,320	1,382
Supplementary medical insurance (SMI) administrative expenses	1,765	1,546	1,541	1,591	1,651	1,716	1,786
Total, Discretionary	2,953	2,700	2,710	2,800	2,916	3,036	3,168
Mandatory:							
Medicare:							
Hospital insurance (HI)	126,495	136,317	147,473	159,482	171,999	185,579	199,625
Supplementary medical insurance (SMI)	67,181	74,941	82,475	91,145	100,047	109,702	120,621
Medicare premiums and collections	–22,404	–19,702	–21,307	–22,416	–23,286	–24,192	–25,181
Total, Mandatory	171,272	191,556	208,641	228,211	248,760	271,089	295,065
Total, Medicare	174,225	194,256	211,351	231,011	251,676	274,125	298,233
600 Income security:							
Discretionary:							
General retirement and disability insurance:							
Railroad retirement	312	300	307	314	321	327	335
Pension Benefit Guaranty Corporation	11	10	10	10	11	11	12
Pension and Welfare Benefits Administration and other	64	82	81	83	86	89	92
Total, General retirement and disability insurance	387	392	398	407	418	427	439
Federal employee retirement and disability:							
Civilian retirement and disability program administrative expenses	81	92	97	93	96	99	103
Armed forces retirement home	56	61	58	60	63	64	67
Total, Federal employee retirement and disability	137	153	155	153	159	163	170
Unemployment compensation:							
Unemployment programs administrative expenses	2,315	2,361	2,634	2,855	2,960	3,071	3,151
Housing assistance:							
Subsidized, public, homeless and other HUD housing	26,094	28,354	28,745	29,234	29,674	30,432	31,262
Rural housing assistance	565	607	593	621	653	661	667
Other housing assistance	1	1					
Total, Housing assistance	26,660	28,962	29,338	29,855	30,327	31,093	31,929
Food and nutrition assistance:							
Special supplemental food program for women, infants, and children (WIC)	3,678	3,769	3,820	3,919	4,021	4,126	4,233
Other nutrition programs	508	548	517	542	558	574	591
Total, Food and nutrition assistance	4,186	4,317	4,337	4,461	4,579	4,700	4,824
Other income assistance:							
Refugee assistance	361	429	425	440	453	464	476
Low income home energy assistance	1,067	1,097	996	1,020	1,045	1,073	1,101
Child care and development block grant	933	959	956	959	976	1,000	1,026
Supplemental security income (SSI) administrative expenses	1,949	2,133	2,234	2,300	2,375	2,457	2,543
Total, Other income assistance	4,310	4,618	4,611	4,719	4,849	4,994	5,146
Total, Discretionary	37,995	40,803	41,473	42,450	43,292	44,448	45,659

Table 16–11. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1996 Actual	Estimate 1997	1998	1999	2000	2001	2002
Mandatory:							
General retirement and disability insurance:							
Railroad retirement	4,365	4,235	4,245	4,246	4,375	4,546	4,485
Special benefits for disabled coal miners	1,216	1,181	1,118	1,073	1,028	982	937
Pension Benefit Guaranty Corporation	–862	–1,320	–1,296	–1,284	–1,053	–1,041	–1,066
Special workers' compensation expenses	128	143	144	150	159	166	174
Total, General retirement and disability insurance	4,847	4,239	4,211	4,185	4,509	4,653	4,530
Federal employee retirement and disability:							
Federal civilian employee retirement and disability	40,141	41,889	43,922	45,969	47,993	50,039	52,293
Military retirement	28,831	30,105	31,251	32,389	33,477	34,512	35,537
Federal employees workers' compensation (FECA)	61	118	130	199	289	282	359
Federal employees life insurance fund	–1,077	–1,051	–1,201	–1,147	–1,128	–1,117	–1,095
Total, Federal employee retirement and disability	67,956	71,061	74,102	77,410	80,631	83,716	87,094
Unemployment compensation:							
Unemployment insurance programs	22,393	22,556	24,445	25,892	27,159	28,258	29,310
Trade adjustment assistance	190	200	230	226	242	244	246
Total, Unemployment compensation	22,583	22,756	24,675	26,118	27,401	28,502	29,556
Housing assistance:							
Mandatory housing assistance programs	94	100	93	–4	–6	–6	–7
Food and nutrition assistance:							
Food stamps (including Puerto Rico)	25,422	24,500	25,034	26,147	27,017	27,919	28,802
State child nutrition programs	7,875	8,258	8,485	8,854	9,304	9,770	10,275
Funds for strengthening markets, income, and supply (Sec.32)	450	467	416	417	417	417	417
Total, Food and nutrition assistance	33,747	33,225	33,935	35,418	36,738	38,106	39,494
Other income support:							
Supplemental security income (SSI)	24,125	26,563	25,500	26,793	29,717	26,454	29,722
Family support payments	16,670	6,426	3,024	2,708	2,815	2,899	3,090
Federal share of child support collections	....	–839	–1,032	–1,097	–1,106	–1,110	–1,208
Temporary assistance for needy families and related programs	....	12,388	16,682	17,500	17,266	17,232	16,997
Child care entitlement to states	....	1,592	1,922	2,088	2,227	2,212	2,442
Earned income tax credit (EITC)	19,159	21,163	21,983	22,864	23,818	24,634	25,518
Other assistance	....	41	59	54	67	68	69
SSI recoveries and receipts	–1,187	–1,324	–1,390	–1,452	–1,626	–1,474	–1,648
Total, Other income support	58,767	66,010	66,748	69,458	73,178	70,915	74,982
Total, Mandatory	187,994	197,391	203,764	212,585	222,451	225,886	235,649
Total, Income security	225,989	238,194	245,237	255,035	265,743	270,334	281,308
650 Social security:							
Discretionary:							
Social security:							
Old-age and survivors insurance (OASI)administrative expenses	1,588	2,114	2,144	2,261	2,339	2,373	2,456
Disability insurance (DI) administrative expenses	1,033	1,360	1,470	1,491	1,539	1,580	1,633
Office of the Inspector General—Social Security Adm.	4	7	6	7	14	14	14
Total, Discretionary	2,625	3,481	3,620	3,759	3,892	3,967	4,103
Mandatory:							
Social security:							
Old-age and survivors insurance (OASI)(Off-budget)	303,864	317,376	330,517	344,515	359,469	375,844	392,349
Quinquennial OASI and DI adjustments	–332	....	....	....	....	–553	....
Disability insurance (DI)(Off-budget)	43,517	46,846	50,418	54,107	58,266	62,672	67,337

Table 16–11. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1996 Actual	Estimate 1997	1998	1999	2000	2001	2002
Intragovernmental transactions	2	10	....	....	....	....	....
Total, Mandatory	347,051	364,232	380,935	398,622	417,735	437,963	459,686
Total, Social security	349,676	367,713	384,555	402,381	421,627	441,930	463,789
700 Veterans benefits and services:							
Discretionary:							
Veterans education, training, and rehabilitation:							
Loan fund program account	2	2	2	1	1	1	1
Hospital and medical care for veterans:							
Medical care and hospital services	16,343	17,355	17,956	18,558	19,214	19,892	20,596
Construction of medical facilities	696	547	480	452	460	475	490
Total, Hospital and medical care for veterans	17,039	17,902	18,436	19,010	19,674	20,367	21,086
Veterans housing:							
Housing program loan subsidies	118	139	146	152	158	164	171
Other veterans benefits and services:							
Other general operating expenses	1,006	1,027	1,020	1,055	1,094	1,132	1,175
Total, Discretionary	18,165	19,070	19,604	20,218	20,927	21,664	22,433
Mandatory:							
Income security for veterans:							
Compensation	14,220	16,160	16,436	16,566	17,899	15,439	16,816
Proposed Legislation (non-PAYGO)	....	....	298	773	1,162	1,524	2,005
Subtotal, Compensation	14,220	16,160	16,734	17,339	19,061	16,963	18,821
Pensions	2,834	3,140	3,177	3,706	4,020	3,515	3,866
Burial benefits and miscellaneous assistance	114	117	119	121	124	127	130
National service life insurance trust fund	1,240	1,323	1,304	1,319	1,322	1,308	1,293
All other insurance programs	31	58	65	63	–15	–11	–9
Insurance program receipts	–238	–258	–218	–207	–193	–178	–163
Total, Income security for veterans	18,201	20,540	21,181	22,341	24,319	21,724	23,938
Veterans education, training, and rehabilitation:							
Readjustment benefits (GI Bill and related programs)	1,213	1,342	1,409	1,462	1,469	1,512	1,529
Post-Vietnam era education	27	80	33	21	16	10	9
All-volunteer force educational assistance trust fund	–128	–345	–224	–234	–235	–240	–234
Total, Veterans education, training, and rehabilitation	1,112	1,077	1,218	1,249	1,250	1,282	1,304
Hospital and medical care for veterans:							
Fees, charges and other mandatory medical care	–453	–416	–470	–311	–360	–408	–456
Veterans housing:							
Housing loan subsidies	94	–581	192	396	386	377	374
Housing loan liquidating account	–146	–75	–126	–90	–67	–49	–32
Total, Veterans housing	–52	–656	66	306	319	328	342
Other veterans programs:							
Other mandatory veterans programs	12	34	38	38	77	61	28
Total, Mandatory	18,820	20,579	22,033	23,623	25,605	22,987	25,156
Total, Veterans benefits and services	36,985	39,649	41,637	43,841	46,532	44,651	47,589
750 Administration of justice:							
Discretionary:							
Federal law enforcement activities:							
Criminal investigations (DEA, FBI, FinCEN, ICDE)	3,263	3,503	3,834	4,349	4,451	4,586	4,722
Alcohol, tobacco, and firearms investigations (ATF)	396	456	482	502	520	539	559

Table 16–11. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1996 Actual	Estimate 1997	1998	1999	2000	2001	2002
Border enforcement activities (Customs and INS)	2,869	3,729	3,831	4,051	4,200	4,348	4,495
Equal Employment Opportunity Commission	225	256	245	252	259	265	272
Other law enforcement activities	1,044	1,149	1,221	1,298	1,343	1,390	1,441
Total, Federal law enforcement activities	7,797	9,093	9,613	10,452	10,773	11,128	11,489
Federal litigative and judicial activities:							
Civil and criminal prosecution and representation	2,222	2,292	2,424	2,558	2,615	2,697	2,790
Representation of indigents in civil cases	282	257	289	297	304	312	320
Federal judicial and other litigative activities	2,927	3,123	3,101	3,265	3,379	3,495	3,618
Total, Federal litigative and judicial activities	5,431	5,672	5,814	6,120	6,298	6,504	6,728
Correctional activities:							
Discretionary programs	3,082	3,151	3,262	3,739	3,818	3,839	3,897
Criminal justice assistance:							
Discretionary programs	1,274	2,101	4,314	5,510	4,722	4,441	4,961
Total, Discretionary	17,584	20,017	23,003	25,821	25,611	25,912	27,075
Mandatory:							
Federal law enforcement activities:							
Assets forfeiture fund	390	379	352	402	399	399	399
Border enforcement activities (Customs and INS)	1,108	1,392	1,476	1,484	1,536	1,590	1,646
Customs and INS fees	–2,161	–2,261	–2,319	–2,390	–2,476	–2,542	–2,622
Other mandatory law enforcement programs	278	296	294	294	301	304	307
Total, Federal law enforcement activities	–385	–194	–197	–210	–240	–249	–270
Federal litigative and judicial activities:							
Mandatory programs	246	623	479	445	452	460	471
Correctional activities:							
Mandatory programs	–69	–47	–31	–26	–26	–26	–27
Criminal justice assistance:							
Mandatory programs	172	385	315	330	214	219	226
Total, Mandatory	–36	767	566	539	400	404	400
Total, Administration of justice	17,548	20,784	23,569	26,360	26,011	26,316	27,475
800 General government:							
Discretionary:							
Legislative functions:							
Legislative branch discretionary programs	1,873	1,938	1,947	2,014	2,083	2,158	2,231
Executive direction and management:							
Drug control programs	73	118	108	112	114	117	120
Executive Office of the President	178	179	187	191	195	202	211
Presidential transition and former Presidents	2	2	2	2	2	2	2
Total, Executive direction and management	253	299	297	305	311	321	333
Central fiscal operations:							
Tax administration	7,183	7,133	7,347	7,584	7,842	8,130	8,429
Other fiscal operations	488	531	544	594	621	643	675
Total, Central fiscal operations	7,671	7,664	7,891	8,178	8,463	8,773	9,104
General property and records management:							
Real property activities	390	701	622	581	740	690	612
Records management	198	200	217	225	229	236	242
Other general and records management	281	197	193	202	181	173	180
Total, General property and records management	869	1,098	1,032	1,008	1,150	1,099	1,034

Table 16–11. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
Central personnel management:							
Discretionary central personnel management programs	103	153	154	162	167	173	180
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	712	719	738	757	777	797	817
Payments to States and counties from Federal land management activities	11	11	11	12	12	12	13
Payments in lieu of taxes	113	114	117	120	123	126	130
Other	....	2	2	1	1	1	1
Total, General purpose fiscal assistance	836	846	868	890	913	936	961
Other general government:							
Discretionary programs	158	177	171	177	177	177	183
Total, Discretionary	11,763	12,175	12,360	12,734	13,264	13,637	14,026
Mandatory:							
Legislative functions:							
Congressional members compensation and other	92	94	101	94	96	96	95
Executive direction and management:							
Mandatory programs	–1	....	....	....	....	....	....
Central fiscal operations:							
Mandatory programs	–212	–121	–182	–184	–186	–188	–189
General property and records management:							
Mandatory programs	–26	17	13	12	–3	–3	–5
Offsetting receipts	–23	–21	–21	–20	–18	–18	–18
Total, General property and records management	–49	–4	–8	–8	–21	–21	–23
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	–12	–12	–12	–12	–12	–15	....
Payments to States and counties	737	811	840	778	799	821	844
Payments to territories and Puerto Rico	110	123	127	130	134	138	143
Tax revenues for Puerto Rico (Treasury, BATF)	221	230	230	230	230	230	230
Other general purpose fiscal assistance	89	92	94	96	98	100	102
Total, General purpose fiscal assistance	1,145	1,244	1,279	1,222	1,249	1,274	1,319
Other general government:							
Territories	194	177	192	215	217	184	169
Treasury claims	509	750	635	635	610	610	610
Presidential election campaign fund	209	3	....	26	233	7	....
Other mandatory programs	–64	–25	–46	–55	–72	–52	–66
Total, Other general government	848	905	781	821	988	749	713
Deductions for offsetting receipts:							
Offsetting receipts	–1,694	–1,184	–1,184	–1,184	–1,184	–1,184	–1,184
Total, Mandatory	129	934	787	761	942	726	731
Total, General government	11,892	13,109	13,147	13,495	14,206	14,363	14,757
900 Net interest:							
Mandatory:							
Interest on the public debt:							
Interest on the public debt	343,955	356,717	365,230	370,899	371,867	374,080	375,930
Interest received by on-budget trust funds:							
Civil service retirement and disability fund	–28,530	–30,727	–32,023	–32,942	–33,347	–33,887	–34,507
Military retirement	–11,501	–11,600	–11,800	–12,000	–12,300	–12,500	–12,700
Medicare	–11,777	–11,389	–10,314	–8,654	–6,405	–3,661	–1,562

Table 16–11. CURRENT SERVICES OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(in millions of dollars)

Source	1996 Actual	Estimate					
		1997	1998	1999	2000	2001	2002
Other on-budget trust funds	–9,061	–9,019	–8,726	–8,987	–9,149	–9,447	–9,730
Total, Interest received by on-budget trust funds	–60,869	–62,735	–62,863	–62,583	–61,201	–59,495	–58,499
Interest received by off-budget trust funds:							
Interest received by social security trust funds	–36,507	–41,238	–45,199	–49,228	–53,181	–57,272	–61,554
Other interest:							
Interest on loans to Federal Financing Bank	–6,458	–4,351	–3,958	–3,503	–3,121	–2,779	–2,425
Interest on refunds of tax collections	2,172	2,644	2,753	2,855	2,991	3,143	3,295
Payment to the Resolution Funding Corporation	2,328	2,328	2,328	2,328	2,328	2,328	2,328
Interest paid to loan guarantee financing accounts	2,350	2,438	2,504	2,563	2,623	2,688	2,767
Interest received from direct loan financing accounts	–3,031	–4,391	–5,732	–6,982	–8,217	–9,477	–10,747
Interest on deposits in tax and loan accounts	–757	–736	–750	–750	–750	–750	–750
Interest received from Outer Continental Shelf escrow account, Interior	–1	....	–1,142	....	....	....	....
All other interest	–2,092	–3,083	–3,232	–3,158	–3,142	–3,115	–3,175
Total, Other interest	–5,489	–5,151	–7,229	–6,647	–7,288	–7,962	–8,707
Total, Mandatory	241,090	247,593	249,939	252,441	250,197	249,351	247,170
Total, Net interest	241,090	247,593	249,939	252,441	250,197	249,351	247,170
950 Undistributed offsetting receipts:							
Mandatory:							
Employer share, employee retirement (on-budget):							
Contributions to military retirement fund	–11,174	–11,180	–10,544	–10,566	–10,730	–10,850	–11,078
Postal Service contributions to Civil Service Retirement and Disability Fund	–5,712	–5,916	–6,103	–6,065	–6,280	–6,488	–6,733
Other contributions to civil and foreign service retirement and disability fund	–7,991	–8,303	–8,971	–9,348	–9,783	–10,304	–10,879
Contributions to HI trust fund	–2,382	–2,470	–2,625	–2,777	–2,942	–3,072	–3,259
Total, Employer share, employee retirement (on-budget)	–27,259	–27,869	–28,243	–28,756	–29,735	–30,714	–31,949
Employer share, employee retirement (off-budget):							
Contributions to social security trust funds	–6,278	–6,505	–7,028	–7,633	–8,356	–8,942	–9,781
Rents and royalties on the Outer Continental Shelf:							
OCS Receipts	–3,741	–4,152	–4,375	–4,036	–3,885	–4,050	–4,254
Sale of major assets:							
Proceeds from Sale of U.S. Enrichment Corporation	....	....	–1,800	....	....	....	....
Privatization of Elk Hills	....	....	–2,415	....	....	....	....
Proceeds from sale of Power Marketing Administrations	....	....	–85	....	....	....	....
Total, Sale of major assets	....	....	–4,300	....	....	....	....
Other undistributed offsetting receipts:							
Spectrum Auction	–342	–7,961	–9,359	–1,304	–264	–132	....
Total, Mandatory	–37,620	–46,487	–53,305	–41,729	–42,240	–43,838	–45,984
Total, Undistributed offsetting receipts	–37,620	–46,487	–53,305	–41,729	–42,240	–43,838	–45,984
Total	1,560,330	1,631,489	1,693,378	1,784,756	1,858,585	1,922,289	2,002,309
On-budget	(1,259,872)	(1,316,487)	(1,364,613)	(1,446,501)	(1,507,340)	(1,557,060)	(1,621,127)
Off-budget	(300,458)	(315,002)	(328,765)	(338,255)	(351,245)	(365,229)	(381,182)

OTHER TECHNICAL PRESENTATIONS

17. TRUST FUNDS AND FEDERAL FUNDS

The budget consists of two major groups of funds: Federal funds and trust funds. This section presents summary information about the transactions of each fund group and of the major trust funds. It also discusses the relationship between the trust funds surplus and the Federal deficit, and the meaning of the large and growing trust funds balance. Information about the income and outgo of four Federal funds that are financed by earmarked collections similar to trust funds is also provided.

Federal Funds Group

The Federal funds group comprises the larger part of the budget. It includes all transactions not classified by law as being in trust funds.

The main financing component of the Federal funds group is the general fund, which is used to carry out the general purposes of Government rather than being restricted by law to a specific program. It consists of all collections not earmarked by law to finance other funds, including virtually all income taxes and many excise taxes, and all expenditures financed by these collections and by general Treasury borrowing.

The Federal funds group also includes special funds and revolving funds, which are similar to trust funds in that their spending is financed by earmarked collections. Where the law requires that Federal fund collections from a specified source be earmarked to finance a particular program, such as the license fees deposited into the land and water conservation fund, the collections and associated disbursements are recorded in special fund receipt and expenditure accounts. The majority of special fund collections are derived from the Government's power to impose taxes, fines, and other compulsory payments, and they must be appropriated before they can be obligated and spent.

Revolving funds conduct continuing cycles of business-like activity. They charge for the sale of products or services and use the proceeds to finance their spending. Instead of being deposited in receipt accounts, their proceeds are recorded as offsets to outlays within the funds' expenditure accounts, so that outlays are reported net of collections. These collections generally are available automatically for obligation and making payments. There are two classes of revolving funds. Public enterprise funds, such as the Postal Service Fund, conduct business-like operations mainly with the public. Intragovernmental funds, such as the Federal Buildings Fund, conduct business-like operations mainly within and between Government agencies.

Trust Funds Group

The trust funds group consists of funds that are designated by law as trust funds. They are usually financed by earmarked collections. Many of the larger trust funds finance social insurance payments for individuals, such as Social Security, Medicare, and unemployment compensation. Other major trust funds finance military and Federal civilian employees' retirement, highway construction, and airport and airway development. Trust funds also include a few small funds established to carry out the terms of a conditional gift, bequest, or court settlement.

Whether a particular fund is designated as a trust fund is, in many cases, arbitrary. Congress has not followed a systematic rule. For example, the National Service Life Insurance Fund is a trust fund, but the Servicemen's Group Life Insurance Fund is a Federal fund, even though both are financed by earmarked fees paid by veterans and both provide life insurance benefits to veterans.[1]

The Federal budget meaning of the term "trust" differs significantly from its private sector usage. The beneficiary of a private trust owns the trust's income and often its assets. A custodian manages the assets on behalf of the beneficiary according to the stipulations of the trust, which he cannot change unilaterally. In contrast, the Federal Government owns the assets and earnings of most Federal trust funds, and it can raise or lower future trust fund collections and payments, or change the purpose for which the collections are used, by changing existing law. Only a few small Federal trust funds are managed pursuant to a trust agreement where the Government is the trustee, and the Government generally has some ability to determine the amount deposited into or paid out of these funds. Other amounts are held in deposit funds by the Government as a custodian on behalf of some entity outside the Government. The Government makes no decisions about the amount of these deposits or how they are spent. Therefore, they are not considered to be Federal trust funds and are excluded from the budget.

A trust fund must use its income for the purposes designated by law. Some, such as the Federal Employees Health Benefits fund, spend their income almost as quickly as it is collected. Others, such as the Social Security and the Federal civilian employees retirement trust funds, currently spend considerably less than they collect each year. A surplus of income over outgo adds to the trust fund's balance, which is available to finance future expenditures. The balances are generally invested, by law, in Treasury debt securities. Any net cash inflow from the public to the trust funds decreases

[1] Another example is the Violent Crime Reduction Trust Fund, established pursuant to the Violent Crime Control and Law Enforcement Act of 1994. Because the Fund is substantively a means of accounting for general fund appropriations, and does not consist of dedicated receipts, it is classified as a Federal fund rather than a trust fund.

the Treasury's need to borrow from the public in order to finance the Federal funds deficit.

A trust fund normally consists of one or more receipt accounts (to record income) and an expenditure account (to record outgo). However, a few trust funds are established by law as revolving funds. These funds are similar to revolving funds in the Federal funds group. They conduct a cycle of business-type operations, and their outlays are displayed net of collections in a single expenditure account.

Income and Outgo by Fund Group

Table 17–1 shows income, outgo, and surplus or deficit by fund group and adds them to derive the total unified budget receipts, outlays, and surplus or deficit. The estimates assume enactment of the President's budget proposals. Income consists mostly of governmental receipts (primarily income, payroll, and excise taxes). It also includes proprietary receipts (derived from business-like transactions with the public) and interfund collections (receipts by one fund of payments from a fund in the other fund group) that are deposited in receipt accounts. Outgo consists of payments made to the public and/or to a fund in the other fund group.

Two types of transactions are treated specially. First, income and outgo for a fund group exclude transactions between funds within the same fund group.[2] These intrafund transactions constitute outgo and income for the individual funds that make and collect the payments. However, because the totals for each fund group measure its transactions with the public and the other fund group, intrafund transactions must be subtracted from the sum of the income and outgo of all individual funds within the fund group to calculate income and outgo for the fund group as a whole. Second, income excludes collections that, by law, are offset against outgo in expenditure accounts instead of being deposited in receipt accounts.[3] It would be conceptually appropriate to classify these collections as income, but at present the data are not tabulated centrally for both fund groups. Consequently, they are offset against outgo in Table 17–1 and are not shown separately.

Some funds in the Federal funds group and some trust funds are authorized to borrow from the general fund of the Treasury.[4] Borrowed funds are not recorded as receipts and are excluded from the income of the fund. The borrowed funds finance outlays by the fund in excess of available receipts. Subsequently, fund receipts are transferred from the fund to the general fund in repayment of the borrowing. The repayment is not recorded as an outlay of the fund or included in fund outgo. Prior to this budget, trust fund borrowing was included in Federal fund outgo (as a payment from the general fund) and trust fund income, and the repayments were included in trust fund outgo and Federal fund income (as a general fund receipt). The treatment of trust fund borrowing and repayment has been revised to make it parallel to the treatment of borrowing by Federal fund accounts from the general fund, borrowing by the general fund from Government accounts (including trust funds), and borrowing by the Government from the public.

In order to derive unified budget receipts and outlays, Table 17–1 adds Federal funds and trust funds income and outgo, respectively, and subtracts offsetting receipts from each. Offsetting receipts are income for the fund group that receives them, but instead of being part of receipts in the unified budget, they are deposited in receipt accounts and are offset against outgo to calculate unified budget outlays. The reason for this is twofold.

- Offsetting receipts from the public.—Unified budget receipts measure the amount of collections raised by the Government in its sovereign capacity, and unified budget outlays measure the amount of resources allocated by the Government in a non-market capacity. These are calculated by subtracting voluntary business-like collections from the public from the income and outgo of the fund groups, respectively.
- Offsetting receipts from other fund groups.—Unified budget receipts and outlays measure the Government's net transactions with the public. These are calculated by subtracting interfund receipts from income and outgo.

Which Fund Group is Responsible for the Unified Budget Deficit?

In 1996, trust fund income exceeded outgo by $115 billion. This surplus partially offset the need for the Government to borrow from the public to finance the $222 billion Federal funds deficit. The sum of the trust fund surplus and the Federal fund deficit equals the unified deficit, which was $107 billion. This pattern has persisted for the past 3½ decades. As shown in Table 17–1, it is expected to continue, although the President's proposal to balance the unified budget by 2002 would sharply cut the Federal funds deficit.

The combination of large and growing trust fund surpluses and even larger Federal fund deficits, has led to claims and counterclaims about the causes of the unified deficit, and by implication, which part of the budget should be the focus of deficit-reduction efforts. The two main views are illustrated by the contrary positions expressed in reports issued by two Congressional branch agencies—the Congressional Research Service (CRS) and the General Accounting Office (GAO).

> CRS: "The treatment of trust fund programs in the Federal budget is complicated and confusing. As a result, the impact of these programs on the financial condition of the Government is often misunderstood. Perhaps the biggest misconcep-

[2] For example, the railroad retirement trust funds pay the equivalent of social security benefits to railroad retirees, in addition to the regular railroad pension. These benefits are financed by a payment from the Federal Old-Age and Survivors Insurance Trust fund to the railroad retirement trust funds. The payment and collection are deducted so that total trust fund income and outgo measure disbursements to the public and to Federal funds.

[3] For example, postage stamp fees are deposited as offsetting collections in the Postal Service fund. As a result, the Fund's outgo is disbursements net of collections.

[4] For example, the Bonneville Power Administration Fund, a revolving fund in the Department of Energy, is authorized to borrow from the general fund, and the Black Lung Disability Trust Fund in the Department of Labor is authorized to receive appropriations of repayable advances from the general fund (a form of borrowing).

Table 17–1. RECEIPTS, OUTLAYS, AND SURPLUS OR DEFICIT BY FUND GROUP

(In billions of dollars)

	1996 actual	Estimate					
		1997	1998	1999	2000	2001	2002
Receipts:							
Federal funds cash income:							
From the public	936.2	971.3	1,018.8	1,060.3	1,116.9	1,173.2	1,251.4
From trust funds	3.7	1.0	1.1	1.1	1.1	1.7	1.2
Total, Federal funds cash income	940.0	972.3	1,019.9	1,061.4	1,118.0	1,174.9	1,252.5
Trust funds cash income:							
From the public	575.8	603.7	630.7	653.3	684.3	714.9	749.0
From Federal funds:							
Interest	99.2	105.9	110.8	113.8	118.6	123.7	129.0
Other	136.9	142.0	163.2	174.3	183.8	195.7	209.7
Total, trust funds cash income	811.9	851.6	904.7	941.4	986.7	1,034.3	1,087.7
Offsetting receipts	–298.8	–318.5	–357.7	–359.5	–377.4	–400.9	–443.5
Total, unified budget receipts	1,453.1	1,505.4	1,566.8	1,643.3	1,727.3	1,808.3	1,896.7
Outlays:							
Federal funds cash outgo	1,161.9	1,214.5	1,274.5	1,317.2	1,355.0	1,365.3	1,397.7
Trust funds cash outgo	697.3	735.0	770.8	803.0	836.9	880.1	925.5
Offsetting receipts	–298.8	–318.5	–357.7	–359.5	–377.4	–400.9	–443.5
Total, unified budget outlays	1,560.3	1,631.0	1,687.5	1,760.7	1,814.4	1,844.5	1,879.7
Surplus or deficit (–):							
Federal funds	–221.9	–242.2	–254.5	–255.8	–237.0	–190.3	–145.2
Trust funds	114.7	116.7	133.9	138.4	149.9	154.2	162.2
Total, unified surplus/deficit (–)	–107.3	–125.6	–120.6	–117.4	–87.1	–36.1	17.0

Note: Receipts includes governmental, interfund, and proprietary receipts. Excludes intrafund receipts, which are offset against intrafund payments so that cash income and cash outgo are not overstated.

tion today is that these programs are offsetting the Federal deficit by $124 billion and thereby masking the true size of the deficit. Although attention has been drawn to the large social security surpluses, trust fund programs overall actually have been running cash deficits.... On the whole, trust fund programs ran deficits in their cash transactions with the public in 19 of the last 21 years." [5]

GAO: "As the unified budget is presently structured, the surpluses in the trust funds are merged with the rest of the budget, effectively masking the magnitude of those surpluses and the size of the deficit in the rest of the government.... Because the trust fund surpluses—especially those in Social Security—are growing so rapidly, the merger of trust and nontrust funds creates the erroneous impression that the deficit is under control and declining. In reality, the nontrust fund deficit has grown from $222 billion in 1987 to $255 billion in 1988 and is projected to reach $283 billion or more in 1989. The fact is that increased payroll taxes, levied to meet the long-term needs of the Social Security system, are being used to finance the current operating costs of the government." [6]

The critical difference between these views concerns the relevance of transactions between the two fund groups. These interfund transactions consist mostly of Federal fund payments to trust funds. They affect the bottom line of each fund group. For example, Treasury interest payments to the Social Security trust funds add to the Federal fund deficit, and the interest earnings add to the trust fund surplus. The CRS analysis excludes such payments because they are offset in the unified budget by an equal amount of collections, and together they have no net impact on the unified deficit. In contrast, GAO's analysis includes interfund transactions because they allocate the cost of Federal activities to the fund group that gives rise to the cost.

Because these views are representative of much of the debate over the responsibility for the unified deficit, they are discussed in greater detail below. However, neither is satisfactory for every purpose, and an alternative explanation is offered.

The Record Based on Transactions With the Public.—The unified deficit measures the Federal Government's net transactions with the public. It can be reduced only by increasing receipts from the public or by decreasing payments to the public. This is true whether the transactions with the public are by trust funds or by Federal funds. It can be said, therefore, that a fund group contributes to lower deficits if it collects more from the public than it pays to the public, and that it contributes to higher deficits if it pays more to the public than it collects from the public.

Measured on this basis, both fund groups are responsible for the unified deficit. As shown in Chart 17–1, payments to the public by both fund groups exceeded their income from the public in most years from 1960 to 1996. Trust funds were in deficit in 33 of the 37 years, and Federal funds were in deficit 33 years. Trust funds were responsible for $1.3 trillion of the cumu-

[5] Congressional Research Service, Trust Funds and the Federal Deficit, February 26, 1990, summary.

[6] General Accounting Office, Managing The Cost Of The Government, October 1989, p. 9.

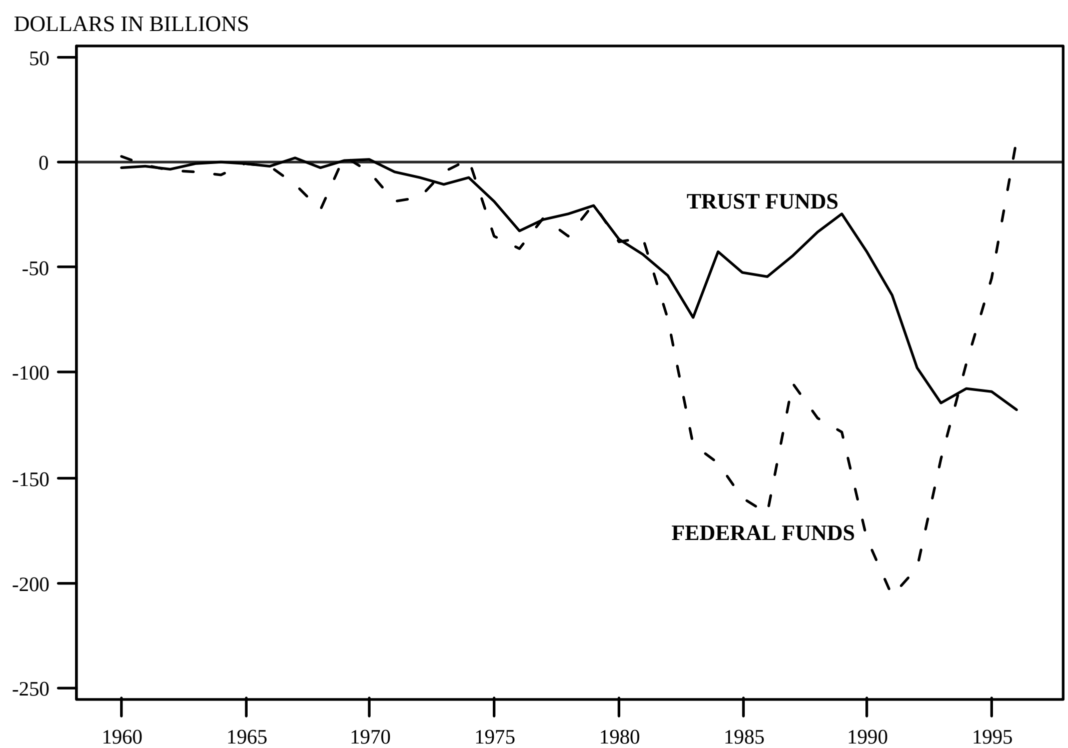
lative unified deficits over the period, and Federal funds were responsible for the other $2.2 trillion. Under the President's proposal to balance the budget by 2002, the trust funds deficit in its transactions with the public would increase each year. In contrast, Federal fund transactions with the public achieved a surplus in 1996, the first time in 22 years. This Federal funds surplus is estimated to grow to $64 billion by 2000.

It may be surprising that trust funds are adding to the unified deficit when they are simultaneously reporting large surpluses and balances in their total transactions. The experience varies among the individual trust funds. Consider the transactions of the public with the following eight major trust funds. Together, they ran a $115 billion surplus in 1996—100 percent of the total trust fund surplus—and held $1.3 trillion of balances—94 percent of the balance for all trust funds combined. Nevertheless, from 1960 to 1996, the combined payments to the public by these trust funds exceeded their combined income from the public by $1 trillion. (The status of fund tables in the Budget Appendix and in Table 3 of this chapter, unlike this discussion, which only considers transactions with the public, reflect all of the trust funds' transactions, including interest and other interfund collections.)

- The Highway Trust Fund is financed entirely by earmarked taxes on gasoline and other fuels and by interest earnings. Tax receipts exceeded the Fund's spending in more than half the years between 1960 and 1996. These surpluses were invested in Treasury securities, and together with the interest earnings, were used to finance spending in other years when spending exceeded tax collections. The current $22 billion balance is enough to fund about one year's spending.
- The two Social Security Trust Funds, Federal Old-Age and Survivors Insurance and Federal Disability Insurance, are financed primarily by payroll taxes. However they also receive additional income from the general fund in the form of interest earnings, Federal agencies' payments as employers for the social security benefits earned by military and Federal civilian employees, and Treasury payments for part of the estimated amount of income taxes paid on social security benefits. In 19 of the 26 years from 1960 through 1985, social security payments to the public exceeded payroll taxes. The Funds' cumulative payments to the public exceeded their cumulative collections from the public by $2 billion through 1978, and rose to $60 billion in 1985.[7] Largely due to the Greenspan Commission reforms, in 1986 social security began to run a surplus in its transactions with the public. In 1990 social security taxes exceeded payments to the public by $36 billion. Since then, social secu-

[7] If balances of net transactions with the public are credited with a prorated share of the Funds' interest earnings, the adjusted cumulative balance would still have turned negative, but not until 1984, and it would have remained negative until 1988.

17-1. NET TRANSACTIONS WITH THE PUBLIC BY FUND GROUP



rity taxes have continued to exceed payments to the public, but only by about half that amount each year.

- The Hospital Insurance (HI) Trust Fund (Medicare Part A) had a balance of $125 billion as of the end of 1996. This reflects interest and other interfund collections as well as collections from the public. However, when considering only payroll tax income, benefit payments, and other outlays to the public, it has run a deficit in these transactions with the public in 19 of 31 years since 1966.
- The Supplementary Medical Insurance (SMI) Trust Fund (Medicare Part B) is funded by premiums charged to enrollees, general fund subsidies, and interest payments. Premiums currently cover about one-quarter of SMI's expenditures with the remainder financed by interfund collections. These shares have changed significantly since SMI's early years of operation, beginning in 1967. In its first seven years, premiums covered half of the expenses. This share fell throughout the next decade, and by the early 1980s premiums covered only 22 percent of expenses. SMI's total balance, including interfund collections, stood at $27 billion at the end of 1996. However, its cumulative payments to the public exceeded its income from the public by $487 billion.

  The 1998 Budget proposes reforming Medicare by slowing the growth in provider payments and making Medicare more efficient and responsive to beneficiaries' needs. Additional information on Supplementary Medical Insurance and Hospital Insurance reforms can be found in Section V of the Budget Volume, "Creating Opportunity, Demanding Responsibility, and Strengthening Community."
- The Unemployment (UI) Trust Fund is funded primarily by taxes on employers. It also has interfund interest earnings, and it has been supplemented by large transfers from the general fund during periods of high and extended unemployment. Since 1960 UI has run deficits in its transactions with the public in 17 years. At the end of 1996 its total balance, including those due to interfund collections, was $54 billion. However, this balance was essentially due to interfund collections. Since 1960, UI's cumulative payments to the public have exceeded its income from the public by $32 billion.
- The Civil Service Retirement and Disability (CSRD) Trust Fund, which comprises almost all of the Federal Civilian Employees Retirement Funds shown in Table 17–3, is financed by Federal civilian employees' contributions, agencies' contributions on behalf of the employees, general fund payments that limit the growth in the unfunded liability, and interest earnings. In 1996, employee contributions were approximately 7 percent of total income to the Fund. Interfund collections made up the rest. CSRD has run a surplus in each year since 1960, and its balance has increased from $10 billion in 1960 to $393 billion in 1996. Because the Fund is intended to be funded mostly by payments from the Government as an employer, the buildup in balances is due to interfund payments. From 1960 through 1996, CSRD payments to the public exceeded its income from the public by $443 billion. The budget proposes to increase interfund payments to the CSRD Trust Fund by requiring agencies to contribute 1.51 percent more of base pay for Civil Service Retirement System employees for 1988–2002. The Budget also proposes to delay for three months the cost-of-living adjustment for civilian retirees and their survivors beginning in 1998 and continuing through 2002. In addition, the Budget proposes to increase employee contributions to the Civil Service and Federal Employees Retirement Systems beginning on January 1, 1999 and continuing through December 31, 2002. See Chapter 24 of Section VI of the *Budget* for more information on the President's proposals that affect civilian retirement.
- The Military Retirement Fund is financed entirely by payments by the Department of Defense on behalf of military employees, general fund payments for the unfunded liability existent when the Fund was created, and interest earnings. Since its inception in 1985, the Fund has run a surplus each year, and it had a $131 billion balance at the end of 1996. Because the fund receives no income from the public, the annual surpluses and the current balance are due totally to interfund payments. Over the same period, the Fund paid $253 billion of benefits to the public.

The Record if Interfund Transactions are Included.—Transactions with the public are not the only basis—and for some purposes may not be the best—for identifying the source of the unified budget deficit. Most interfund payments allocate the cost of Federal activities to the fund group that is responsible for the cost, and most interfund collections are valid reimbursements for the assumption of a cost by the fund that receives the collection. Including these interfund transactions, therefore, may provide a more reasonable measure of the contribution of each fund group to the overall deficit.

The bulk of interfund transactions are Federal fund payments to trust funds. In 1996, Federal funds paid $232 billion to trust funds, net of collections from trust funds. Almost 85 percent of these were payments by the Government as an employer to various retirement trust funds, interest on general fund borrowing of trust fund balances, and the general fund payment to SMI.

Payments by the Government as an employer to Federal employees retirement trust funds allow the total cost of employee compensation to be charged to the Federal fund programs that employ Federal workers, or to the general fund. These benefits do not show up as payments to the public for many years, and the eventual payments are recorded as trust fund outlays. But since the eventual payments result from commitments made in the course of carrying out past Federal fund activities, their impact on the unified deficit could be attributed to the Federal funds group. The interfund payments made for these purposes are a partial measure of the amount that could reasonably be attributed to Federal funds. In 1996, interfund payments for military and Federal civilian employee retirement were $56 billion.

Interest payments by the general fund on trust fund investments in Treasury debt appropriately recognize the time value of money to both the borrower and the lender. By law, trust fund balances are invested in Treasury securities, and the interest payments and collections are recorded as interfund transactions—increasing the trust funds surplus and the Federal funds deficit. This is efficient from the standpoint of cash management, and it is an effective method of recognizing the time value of money without forcing trust funds to invest in private securities, which are riskier and would raise the specter of direct Federal control over vast amounts of private resources. However, if permitted by law, trust fund balances could have been invested outside the Government and earned interest from the public. The general fund would have offset the loss of this source of financing by borrowing more from the public, which would have increased Federal fund interest outlays to the public. In terms of transactions with the public, the result would be substantially lower trust fund deficits and higher Federal fund deficits. But this would not mean that trust funds were less responsible—or Federal funds more responsible—for the unified deficit than under current practice. All taxes and programmatic spending would have been the same. Trust fund interest income was $99 billion in 1996, and it is expected to grow to $131 billion by the year 2002.

The SMI trust fund is different from other trust funds in that it is mostly funded by a general fund payment, and the payment is not compensation for services provided by the trust fund to the general fund. The payment is simply a general fund subsidy of trust fund spending. Interfund accounting therefore assigns the general fund its share of SMI payments to the public. The general fund payment was $62 billion in 1996.

Because fund accounting allocates costs between the two fund groups, it is inappropriate to exclude interfund transactions from the analysis of responsibility for the unified budget deficit. However, it does not follow automatically that trust fund surpluses and Federal fund deficits mean that Federal funds bear the sole responsibility for the unified budget deficit. That is a separable issue, and as the next section shows, more questionable.

Both Fund Groups Bear the Responsibility.—The Federal budget has been presented on a unified basis since 1968. Its purpose is to present in one place the totality of the Federal Government's fiscal operations.

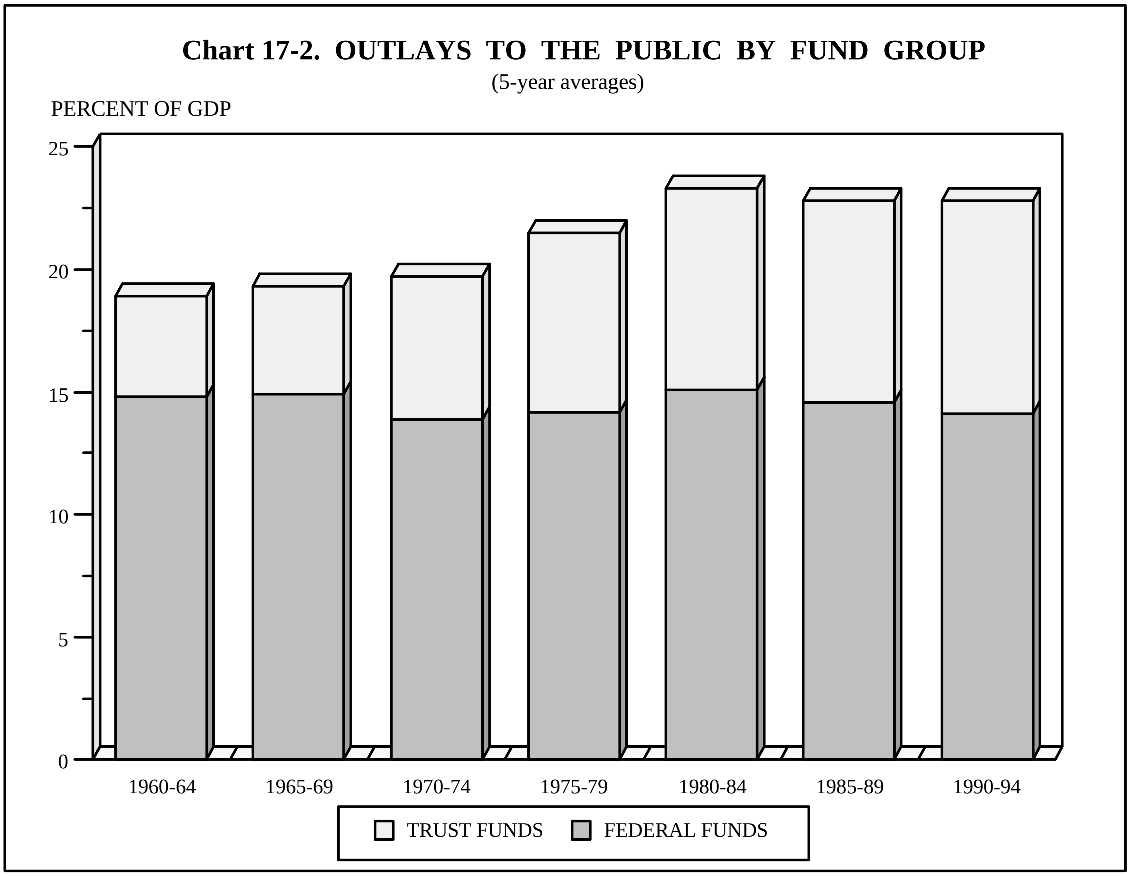
The most important information provided by the unified budget is (1) how much of the Nation's resources are used by the Government, and (2) how these resources are allocated among the many purposes of Government. By combining all receipts and spending in one budget, the implicit tradeoffs between public and private spending, and between Government programs, become more visible. The intention is that by surfacing these basic tradeoffs, conflicts over competing demands for the Nation's resources will be resolved, and the pieces of the budget will add to the desired total. However, there is no automatic mechanism that forces resolution of these conflicts. Congress can choose to use the budget to force the components of the budget to stay within targets for total receipts and spending, as it has for discretionary programs in the Budget Enforcement Act of 1990. Or it can allow tax and spending programs to occur autonomously without regard to what those actions have on other programs or on the budget totals.

The persistence of unified budget deficits over the past 3½ decades can be thought of as a financial indicator of the Nation's failure to resolve conflicting goals. The Nation has simultaneously desired to (1) increase spending by trust funds without decreasing spending by Federal funds, (2) hold the total tax burden constant while increasing taxes earmarked for trust funds, and (3) balance the total budget. One of these goals had to give. The trends in the totals for the fund groups and the unified budget tell how the conflict played out.

As shown in Chart 17–2, trust fund outlays to the public as a percent of GDP have increased in every five-year period since 1960, rising from 4.1 percent in the first half of the 1960s to 7.3 percent in the latter half of the 1970s, and rising even further to 8.7 percent in the first half of the 1990s.[8] Over the same period, Federal fund payments to the public moved up and down slightly but stayed between 14 and 15 percent of GDP. The combination of growing trust fund spending and constant Federal fund spending meant that total spending increased from 19 percent to 23 percent of GDP.

Because the norm has been for trust funds to be in balance, or to accumulate balances to fund future benefits, trust fund taxes were increased commensurately with the increase in trust fund outlays. As shown in Chart 17–3, trust fund receipts as a percent of GDP increased in every five-year period since 1960, rising from 3.7 percent in the first half of the 1960s to 6.0 percent in the latter half of the 1970s, and rising even further to 7.3 percent in the first half of the 1990s. However, unlike Federal fund outlays, Federal fund receipts did not stay the same when trust fund receipts rose. The increases in trust fund receipts were offset

[8] This section focuses on receipts and outlays as they are defined in the unified budget, instead of income and outgo. The difference is that proprietary receipts and interfund collections are offset against outlays in the unified budget, but they are considered income for a fund group. Since the comparisons over time are based on changes in shares of GDP, it is better to use receipts and outlays.



by decreases in Federal fund receipts, and total budget receipts remained constant at 18 to 19 percent of GDP.

What explains the growth in the unified budget deficit, therefore, is the basic conflict between the goal of expanding and fully funding one part of Government, and an unwillingness either to allow the total tax burden to increase or to reduce the rest of Government.[9] The Nation wanted to expand trust fund spending, and it said it was willing to finance that expansion. The latter could only have been accomplished by increasing the total tax burden or by reducing Federal fund spending. In fact, neither occurred. Taxes were shifted from Federal funds to trust funds, and the total tax burden remained the same. Federal fund spending remained constant, and total spending increased. If Federal fund taxes had stayed at the levels experienced in the first half of the 1960s, Federal fund tax receipts would have been much higher over the period, and the higher receipts plus the associated interest savings would have been sufficient to avoid most or all of the unified deficits. The same outcome could have been achieved by reducing Federal fund spending commensurately with the reduction in Federal fund taxes.

In short, the imbalances seen in the fund group and unified budget totals are symptomatic of the unresolved conflict over the size of Government and how it is to be financed. Instead of resolving this conflict, increases in trust fund spending have been "financed" at the expense of financing for Federal funds. In that sense, both fund groups are responsible for the unified budget deficit.

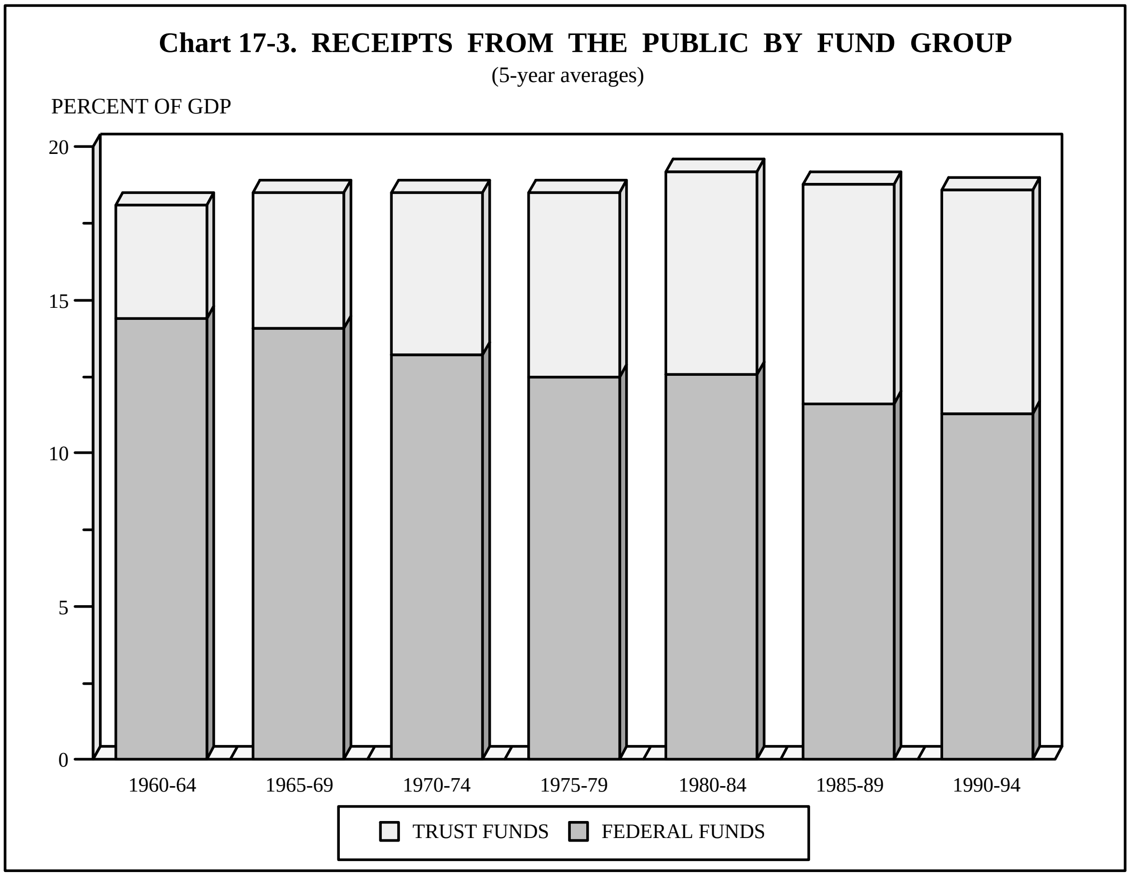
[9] For similar analyses, see *The Budget Deficit—Outlook, Implications, and Choices*, General Accounting Office, September 1990, pp.29–32; and John F. Cogan, "the Dispersion of Spending Authority and Federal Budget Deficits," in *The Budget Puzzle* by John F. Cogan, Timothy J. Muris, and Allen Schick, Stanford University Press, 1994, pp. 39–40.

Income, Outgo, and Balances of Trust Funds

Table 17–2 shows the trust funds balance at the start of each year, income and outgo during the year, and the end of year balance. Income and outgo are divided between transactions with the public and transactions with Federal funds. Receipts from Federal funds are divided between interest and other interfund receipts.

The definition of income and outgo in this table differs from those in Table 17–1 in one important way. Trust fund collections that are offset against outgo (as offsetting collections) within expenditure accounts instead of being deposited in separate receipt accounts are classified as income in this table but not in Table 17–1. This classification is consistent with the definitions of income and outgo for trust funds used elsewhere in the budget. It has the effect of increasing both income and outgo by the amount of the offsetting collections. The difference is approximately $23 billion in 1996. This table, therefore, provides a more complete summary of trust fund income and outgo.

The trust funds group is expected to have large and growing surpluses over the projection period. As a con-



sequence, trust fund balances will grow substantially, as they have over the past decade. The size of the anticipated balances is unprecedented, and it results mainly from relatively recent changes in the way some trust funds are financed.

Until the 1980s, most trust funds operated on a pay-as-you-go basis. Taxes and user fees were set at levels high enough to finance benefits and administrative expenses, and to maintain prudent reserves, generally defined as being equal to one year's expenditures. As a result, trust fund balances tended to grow at about the same rate as their annual expenditures.

Pay-as-you-go financing was replaced in the 1980s by full or partial accrual funding for some of the larger trust funds. In order to partially prefund the "baby-boomers" social security benefits, the Social Security Amendments of 1983 raised payroll taxes above the levels necessary to finance current expenditures. In 1985 a new system was set up to finance military retirement benefits on a full accrual basis. In 1986 full accrual funding of retirement benefits was mandated for Federal civilian employees hired after December 31, 1983. The latter two changes require Federal agencies and their employees to make annual payments to the Federal employees' retirement trust funds in an amount equal to the value of the retirement benefits earned by employees in that year. Since many years will pass before current employees are paid retirement benefits, the trust funds will accumulate substantial balances over time.

Primarily because of these changes, but also because of the impact of real growth and inflation, trust fund balances increased sevenfold from 1982 to 1996, from $205 billion to $1.4 trillion. Under the proposals in the President's budget, the balances are estimated to increase by another 57 percent by the year 2002, rising to $2.2 trillion. Almost all of these balances are invested in Treasury securities and earn interest. Therefore, they effectively represent the value, in current dollars, of taxes and user fees that have been paid in advance for future benefits and services.

These balances are available to finance future benefit payments and other trust fund expenditures—but only in a bookkeeping sense. Unlike the assets of private pension plans, they do not consist of real economic assets that can be drawn down in the future to fund benefits. Instead, they are claims on the Treasury that, when redeemed, will have to be financed by raising taxes, borrowing from the public, or reducing benefits or other expenditures. The existence of large trust fund balances, therefore, does not, by itself, make it easier for the Government to pay benefits.

From an economic standpoint, the Government is able to prefund benefits only by increasing saving and investment in the economy as a whole. This can be fully accomplished only by simultaneously running trust fund surpluses equal to the actuarial present value of

Table 17–2. INCOME, OUTGO, AND BALANCES OF TRUST FUNDS GROUP

(In billions of dollars)

	1996 actual	Estimate 1997	1998	1999	2000	2001	2002
Total Trust Funds							
Balance, start of year	1,275.8	1,390.5	1,506.4	1,640.1	1,778.5	1,928.3	2,082.6
Income:							
Governmental receipts	539.6	568.3	594.3	615.6	645.4	674.1	705.6
Proprietary receipts	43.0	42.4	43.5	45.5	47.5	49.8	52.9
Receipts from Federal funds:							
Interest	99.2	105.9	110.8	116.1	120.8	125.9	131.1
Other	152.7	158.4	180.5	189.7	200.1	212.8	227.7
Subtotal, income	834.5	875.1	929.1	966.9	1,013.8	1,062.6	1,117.3
Outgo:							
To the public	716.1	757.4	794.1	827.4	862.8	906.7	954.1
Payments to Federal funds	3.7	1.0	1.1	1.1	1.1	1.7	1.2
Subtotal, outgo	719.8	758.4	795.2	828.6	863.9	908.4	955.2
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	15.5	10.7	23.1	22.3	29.1	28.4	31.0
Interest	99.2	105.9	110.8	116.1	120.8	125.9	131.1
Subtotal, surplus or deficit (–)	114.7	116.7	133.9	138.4	149.9	154.2	162.1
Adjustments:							
Transfers/lapses (net)	–*	–0.8	–0.4	....	....	....	....
Other adjustments	0.1	0.1	0.1	....	....	....	....
Total, change in fund balance	114.7	115.9	133.6	138.4	149.9	154.2	162.1
Balance, end of year	1,390.5	1,506.4	1,640.1	1,778.5	1,928.3	2,082.6	2,244.7

*Less than $50 million.

the accumulating benefits and not allowing the Federal fund deficit to increase, so that the trust fund surplus reduces the unified budget deficit. This would reduce Federal borrowing by the amount of the trust funds surplus and increase the amount of national saving available to finance investment. Greater investment would increase future incomes and wealth, particularly if it increased the rate of productivity growth. In turn, this would make it possible for the trust funds to draw down on their investments in Treasury debt to pay future benefits without having to increase the burden on future workers by raising tax rates, reducing spending, or increasing Government borrowing.

Table 17–3 shows estimates of income, outgo, and balances for 1996 through 2002 for the major trust funds. With the exception of transactions between trust funds, the data for the individual trust funds are conceptually the same as the data in Table 17–2 for the trust funds group. As explained previously, transactions between trust funds are shown as outgo of the fund that makes the payment and as income of the fund that collects it in the data for an individual trust fund, but the collections are offset against outgo in the data for the trust fund group. Additional information for these and other trust funds can be found in the Status of Funds tables in the Budget Appendix.

Table 17–4, which appears at the end of this chapter, shows income, outgo, and balances of four Federal funds—a revolving fund and three special funds. These funds are similar to trust funds in that they are financed by earmarked receipts, excesses of income over outgo are invested, the interest earnings add to balances, and the balances remain available to finance future expenditures. The table is illustrative of the Federal funds group, which includes many other revolving funds and special funds in addition to the ones shown.

Table 17–3. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS

(In billions of dollars)

	1996 actual	Estimate					
		1997	1998	1999	2000	2001	2002
Airport and Airway Trust Fund[1]							
Balance, start of year	11.4	7.9	7.8	7.7	5.2	3.9	3.3
Income:							
Governmental receipts	2.4	4.8	6.4	....	....	....	....
Proprietary receipts	*	*	*	....	....	....	....
Receipts from Federal funds:							
Interest	0.8	0.5	0.4	....	....	....	....
Other	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	3.2	5.5	6.9	0.1	0.1	0.1	0.1
Outgo:							
To the public	6.7	5.5	7.0	2.6	1.4	0.8	0.5
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	6.7	5.5	7.0	2.6	1.4	0.8	0.5
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–4.2	–0.6	–0.5	–2.5	–1.3	–0.6	–0.4
Interest	0.8	0.5	0.4	....	....	....	....
Subtotal, surplus or deficit (–)	–3.5	–0.1	–0.1	–2.5	–1.3	–0.6	–0.4
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	–3.5	–0.1	–0.1	–2.5	–1.3	–0.6	–0.4
Balance, end of year	7.9	7.8	7.7	5.2	3.9	3.3	2.9
Federal Employees Health Benefits Fund							
Balance, start of year	7.8	7.4	7.1	6.9	6.8	7.0	7.1
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	4.1	4.3	4.6	5.7	6.4	6.7	7.1
Receipts from Federal funds:							
Interest	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Other	11.2	11.6	12.3	12.2	13.0	13.8	14.7
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	15.7	16.3	17.4	18.4	19.9	21.0	22.4
Outgo:							
To the public	16.1	16.6	17.5	18.5	19.8	20.8	22.3
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	16.1	16.6	17.5	18.5	19.8	20.8	22.3
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–0.9	–0.8	–0.6	–0.6	–0.4	–0.3	–0.4
Interest	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Subtotal, surplus or deficit (–)	–0.4	–0.3	–0.1	–0.1	0.1	0.2	0.1
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	–0.4	–0.3	–0.1	–0.1	0.1	0.2	0.1
Balance, end of year	7.4	7.1	6.9	6.8	7.0	7.1	7.2
Federal Civilian Employees Retirement Funds							
Balance, start of year	374.3	401.7	430.9	461.1	491.0	520.7	550.6
Income:							
Governmental receipts	4.5	4.3	4.3	4.4	4.5	4.6	4.6
Proprietary receipts	....	....	....	....	....	....	....

Table 17–3. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued

(In billions of dollars)

	1996 actual	Estimate					
		1997	1998	1999	2000	2001	2002
Receipts from Federal funds:							
Interest	29.2	31.4	32.8	33.7	34.1	34.7	35.3
Other	34.1	35.5	36.8	37.7	39.0	40.4	42.0
Receipts from Trust funds	*	*	*	*	*	*	*
Subtotal, income	67.8	71.2	73.9	75.7	77.6	79.7	82.0
Outgo:							
To the public	40.3	42.0	43.8	45.8	47.8	49.9	52.1
Payments to Other funds	*	*	*	*	*	*	*
Subtotal, outgo	40.3	42.0	43.8	45.8	47.8	49.9	52.1
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–1.7	–2.2	–2.7	–3.7	–4.3	–4.8	–5.4
Interest	29.2	31.4	32.8	33.7	34.1	34.7	35.3
Subtotal, surplus or deficit (–)	27.5	29.2	30.1	29.9	29.8	29.9	29.9
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	*	....	*	....	....	....	....
Total, change in fund balance	27.5	29.2	30.1	29.9	29.8	29.9	29.9
Balance, end of year	401.7	430.9	461.1	491.0	520.7	550.6	580.5
Federal Old-Age, Survivors and Disability Insurance Trust Funds							
Balance, start of year	483.2	549.6	625.4	705.9	794.1	890.1	991.5
Income:							
Governmental receipts	367.5	388.9	404.9	425.2	446.9	467.6	489.9
Proprietary receipts	*	*	*	*	*	*	*
Receipts from Federal funds:							
Interest	36.5	41.2	45.2	49.2	53.2	57.3	61.6
Other	14.4	15.6	16.9	18.0	19.3	20.5	22.0
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	418.4	445.7	467.1	492.5	519.4	545.4	573.4
Outgo:							
To the public	347.8	365.7	382.4	400.0	419.0	439.3	460.9
Payments to Other funds	4.2	4.1	4.2	4.3	4.3	4.8	4.4
Subtotal, outgo	352.0	369.9	386.6	404.3	423.4	444.1	465.2
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	29.9	34.6	35.3	39.0	42.9	44.1	46.6
Interest	36.5	41.2	45.2	49.2	53.2	57.3	61.6
Subtotal, surplus or deficit (–)	66.4	75.9	80.5	88.2	96.0	101.3	108.2
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	–*	....	....	....	....	....	....
Total, change in fund balance	66.4	75.9	80.5	88.2	96.0	101.3	108.2
Balance, end of year	549.6	625.4	705.9	794.1	890.1	991.5	1,099.6
Foreign Military Sales Trust Fund							
Balance, start of year	5.5	5.9	6.0	6.1	6.1	6.0	5.9
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	14.7	13.8	13.4	12.7	12.1	11.8	11.8
Receipts from Federal funds:							
Interest	....	....	....	....	....	....	....
Other	....	....	....	....	....	....	....
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	14.7	13.8	13.4	12.7	12.1	11.8	11.8
Outgo:							
To the public	14.3	13.7	13.3	12.8	12.1	12.0	11.9

Table 17–3. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued

(In billions of dollars)

	1996 actual	Estimate 1997	1998	1999	2000	2001	2002
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	14.3	13.7	13.3	12.8	12.1	12.0	11.9
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	0.4	0.1	0.1	–*	–0.1	–0.1	–0.1
Interest	....	....	....	....	....	....	....
Subtotal, surplus or deficit (–)	0.4	0.1	0.1	–*	–0.1	–0.1	–0.1
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	*	....	....	....	....	....	....
Total, change in fund balance	0.4	0.1	0.1	–*	–0.1	–0.1	–0.1
Balance, end of year	5.9	6.0	6.1	6.1	6.0	5.9	5.7
Highway Trust Fund							
Balance, start of year	19.0	21.6	24.4	27.7	31.4	34.9	39.0
Income:							
Governmental receipts	24.7	24.9	24.7	25.3	25.8	26.6	27.1
Proprietary receipts	*	*	*	*	*	*	*
Receipts from Federal funds:							
Interest	1.3	1.3	1.4	1.6	1.7	1.8	2.0
Other	*	0.1	0.1	0.1	0.1	0.1	0.1
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, Income	26.0	26.3	26.3	27.0	27.7	28.5	29.2
Outgo:							
To the public	23.4	23.5	22.9	23.4	24.2	24.4	24.8
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, Outgo	23.4	23.5	22.9	23.4	24.2	24.4	24.8
Change in fund balance:							
Surplus or deficit:							
Excluding interest	1.3	1.4	2.0	2.1	1.8	2.3	2.4
Interest	1.3	1.3	1.4	1.6	1.7	1.8	2.0
Subtotal, surplus or deficit	2.6	2.8	3.4	3.7	3.5	4.1	4.4
Adjustments:							
Transfers/lapses (net)	–*	–*	–*	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, Change in fund balance	2.6	2.7	3.4	3.7	3.5	4.1	4.4
Balance, End of Year	21.6	24.4	27.7	31.4	34.9	39.0	43.4
Medicare: Federal Hospital Insurance (HI) Trust Fund							
Balance, start of year	129.5	125.3	115.3	117.4	119.7	124.6	127.0
Income:							
Governmental receipts	105.0	109.2	114.2	120.0	126.3	132.4	139.0
Proprietary receipts	1.1	1.3	1.2	1.3	1.3	1.4	1.5
Receipts from Federal funds:							
Interest	10.4	9.9	9.2	9.1	8.9	8.8	8.7
Other	7.0	7.5	7.4	8.0	8.5	9.0	9.7
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	123.5	128.0	132.1	138.4	145.1	151.7	158.8
Outgo:							
To the public	125.3	138.1	130.0	136.0	140.3	149.3	157.5
Payments to Other funds	2.4	....	....	....	....	....	....
Subtotal, outgo	127.7	138.1	130.0	136.0	140.3	149.3	157.5
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–14.6	–20.0	–7.1	–6.7	–4.1	–6.4	–7.4
Interest	10.4	9.9	9.2	9.1	8.9	8.8	8.7

Table 17–3. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued

(In billions of dollars)

	1996 actual	Estimate					
		1997	1998	1999	2000	2001	2002
Subtotal, surplus or deficit (–)	–4.2	–10.1	2.1	2.4	4.8	2.5	1.3
Adjustments:							
Transfers/lapses (net)	....	–*	....	....	....	....	....
Other adjustments	–*	*	....	....	....	....	....
Total, change in fund balance	–4.2	–10.1	2.1	2.4	4.8	2.5	1.3
Balance, end of year	125.3	115.3	117.4	119.7	124.6	127.0	128.3
Medicare: Federal Supplementary Medical Insurance (SMI) Trust Fund							
Balance, start of year	13.9	27.0	30.3	31.5	32.2	32.9	33.6
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	18.9	19.0	20.6	22.4	24.3	26.4	29.0
Receipts from Federal funds:							
Interest	1.4	1.4	1.4	1.5	1.5	1.5	1.5
Other	61.7	59.4	78.1	84.1	89.6	97.3	106.5
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	82.0	79.8	100.1	108.0	115.3	125.2	137.0
Outgo:							
To the public	68.9	76.5	98.9	107.3	114.6	124.5	136.2
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	68.9	76.5	98.9	107.3	114.6	124.5	136.2
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	11.7	1.9	–0.3	–0.8	–0.8	–0.8	–0.7
Interest	1.4	1.4	1.4	1.5	1.5	1.5	1.5
Subtotal, surplus or deficit (–)	13.1	3.3	1.2	0.7	0.7	0.7	0.8
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	–*	....	....	....	....	....
Total, change in fund balance	13.1	3.3	1.2	0.7	0.7	0.7	0.8
Balance, end of year	27.0	30.3	31.5	32.2	32.9	33.6	34.4
Military Retirement Fund							
Balance, start of year	126.7	131.2	139.1	146.0	152.7	159.6	166.5
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	....	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	11.5	11.6	11.8	12.0	12.3	12.5	12.7
Other	21.9	26.3	26.4	27.1	28.0	28.9	30.0
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	33.4	37.9	38.2	39.1	40.3	41.4	42.7
Outgo:							
To the public	28.8	30.1	31.3	32.4	33.5	34.5	35.5
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	28.8	30.1	31.3	32.4	33.5	34.5	35.5
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–7.0	–3.8	–4.9	–5.3	–5.5	–5.6	–5.6
Interest	11.5	11.6	11.8	12.0	12.3	12.5	12.7
Subtotal, surplus or deficit (–)	4.5	7.8	6.9	6.7	6.8	6.9	7.1
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	4.5	7.8	6.9	6.7	6.8	6.9	7.1
Balance, end of year	131.2	139.1	146.0	152.7	159.6	166.5	173.6

Table 17–3. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued

(In billions of dollars)

	1996 actual	Estimate					
		1997	1998	1999	2000	2001	2002
Railroad Retirement Trust Funds [2]							
Balance, start of year	13.4	14.0	14.7	15.3	15.9	16.2	16.4
Income:							
Governmental receipts	3.9	3.9	3.9	3.9	3.8	3.8	3.8
Proprietary receipts	....	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	1.1	1.1	1.0	1.0	1.0	1.0	1.0
Other	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Receipts from Trust funds	3.6	3.8	3.9	4.0	4.0	3.9	4.0
Subtotal, income	8.8	9.1	9.0	9.1	9.1	9.0	9.1
Outgo:							
To the public	8.0	8.1	8.2	8.3	8.5	8.6	8.7
Payments to Other funds	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Subtotal, outgo	8.3	8.4	8.5	8.6	8.7	8.8	8.9
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–0.6	–0.4	–0.5	–0.5	–0.6	–0.8	–0.7
Interest	1.1	1.1	1.0	1.0	1.0	1.0	1.0
Subtotal, surplus or deficit (–)	0.5	0.7	0.5	0.5	0.4	0.2	0.3
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	0.1	0.1	0.1	....	....	....	....
Total, change in fund balance	0.6	0.8	0.6	0.5	0.4	0.2	0.3
Balance, end of year	14.0	14.7	15.3	15.9	16.2	16.4	16.7
Unemployment Trust Fund							
Balance, start of year	47.9	54.0	61.1	67.5	74.1	80.7	87.3
Income:							
Governmental receipts	28.6	29.5	30.5	31.8	32.8	33.7	35.8
Proprietary receipts	*	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	3.4	3.6	3.9	4.1	4.1	4.3	4.4
Other	0.4	0.6	0.6	0.6	0.6	0.7	0.7
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	32.4	33.7	35.0	36.5	37.6	38.7	40.9
Outgo:							
To the public	26.2	26.6	28.6	29.9	30.9	32.1	33.2
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	26.2	26.6	28.6	29.9	30.9	32.1	33.2
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	2.8	3.5	2.6	2.5	2.5	2.3	3.4
Interest	3.4	3.6	3.9	4.1	4.1	4.3	4.4
Subtotal, surplus or deficit (–)	6.2	7.1	6.5	6.5	6.7	6.6	7.7
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	*	....	....	....	....
Total, change in fund balance	6.2	7.1	6.5	6.5	6.7	6.6	7.7
Balance, end of year	54.0	61.1	67.5	74.1	80.7	87.3	95.1
Veterans Life Insurance Trust Funds							
Balance, start of year	13.6	13.7	13.6	13.5	13.3	13.1	12.7
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	0.9	0.9	0.9	0.5	0.5	0.4	0.4
Receipts from Federal funds:							
Interest	1.2	1.2	1.1	1.4	1.3	1.3	1.2
Other	*	*	*	*	*	*	*

Table 17–3. INCOME, OUTGO, AND BALANCES OF MAJOR TRUST FUNDS—Continued

(In billions of dollars)

	1996 actual	Estimate 1997	1998	1999	2000	2001	2002
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	2.1	2.1	2.0	1.9	1.8	1.7	1.6
Outgo:							
To the public	2.1	2.1	2.1	2.1	2.1	2.0	2.0
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	2.1	2.1	2.1	2.1	2.1	2.0	2.0
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–1.1	–1.2	–1.2	–1.6	–1.6	–1.6	–1.6
Interest	1.2	1.2	1.1	1.4	1.3	1.3	1.2
Subtotal, surplus or deficit (–)	0.1	–0.1	–0.1	–0.2	–0.3	–0.3	–0.4
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	–*	–*	*	....	....	....	....
Total, change in fund balance	0.1	–0.1	–0.1	–0.2	–0.3	–0.3	–0.4
Balance, end of year	13.7	13.6	13.5	13.3	13.1	12.7	12.4
Other Trust Funds [2]							
Balance, start of year	29.7	31.1	30.7	33.4	35.9	38.6	41.6
Income:							
Governmental receipts	3.2	2.8	5.3	5.0	5.2	5.3	5.4
Proprietary receipts	3.1	3.1	2.8	2.9	2.9	3.0	3.1
Receipts from Federal funds:							
Interest	2.0	2.0	2.1	2.1	2.2	2.2	2.3
Other	1.7	1.6	1.5	1.5	1.6	1.6	1.6
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	10.0	9.5	11.7	11.6	11.9	12.1	12.4
Outgo:							
To the public	8.1	8.7	8.1	8.4	8.6	8.5	8.5
Payments to Other funds	0.5	0.5	0.5	0.6	0.6	0.6	0.6
Subtotal, outgo	8.6	9.2	8.7	9.0	9.2	9.1	9.2
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	–0.5	–1.7	0.9	0.4	0.5	0.8	1.0
Interest	2.0	2.0	2.1	2.1	2.2	2.2	2.3
Subtotal, surplus or deficit (–)	1.4	0.3	3.0	2.6	2.7	3.0	3.3
Adjustments:							
Transfers/lapses (net)	–*	–0.7	–0.4	....	....	....	....
Other adjustments	*	–*	*	....	....	....	....
Total, change in fund balance	1.4	–0.4	2.7	2.6	2.7	3.0	3.3
Balance, end of year	31.1	30.7	33.4	35.9	38.6	41.6	44.9

* Less than $50 million

Note: Balances shown include committed and uncommitted cash balances.

[1] The aviation excise taxes are proposed to be reinstated effective April 1, 1997, resulting in an estimated uncommitted cash balance of $0.5 billion at the end of 1998. In addition, the Administration proposes that aviation excise taxes be repealed effective October 1, 1998, and replaced with cost-based user fees. Additional information on these proposed changes to the Airport and Airway Trust Fund can be found in Chapter 4 ''User Fees and Other Collections'' and Chapter 3 ''Federal Receipts'' of the *Analytical Perspectives.*

[2] Trust fund borrowing and repayment from the general fund of the Treasury has been revised to reflect the changes explained in the ''Income and Outgo by Fund Group'' section of this chapter. This change affects the Railroad Social Security Equivalent Benefit Account (Railroad Retirement Trust Funds) and the Black Lung Disability Trust Fund (Other Trust Funds).

Table 17–4. INCOME, OUTGO, AND BALANCES OF SELECTED FEDERAL FUNDS

(In billions of dollars)

	1996 actual	Estimate 1997	1998	1999	2000	2001	2002
Abandoned Mine Reclamation Fund							
Balance, start of year	1.3	1.4	1.5	1.7	1.8	1.9	2.0
Income:							
Governmental receipts	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Proprietary receipts	*	*	*	*	*	*	*
Receipts from Federal funds:							
Interest	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other	....	....	....	....	....	....	....
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	0.3	0.4	0.4	0.4	0.4	0.4	0.4
Outgo:							
To the public	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	*	0.1	*	*	*	*	0.1
Interest	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Subtotal, surplus or deficit (–)	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	*	*	....	....	....	....	....
Total, change in fund balance	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Balance, end of year	1.4	1.5	1.7	1.8	1.9	2.0	2.2
Nuclear Waste Disposal Fund							
Balance, start of year	4.7	5.3	6.1	6.9	7.8	8.8	9.8
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	0.6	0.6	0.7	0.7	0.7	0.7	0.7
Receipts from Federal funds:							
Interest	0.2	0.3	0.4	0.4	0.5	0.6	0.6
Other	....	....	....	....	....	....	....
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	0.8	1.0	1.0	1.1	1.2	1.2	1.3
Outgo:							
To the public	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	0.4	0.5	0.5	0.5	0.5	0.5	0.5
Interest	0.2	0.3	0.4	0.4	0.5	0.6	0.6
Subtotal, surplus or deficit (–)	0.6	0.8	0.8	0.9	1.0	1.0	1.1
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	–*	–*	–*	....	....	....	....
Total, change in fund balance	0.6	0.8	0.8	0.9	1.0	1.0	1.1
Balance, end of year	5.3	6.1	6.9	7.8	8.8	9.8	10.9
Overseas Private Investment Corporation							
Balance, start of year	2.1	2.3	2.5	2.6	2.9	3.2	3.5
Income:							
Governmental receipts	....	....	....	....	....	....	....
Proprietary receipts	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Receipts from Federal funds:							
Interest	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other	....	*	*	*	*	*	*

Table 17–4. INCOME, OUTGO, AND BALANCES OF SELECTED FEDERAL FUNDS—Continued

(In billions of dollars)

	1996 actual	Estimate 1997	1998	1999	2000	2001	2002
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	0.2	0.3	0.3	0.3	0.3	0.4	0.4
Outgo:							
To the public	*	*	0.1	0.1	0.1	0.1	0.1
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	*	*	0.1	0.1	0.1	0.1	0.1
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	*	0.1	0.1	0.1	0.1	0.1	0.1
Interest	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Subtotal, surplus or deficit (–)	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Adjustments:							
Transfers/lapses (net)	–*	–*	–0.1	....	....	....	....
Other adjustments	....	....	*	....	....	....	....
Total, change in fund balance	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Balance, end of year	2.3	2.5	2.6	2.9	3.2	3.5	3.8
Uranium Enrichment Decontamination and Decommissioning Fund							
Balance, start of year	0.3	0.5	0.8	1.2	1.6	2.1	2.7
Income:							
Governmental receipts	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Proprietary receipts	....	....	....	....	....	....	....
Receipts from Federal funds:							
Interest	*	*	0.1	0.1	0.1	0.1	0.2
Other	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Receipts from Trust funds	....	....	....	....	....	....	....
Subtotal, income	0.5	0.6	0.6	0.6	0.7	0.7	0.8
Outgo:							
To the public	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Payments to Other funds	....	....	....	....	....	....	....
Subtotal, outgo	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Change in fund balance:							
Surplus or deficit (–):							
Excluding interest	0.2	0.3	0.4	0.4	0.5	0.5	0.6
Interest	*	*	0.1	0.1	0.1	0.1	0.2
Subtotal, surplus or deficit (–)	0.2	0.4	0.4	0.4	0.5	0.5	0.6
Adjustments:							
Transfers/lapses (net)	....	....	....	....	....	....	....
Other adjustments	....	....	....	....	....	....	....
Total, change in fund balance	0.2	0.4	0.4	0.4	0.5	0.5	0.6
Balance, end of year	0.5	0.8	1.2	1.6	2.1	2.7	3.3

* Less than $50 million

Note: Balances shown include committed and uncommitted cash balances.

18. NATIONAL INCOME AND PRODUCT ACCOUNTS

The National Income and Product Accounts (NIPAs) are an integrated set of measures of aggregate U.S. economic activity that are prepared by the Department of Commerce. One of the many purposes of the NIPAs is to measure the Nation's total production of goods and services, known as gross domestic product (GDP), and the incomes generated in its production. GDP is the sum of the products of the household, business, government, and foreign-owned sectors. Because the NIPAs are widely used in economic analysis, it is important to show the NIPA presentation of Federal transactions.

Federal transactions are included in the NIPAs as part of the government sector. The concepts for the Federal sector have been designed to measure certain important economic effects of Federal transactions in a way that is consistent with the conceptual structure of the entire set of integrated accounts. The NIPA Federal sector is not itself a budget, because it is not a financial plan for proposing, determining, and controlling the fiscal activities of the Government. Rather, it is an accounting translation of the budget to meet specialized and important needs, chiefly the measurement of the impact of Federal receipts, current expenditures, and the current deficit on the national economy. NIPA concepts differ in many ways from budget concepts, and therefore the NIPA presentation of Federal finances is significantly different from that of the budget.

GDP is a measure of the Nation's final output, which excludes intermediate product to avoid double counting. Government consumption expenditures and gross investment are included in GDP as part of final output, together with personal consumption expenditures, gross private domestic investment, and net exports of goods and services. Other Federal expenditures—transfer payments, grants to State and local governments, subsidies, and net interest payments—are not final output. Rather, they are transfers of income to others, whose consumption expenditures, investment, or transactions with foreigners are part of final output. An entire set of receipt and current expenditure transactions of the Federal Government is prepared as one sector of the NIPAs; however, when the accounts for all the sectors are consolidated into an account for the Nation as a whole, transfer payments, grants, subsidies, and net interest expenditures are canceled out by the receipt of those payments as income in other sectors. This leaves only government consumption expenditures and gross investment—State and local as well as Federal—to be included in final output.

Differences Between the NIPAs and the Budget

Federal transactions in the NIPAs are measured according to NIPA accounting concepts in order to be compatible with the purposes of the NIPAs and other transactions recorded in the NIPAs. As a result they differ from the budget in netting, timing, and coverage. These differences cause total receipts and expenditures in the NIPAs to differ from total receipts and outlays in the budget. Differences in timing and coverage also cause the NIPA current deficit to differ from the budget deficit. Netting differences have equal effects on receipts and expenditures and thus have no effect on the current deficit. Besides these differences, the NIPAs combine transactions into different categories from those used in the budget.

Netting differences arise when the budget records certain transactions as offsets to outlays while they are recorded as receipts in the NIPAs (or vice versa). The budget treats all income that comes to the Government due to its sovereign powers—mainly, but not exclusively, taxes—as governmental receipts. On the other hand, the budget offsets against outlays any income that arises from voluntary business-type transactions with the public. The NIPAs generally follow this concept as well, and all income to government enterprises such as the Postal Service or the power administrations is offset against expenditures. However, the NIPAs have a narrower definition of "business-type transactions". Rents, royalties, and regulatory or inspection fees are recorded under receipts as business nontaxes. The budget classifies premiums for Medicare Part B, Supplementary Medical Insurance, as business-type transactions, whereas the NIPAs record them as social insurance receipts.

In the budget, any intragovernmental income from one account to another is offset against outlays rather than being recorded as a receipt. Government contributions for employee retirement are an example: the budget offsets these payments against outlays. In contrast, the NIPAs treat the Federal Government as any other employer and show contributions for employee social insurance as expenditures by the employing agencies and governmental (rather than offsetting) receipts to the appropriate social insurance funds. The NIPAs also include certain imputations that the budget does not. For example, unemployment benefits for Federal employees are financed by direct appropriations rather than social insurance contributions. The NIPAs impute social insurance contributions by employing agencies to finance these benefits—again, treating the Federal Government as any other employer.

Timing differences for receipts occur because the NIPAs generally record personal taxes and social insurance contributions when they are paid and business taxes when they accrue, while the budget records all receipts when they are received. Another sort of timing difference arises on the expenditure side because the budget includes outlays for Federal investments as they are paid for, while the Federal sector of the NIPAs instead includes a depreciation charge on past investments ("consumption of general government fixed capital") among "current expenditures."

The budget and the NIPAs also have coverage differences. The NIPAs exclude transactions with U.S. territories. The NIPAs also exclude the proceeds from the sales of nonproduced assets such as land. Bonuses paid on Outer Continental Shelf oil leases and proceeds from broadcast spectrum auctions are shown as offsetting receipts in the budget and are deducted from budget outlays. In the NIPAs these transactions are excluded as an exchange of assets with no production involved.

Financial transactions such as loan disbursements, loan repayments, loan asset sales, and loan guarantees are excluded from the NIPAs on the grounds that such transactions simply involve an exchange of assets. In contrast, under the Federal Credit Reform Act of 1990, for direct loan obligations and loan guarantee commitments made after 1991, the budget records the estimated subsidy cost of the direct loan or loan guarantee when the loan is disbursed. The cash flows with the public are recorded in nonbudgetary accounts as a means of financing the budget deficit rather than as budgetary transactions themselves. This treatment recognizes that part of a Federal direct loan is an exchange of assets with equal value but part is normally a subsidy to the borrower. It also recognizes the subsidy normally granted by loan guarantees. In the NIPAs, neither the subsidies nor the loan transactions are included; however, the NIPAs include all interest transactions with the public, including net interest paid to the financing accounts.

Deposit insurance outlays for resolving failed banks and thrift institutions are similarly excluded from the NIPAs on the grounds that there are no offsetting current income flows from these transactions. In 1991, this exclusion was the largest difference between the NIPAs and the budget and tended to make the budget deficit larger than the NIPA current deficit. In subsequent years, as assets acquired from failed financial institutions have been sold, these collections have tended to make the budget deficit smaller than the NIPA current deficit.

Federal Sector Receipts

Table 18–1 shows Federal receipts in the four major categories used in the NIPAs, which are similar to the budget categories but with significant differences.

Personal tax and nontax receipts is the largest category. It is composed primarily of personal income

Table 18–1. FEDERAL TRANSACTIONS IN THE NATIONAL INCOME AND PRODUCT ACCOUNTS, 1987–1998

(In billions of dollars)

Description	Actual										Estimate	
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
RECEIPTS												
Personal tax and nontax receipts	398.3	407.9	458.3	477.3	477.4	485.8	513.4	555.9	602.7	660.0	687.7	723.2
Corporate profits tax accruals	99.3	107.7	119.1	116.5	111.5	115.4	130.9	157.6	183.2	179.5	189.2	196.8
Indirect business tax and nontax accruals	56.4	60.4	61.7	63.6	75.8	80.9	86.4	92.7	91.7	85.9	90.4	87.8
Contributions for social insurance	368.5	405.6	430.8	455.1	476.7	499.0	522.3	551.2	581.2	600.1	632.5	654.1
Total receipts	**922.5**	**981.5**	**1,069.9**	**1,112.5**	**1,141.5**	**1,181.0**	**1,253.0**	**1,357.5**	**1,458.8**	**1,531.5**	**1,599.7**	**1,662.0**
CURRENT EXPENDITURES												
Consumption expenditures	371.1	382.6	407.8	417.2	442.5	448.9	452.3	454.3	454.8	451.2	456.4	449.9
Defense	280.8	293.4	308.2	306.1	324.4	318.9	315.0	310.8	303.5	305.3	304.6	297.9
Nondefense	90.3	89.1	99.6	111.1	118.1	130.0	137.3	143.5	151.3	145.8	151.8	152.0
Transfer payments	410.1	431.6	461.4	505.6	509.6	607.4	651.3	677.0	712.4	753.3	795.3	836.3
To persons	399.4	420.5	449.7	490.7	535.7	595.8	633.6	661.7	697.3	740.7	782.0	822.7
To the rest of the world	10.7	11.1	11.7	14.9	–26.0	11.5	17.7	15.3	15.1	12.5	13.3	13.6
Grants-in-aid to State and local governments	103.3	108.4	115.8	128.4	147.1	168.4	180.1	196.3	204.4	214.7	230.8	246.6
Net interest paid	134.2	146.5	161.9	178.5	187.1	197.9	192.0	195.9	224.3	229.7	236.0	240.0
Subsidies less current surplus of Government enterprises	30.2	34.4	32.9	29.5	31.7	34.1	39.3	40.5	33.5	37.1	38.7	36.1
Wage disbursements less accruals	–0.1	0.1	....	–*	*	....	....	....	....	....	....	....
Total current expenditures	**1,048.8**	**1,103.5**	**1,179.7**	**1,259.2**	**1,318.1**	**1,456.7**	**1,515.1**	**1,563.9**	**1,629.4**	**1,685.9**	**1,757.1**	**1,808.9**
Current deficit (–)	**–126.4**	**–122.0**	**–109.9**	**–146.7**	**–176.6**	**–275.7**	**–262.1**	**–206.4**	**–170.6**	**–154.4**	**–157.4**	**–147.0**
ADDENDUM												
Gross investment	79.2	73.8	65.9	78.5	79.5	74.4	72.5	68.2	65.1	62.9	59.0	58.0
Defense	64.8	60.2	51.7	61.7	61.9	54.3	50.4	44.8	45.2	43.2	38.5	37.4
Nondefense	14.4	13.5	14.2	16.8	17.6	20.1	22.1	18.1	19.9	19.7	20.5	20.6

* $50 million or less.

taxes, but also includes estate and gift taxes, fees, fines, and other receipts from persons.

Corporate profits tax accruals differ in classification from the corresponding budget category primarily because the NIPAs include the deposit of earnings of the Federal Reserve System as corporate profits taxes, while the budget treats these collections as miscellaneous receipts. The timing difference between the NIPAs and the budget is especially large for corporate receipts.

Indirect business tax and nontax accruals are composed of excise taxes, customs duties, royalties, fines, and other receipts from business.

Contributions for social insurance differ from the corresponding budget category primarily because: (1) the NIPAs include Federal employer contributions for employee retirement in this category as a Government receipt, while the budget offsets the contributions against outlays as undistributed offsetting receipts; (2) the NIPAs include premiums for social insurance programs including Part B of Medicare as Government receipts, while the budget nets them against outlays; and (3) the NIPAs include imputations for contributions for Federal employees' unemployment insurance and workers' compensation.

Federal Sector Current Expenditures

Table 18–1 shows current expenditures in the six major NIPA categories, which are very different from the budget categories.

Government consumption expenditures are the goods and services purchased by the Federal Government in the current account, including employee compensation. This category is a new one introduced a year ago as part of the regular comprehensive revision of the NIPAs. One effect of this comprehensive revision was to replace the previous category "government purchases of goods and services" with "consumption expenditures." The previous category included gross investment spending but did not include imputed depreciation on federally owned fixed capital ("consumption of general government fixed capital"); the new category does. Gross investment (shown as addendum items in Table 18–1) is now excluded from current expenditure (which includes depreciation) in reckoning the government current surplus or current deficit on a NIPA basis. The same changes were made to the State and local government sector of the NIPAs, which now reflects depreciation of State and local fixed capital (including that financed by Federal grants in aid). The inclusion of depreciation on fixed capital (structures and equipment) in current expenditures is intended as a proxy for the services of capital; i.e., for its contribution to government output of public services.

Although gross investment is not included in government current expenditure, both government gross investment and current consumption expenditures (including depreciation) are now included in total GDP (both in current estimates and in historical NIPA data), which makes the treatment of the government sectors in the NIPAs more like that of the private business sector. This new treatment had the effect of increasing the level of measured U.S. GDP by the amount of depreciation on government-owned capital (Federal, State and local), including that of government enterprises. It raised calendar year 1995 GDP, for example, by $147 billion, or 2.1 percent.

Transfer payments is the largest expenditure category. Transfer payments to persons are mainly for income security and health programs, such as social security and Medicare. Transfer payments to the rest of the world include grants to foreign governments and payments under social security and other similar programs to individuals living abroad.

Grants-in-aid to State and local governments are designed to help finance a range of programs. Grants are for income security, Medicaid, capital expenditures for infrastructure, and other purposes.

Net interest paid is the interest paid by the Government on its debt, less interest received on its loans.

Subsidies less current surplus of Government enterprises consists of two elements: (1) subsidy payments for resident businesses (including farms); and (2) the current surplus (or current deficit) of "Government enterprises," such as the Postal Service, which are business-type operations of Government that usually appear in the budget as public enterprise revolving funds. As part of the changes made in last year's comprehensive revision of the NIPAs, imputed depreciation (consumption of enterprise fixed capital) now reduces the current surplus of government enterprises in comparison to the previous treatment.

NIPA subsidies do not include the imputed credit subsidies estimated as part of credit reform in the budget. Rather, loans and guarantees are categorized as financial transactions and are excluded from the NIPAs.

Wage disbursements less accruals is an adjustment that is necessary to the extent that wages are earned in a different period than they are paid.

Differences in the Estimates

Since the introduction of the unified budget in January 1968, NIPA receipts have exceeded budget receipts in each year, due principally to the imputed employer contributions for employee retirement. NIPA current expenditures have usually been higher than budget outlays for the same reason. There are, however, two components of budget outlays that are sometimes sufficiently large in combination to match the grossing adjustments. These are financial transactions and payments to U.S. territories. Large outlays associated with resolving the failed savings and loan associations and banks in 1990 and 1991 made those year's budget outlays nearly equal to NIPA current expenditures. With the change in budgetary treatment of direct loans in 1992 under credit reform, one type of financial transaction—direct loans to the public—has been recorded in the budget in a way that is closer to the NIPA treatment. Disbursement and repayment of loans are now recorded outside the budget as in the Federal sec-

Table 18–2. RELATIONSHIP OF THE BUDGET TO THE FEDERAL SECTOR, NIPA

(In billions of dollars)

	Actual										Estimate	
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
RECEIPTS												
Budget receipts	854.4	909.3	991.2	1,032.0	1,055.0	1,091.3	1,154.4	1,258.6	1,351.8	1,453.1	1,505.4	1,566.8
Coverage differences	–1.2	–1.2	–1.4	–1.6	–1.7	–1.8	–1.8	–2.0	–2.3	–2.2	–2.4	–2.4
Contributions to government employee retirement funds (grossing)	57.7	59.6	60.9	62.2	66.0	67.6	67.3	66.9	66.5	64.9	71.1	73.3
Other netting and grossing	11.1	13.8	13.9	16.6	20.8	25.5	28.8	30.3	28.0	27.1	30.8	28.5
Timing differences	1.0	0.5	3.6	3.5	2.2	–1.1	4.4	4.7	9.1	–11.3	–5.2	–4.2
Other	–0.5	–0.4	1.7	–0.2	–0.9	–0.5	–0.1	–1.1	3.4	0.0	0.0	0.0
NIPA receipts	**922.5**	**981.5**	**1,069.9**	**1,112.5**	**1,141.5**	**1,181.0**	**1,253.0**	**1,357.5**	**1,456.5**	**1,531.5**	**1,599.7**	**1,662.0**
EXPENDITURES												
Budget outlays	1,004.2	1,064.5	1,143.7	1,253.2	1,324.4	1,381.7	1,409.4	1,461.7	1,515.7	1,560.3	1,631.0	1,687.5
Net lending	–2.6	–13.2	–4.3	–1.3	–4.7	–3.6	–9.0	–1.1	7.6	12.7	1.0	–8.8
Deposit insurance and other financial transactions	3.8	1.3	–10.7	–57.4	–66.8	–3.8	21.7	5.0	23.8	8.9	8.4	8.9
Net purchases of nonproduced assets	1.4	0.1	0.7	1.0	–0.2	–0.2	–0.2	–0.2	–7.6	0.3	7.9	11.4
Other coverage differences	–4.0	–5.8	–6.4	–6.9	–7.4	–5.0	–2.9	–2.9	–10.1	–8.3	–8.2	–8.5
Contributions to government employee retirement funds	57.7	59.6	60.9	62.2	66.0	67.6	67.3	66.9	66.5	64.9	71.1	73.3
Other netting and grossing differences	11.1	13.8	13.9	16.6	20.8	25.5	28.8	30.3	28.0	27.1	30.8	28.5
Difference between investment and depreciation	–25.5	–17.5	–15.9	–16.4	–14.3	–10.3	–5.2	3.0	8.4	10.2	13.3	14.2
Other timing differences	10.5	3.4	–2.1	8.2	0.2	4.8	5.2	1.2	–1.0	9.8	1.8	2.6
NIPA current expenditures	**1,048.8**	**1,103.5**	**1,179.7**	**1,259.2**	**1,318.1**	**1,456.7**	**1,515.1**	**1,563.9**	**1,634.7**	**1,685.9**	**1,757.1**	**1,808.9**

tor of the NIPAs, although, unlike the NIPAs, imputed credit subsidies are recorded as budget outlays.

During the period 1975–1992, the budget deficit exceeded the Federal current deficit as measured in the NIPAs every year. The largest difference, $92.7 billion, occurred in 1991, when the budget deficit was $269.4 billion, while the NIPA current deficit was $176.6 billion. In 1993–1996, the NIPA current account deficit was slightly *above* the budget deficit, and it is projected to remain higher in 1997 and 1998.

Table 18–1 displays Federal transactions using NIPA concepts with actual data for the years 1987–1996 and estimates for 1997 and 1998 consistent with the Administration's budget proposals. Table 18–2 displays the reasons for differences between the data using budget concepts and NIPA concepts. Annual NIPA data for 1960–1998 are published in Section 14 of a separate budget volume, *Historical Tables, Budget of the U.S. Government, Fiscal Year 1998.*

Additional details will be published in a forthcoming issue of the Department of Commerce publication, *Survey of Current Business.*

19. COMPARISON OF ACTUAL TO ESTIMATED TOTALS FOR 1996

The following three parts of this chapter compare the actual total receipts, outlays, and deficit for 1996 with the current services estimates[1] shown in the *FY 1996 Budget* published in February 1995. The fourth part of this chapter shows additional details for a comparison of mandatory and related programs, and the final part reconciles actual receipts, outlays, and deficit totals for 1996 previously published by the Department of the Treasury with those in this budget.

In this chapter the initial estimates of both receipts and outlays for 1996 have been adjusted upward by $0.9 billion as a result of the reclassification of the Federal Communications universal service fund as budgetary. The initial estimates shown here are therefore higher than originally published in February 1995.

Receipts

Receipts in 1996 were $1,453.1 billion, which is $33.6 billion greater than the current services estimate of $1,419.4 billion in the 1996 Budget. As shown in Table 19–1, this increase was the net effect of legislative, administrative and regulatory changes; economic conditions that differed from what had been expected; and different collection patterns and effective tax rates than had been assumed.

Policy differences.—Six laws enacted after February 1995 affected 1996 receipts: Self-Employed Health Insurance Act; Tax Benefits for Members of the Armed Forces Performing Peacekeeping Services in Bosnia and Hercegovina, Croatia, and Macedonia; Taxpayer Bill of Rights 2; Personal Responsibility and Work Opportunity Reconciliation Act of 1996; Health Insurance Portability and Accountability Act of 1996; and Small Business Job Protection Act. In total, these changes decreased 1996 receipts by a net $0.2 billion.

Economic differences.—Differences between the economic assumptions upon which the current services estimates were made and actual economic performance accounted for a net increase in 1996 receipts of $28.8 billion. Individual income taxes were higher than expected by $17.0 billion, in large part attributable to increases in wages and salaries and non-wage sources of income relative to the budget forecast. Increases in wages and salaries relative to the budget forecast were also responsible for the $4.3 billion increase in social insurance taxes and contributions. Higher than expected corporate profits increased corporation income taxes $11.8 billion above the budget forecast. Lower than anticipated interest rates, which affect deposits of earnings by the Federal Reserve, reduced miscellaneous receipts by $2.3 billion and lower than expected imports reduced customs duties by $2.2 billion.

Technical reestimates.—Different collection patterns and effective tax rates than had been assumed in February 1995 were primarily responsible for the decrease in social insurance taxes and contributions of $4.3 billion and the increases in individual and corporation income taxes of $12.9 billion and $2.7 billion, respectively. Different effective tax rates than had been assumed, reflecting different distributions of imports and purchases among taxable products, are in large part responsible for the decreases in customs duties and excise taxes, respectively. Decreased deposits of

[1] The current services concept is discussed in Chapter 16: "Current Services Estimates." For mandatory programs and receipts the February 1995 current services estimate is based on current law. For discretionary programs the February 1995 current service estimate is based on the prior year estimates adjusted for inflation.

Table 19–1. COMPARISON OF ACTUAL 1996 RECEIPTS WITH THE INITIAL CURRENT SERVICES ESTIMATES

(In billions of dollars)

	Current services estimate (Feb. 1995)	Legislative, regulatory and administrative changes	Different economic conditions	Technical factors	Net change	Actual
Individual income taxes	626.9	–0.4	17.0	12.9	29.5	656.4
Corporation income taxes	157.2	0.2	11.8	2.7	14.7	171.8
Social insurance taxes and contributions	509.4	–*	4.3	–4.3	*	509.4
Excise taxes	57.3	–*	0.3	–3.6	–3.3	54.0
Estate and gift taxes	16.8	....	–0.1	0.5	0.4	17.2
Customs duties	22.3	....	–2.2	–1.4	–3.7	18.7
Miscellaneous receipts	29.6	....	–2.3	–1.8	–4.1	25.5
Total	**1,419.4**	**–0.2**	**28.8**	**5.0**	**33.6**	**1,453.1**

*$50 million or less.

earnings by the Federal Reserve, attributable to lower-than-expected asset values on securities denominated in foreign currencies, accounted for most of the $1.8 billion decrease in miscellaneous receipts.

Outlays

Outlays for 1996 were $1,560.3 billion. This was $59.7 billion less than the $1,620.0 billion current services estimate in the initial 1996 Budget (February 1995).

Table 19–2 distributes the $59.7 billion net decrease in outlays among discretionary and mandatory programs and net interest. The table also makes rough estimates according to three reasons for the changes: policy; economic conditions; and technical estimating differences, a residual.

Policy changes are the result of actions by the Congress or the Administration that change spending levels, primarily through higher or lower appropriations or changes in authorizing legislation. For 1996, policy changes decreased outlays an estimated $10.5 billion relative to the initial current services estimates.

Policy changes reduced discretionary outlays $13.7 billion because final appropriations were below the initial current services estimates. Policy changes increased mandatory outlays $3.5 billion above current law. Most of this was the result of increases of $2.6 billion for the Farm Bill. (Mandatory programs are mostly formula benefit or entitlement programs not normally controlled by annual appropriations.)

Economic conditions that differed from those forecast in February 1995 resulted in a net outlay decrease of $24.1 billion. Outlays for mandatory programs decreased an estimated $9.0 billion. Lower than expected unemployment rates decreased outlays an estimated $4.1 billion due to the effects on unemployment benefits and income support programs such as food stamps. Lower than expected inflation decreased outlays an estimated $4.6 billion, largely due to the effect on Social Security and, to a lesser extent, Medicare and Medicaid. The remaining major decrease was for Federal student loans due to lower than expected interest rates. Outlays for net interest decreased an estimated $15.1 billion due to lower than expected interest rates and lower debt service due to economic changes on receipts and outlays.

Technical estimating differences and other changes result from changes in such factors as the number of beneficiaries for entitlement programs, crop conditions, bank failures, or other factors not associated with policy changes or economic conditions. Technical changes accounted for a net decrease of $25.2 billion. The largest decreases were for agricultural price support programs, Medicare, Social Security, Medicaid, and deposit insurance.

Table 19–2. COMPARISON OF ACTUAL 1996 OUTLAYS WITH THE INITIAL CURRENT SERVICES ESTIMATES

(In billions of dollars)

	Current Services (Feb. 1995) [1]	Changes				Actual
		Policy	Economic	Technical	Total changes	
Discretionary:						
Defense	269.7	–6.9	....	3.1	–3.8	266.0
Nondefense	282.5	–6.8	....	–7.3	–14.1	268.4
Subtotal, discretionary	552.2	–13.7	....	–4.1	–17.9	534.4
Mandatory:						
Deposit insurance	–6.2	....	....	–2.2	–2.2	–8.4
Other programs	817.1	3.5	–9.0	–18.4	–23.8	793.3
Subtotal, mandatory	810.9	3.5	–9.0	–20.6	–26.0	784.9
Net interest	256.9	–0.3	–15.1	–0.5	–15.9	241.1
Total outlays	**1,620.0**	**–10.5**	**–24.1**	**–25.2**	**–59.7**	**1,560.3**

[1] To be consistent with the conceptual basis of the actual amounts, the total includes $0.9 billion for the universal service fund in mandatory and shifts $2.3 billion from discretionary to mandatory, primarily for transportation programs.

Table 19–3. COMPARISON OF THE ACTUAL 1996 DEFICIT WITH THE INITIAL CURRENT SERVICES ESTIMATES

(In billions of dollars)

	Current Services (Feb. 1995)	Changes				Actual
		Policy	Economic	Technical	Total changes	
Receipts	1419.4	–0.2	28.8	5.0	33.6	1453.1
Outlays	1620.0	–10.5	–24.1	–25.2	–59.7	1560.3
Deficit	**–200.6**	**10.3**	**52.9**	**30.1**	**93.3**	**–107.3**

Note: Deficit changes are receipts minus outlays. For these changes, a plus indicates a decrease in the deficit.

Deficit

The preceding two sections discussed the differences between the initial current services estimates and the actual amounts of Federal Government receipts and outlays for 1996. This section combines these effects to show the net impact of these differences on the deficit.

As shown in Table 19–3, the 1996 current services deficit was initially estimated to be $200.6 billion. The actual deficit was $107.3 billion, which was $93.3 billion less than the initial estimate. Receipts were $33.6 billion more than the initial estimate, and outlays were $59.7 billion less. The table shows the distribution of the changes according to the categories in the preceding two sections.

The net effect of policy decreases for receipts and outlays decreased the deficit $10.3 billion.

Economic conditions that differed from the initial assumptions in February 1995 accounted for an estimated $52.9 billion decrease in the deficit— the combined effect of an increase in receipts of $28.8 billion and a decrease in outlays of $24.1 billion. Technical estimating and other differences decreased the deficit by an estimated $30.1 billion. This was due to a decrease in outlays of $25.2 billion and an increase in receipts of $5.0 billion.

Comparison of the Actual and Estimated Outlays for Mandatory and Related Programs for 1996

This section compares the original 1996 outlay estimates for mandatory and related programs under current law in the 1996 Budget (February 1995) with the actual outlays. Mandatory and related programs are programs with permanent spending authority that is generally controlled by authorizing legislation rather than by annual appropriations. Outlays for these programs depend primarily on eligibility criteria and benefit levels established in law, such as Social Security and Medicare benefits for the elderly, agricultural price support payments to farmers, or deposit insurance for banks and thrift institutions. This category also includes net interest outlays and undistributed offsetting receipts.

A number of factors may cause differences between the amounts estimated in the budget and the actual outlays. For example, legislation may change benefit rates or coverage; the actual number of beneficiaries may differ from the number estimated; or economic conditions (such as inflation or interest rates) may differ from what was assumed in making the original estimates.

Table 19–4. COMPARISON OF ACTUAL AND ESTIMATED OUTLAYS FOR MANDATORY AND RELATED PROGRAMS UNDER CURRENT LAW

(In billions of dollars)

	1996		
	February 1995 estimate [1]	Actual	Change
Mandatory outlays:			
Human resources programs:			
Education, training, employment, and social services	15.6	13.9	–1.7
Health:			
Medicaid	96.0	92.0	–4.0
Other	4.8	4.8	*
Total health	100.8	96.8	–4.0
Medicare	174.8	171.3	–3.5
Income security:			
Retirement and disability	71.7	72.8	1.2
Unemployment compensation	23.2	22.6	–0.6
Food and nutrition assistance	35.8	33.7	–2.1
Other	62.6	58.9	–3.8
Total, income security	193.3	188.0	–5.3
Social security	351.4	347.1	–4.4
Veterans benefits and services:			
Income security for veterans	17.8	18.2	0.4
Other	1.3	0.6	–0.6
Total veterans benefits and services	19.1	18.8	–0.3
Total mandatory human resources programs	855.0	835.8	–19.1
Other functions:			
Agriculture	9.5	5.0	–4.5
Deposit insurance	–6.2	–8.4	–2.2
Other	–5.9	–10.0	–4.0
Total, other functions	–2.7	–13.3	–10.7
Undistributed offsetting receipts:			
Employer share, employee retirement	–34.1	–33.5	0.6
Rents and royalties on the outer continental shelf	–3.0	–3.7	–0.7
Other undistributed offsetting receipts	–4.3	–0.3	3.9
Total undistributed offsetting receipts	–41.4	–37.6	3.8
Total, mandatory	810.9	784.9	–26.0
Net interest:			
Interest on the public debt	363.8	344.0	–19.9
Interest received by trust funds	–98.1	–97.4	0.8
Other interest	–8.7	–5.5	3.2
Total net interest	256.9	241.1	–15.9
Total outlays for mandatory and net interest	**1,067.8**	**1,026.0**	**–41.9**

[1] To be consistent with the conceptual basis of the actual amounts, the total includes $0.9 billion for the universal service fund in mandatory and shifts $2.3 billion from discretionary to mandatory, primarily for transportation programs.

Table 19–4 shows the differences between the actual outlays for these programs in 1996 and the amounts originally estimated in the 1996 Budget, based on laws in effect at that time. (The list of programs is similar to the list in Table 14–3 in Chapter 14, "Review of Direct Spending and Receipts," in this volume. This table provides the estimates through 2002.) Actual outlays for mandatory spending and net interest in 1996 were $1,026.0 billion, which was $41.9 billion less than the initial estimate of $1,067.8 billion, based on existing law in February 1995.

Actual outlays for mandatory human resources programs were $835.8 billion, $19.1 billion less than originally estimated. This decrease was the net effect of legislative action, differences between actual and assumed economic conditions, differences between the anticipated and actual number of beneficiaries, and other technical differences.

Outlays for other functions were $10.7 billion less than originally estimated. The largest decrease was for mandatory agricultural programs ($4.5 billion), which resulted largely from higher than expected crop prices, which reduces Federal subsidies.

Outlays for net interest were $241.1 billion or $15.9 billion less the original estimate. This decrease was largely the effect of lower than assumed interest rates and lower borrowing requirements due to a lower than originally estimated deficit.

Reconciliation of Differences with Amounts Published by Treasury for 1996

Table 19–5 provides a reconciliation of the receipts, outlays, and the deficit totals published by the Department of the Treasury in the U.S. Government Annual Report for 1996 and those published in this budget. Receipts and outlays are $0.3 billion higher than previously reported by the Department of the Treasury. Most of the receipt and outlay difference is the result of inclusion of United Mine Workers of America benefit funds in the budget totals.

Table 19–5. RECONCILIATION OF FINAL AMOUNTS FOR 1996

(In millions of dollars)

	Receipts	Outlays	Deficit
Totals published by Treasury (September 30, 1996 Monthly Treasury Statement)	1,452,763	1,560,094	107,331
Miscellaneous Treasury adjustments	....	–54	–54
Totals published by Treasury in U.S. Government Annual Report	1,452,763	1,560,040	107,277
Adjustments, net:			
United Mine Workers of America benefit funds	304	304	....
Other	–5	–14	–9
Total adjustments, net	299	290	–9
Totals in the budget	**1,453,062**	**1,560,330**	**107,268**
MEMORANDUM:			
Total change since September 30, 1996	299	236	–63

20. RELATIONSHIP OF BUDGET AUTHORITY TO OUTLAYS

Budget authority is the authority for Federal agencies to enter into obligations that will result in immediate or future outlays.[1] Budget authority is provided in laws, and Federal agencies cannot obligate the Government to make outlays until budget authority is provided. New budget authority for most Federal programs is provided in 13 annually enacted appropriations acts. However, new budget authority for more than half of all outlays is made available through permanent appropriations under existing laws. This consists mainly of budget authority for trust funds, which for most trust funds is automatically appropriated under existing law from the available balance of their receipts and equals the estimated annual obligations of the funds; interest on the public debt, for which budget authority is automatically provided under a permanent appropriation enacted in 1847 and equals interest outlays; and the authority to spend offsetting collections credited to appropriation or fund accounts.

Not all of the new budget authority for 1998 will be obligated or spent in 1998:[2]

- Budget authority for most trust funds comes from the authority of these funds to spend their receipts (limited, in most cases, by the estimated obligations). Any unexpended balances remain available to these trust funds indefinitely in order to finance benefits and other purposes specified by law.
- Budget authority for most major construction and procurement projects covers the entire cost estimated when the projects are initiated, even though work will take place and outlays will be made over a period extending beyond the year for which the budget authority is enacted.
- Until recent years, budget authority for large portions of the subsidized housing programs was equal to the Government's estimated obligation to pay subsidies under contracts, which extended for periods of up to 40 years; these contracts are now for one year only and the budget authority requirements are therefore now appropriated year-by-year.
- New budget authority for most other long-term contracts covers the estimated maximum obligation of the Government.
- Budget authority for most education and job training activity is appropriated for school or program years that begin in the fourth quarter of the fiscal year. Most of these funds result in outlays in the year after the year of appropriation.
- Government enterprises are occasionally given budget authority for standby reserves that will be used only in special circumstances.

As a result of these factors, a substantial amount of budget authority carries over from one year to the next. Most of this is earmarked for specific uses and is not available for new programs. A small part may never be obligated or spent, primarily the amount for contingencies that do not occur or reserves that never have to be used.

As shown in the following chart, $353 billion of the outlays in 1998 (21 percent of the total) will be made from budget authority enacted in previous years. At the same time, $375 billion of the new budget authority proposed for for 1998 (22 percent of the total amount proposed) will not lead to outlays until future years. Although outlays in 1998 are, coincidentally, very nearly equal to budget authority for that year (98.7 percent), this coincidence only occurs because the prior-year authority that will produce 1998 outlays ($353 billion) nearly equals the new 1998 authority that will not be spent until future years ($375 billion). Thus, in general, the total budget authority for a particular year is not directly indicative of that year's outlays, since it combines various types of budget authority that have different short-term and long-term implications for budget obligations and outlays.

[1] For most budget accounts, the relationship of budget authority, obligations, and outlays is shown in a "program and financing" schedule in the budget *Appendix* volume.

[2] This subject is also discussed in a separate OMB report, "Balances of Budget Authority," which can be purchased from the National Technical Information Service shortly after the budget is transmitted.

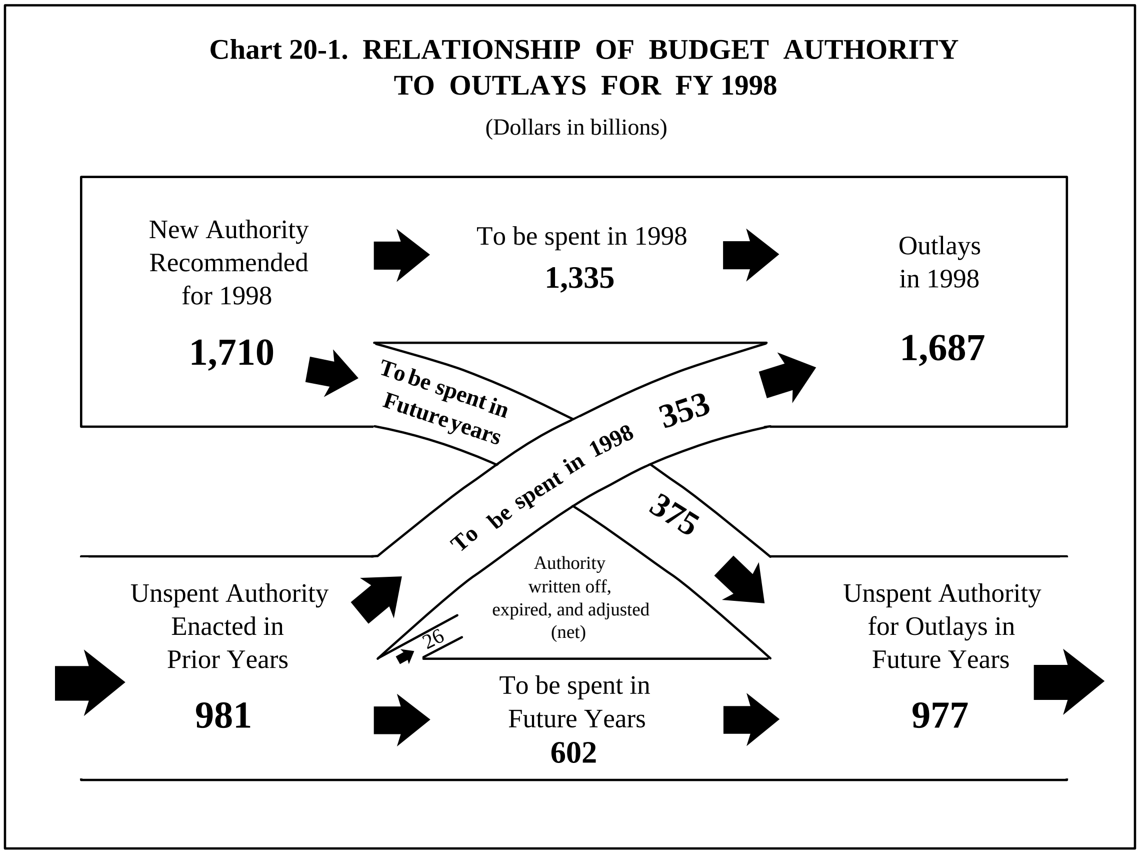


Chart 20-1. RELATIONSHIP OF BUDGET AUTHORITY TO OUTLAYS FOR FY 1998
(Dollars in billions)
New Authority Recommended for 1998
1,710
To be spent in 1998
1,335
Outlays in 1998
1,687
To be spent in Future years
To be spent in 1998
353
375
Unspent Authority Enacted in Prior Years
981
Authority written off, expired, and adjusted (net)
26
To be spent in Future Years
602
Unspent Authority for Outlays in Future Years
977

21. OFF-BUDGET FEDERAL ENTITIES

The Federal Government has used the unified budget concept as the foundation for its budgetary analysis and presentation since the 1969 budget. This concept was developed by the President's Commission on Budget Concepts in 1967. It calls for the budget to include all the Federal Government's programs and all the fiscal transactions of these programs with the public.

Since 1971, however, one or more Federal entities each year have been off-budget. Off-budget Federal entities are federally owned and controlled, but their transactions are excluded from the budget totals by law. When a Federal entity is off-budget, its receipts, outlays, and deficit or surplus are not included in budget receipts, budget outlays, or the budget deficit; and its budget authority is not included in the totals of budget authority for the budget. The off-budget Federal entities conduct programs of the same type as on-budget entities (Federal entities included in the budget totals). Most of the tables in the budget document include the on-budget and off-budget amounts in combination, or add them together to arrive at the unified or consolidated Government totals, in order to show Federal outlays and receipts comprehensively.

The off-budget Federal entities currently consist of the two social security trust funds, old-age and survivors insurance and disability insurance, and the Postal Service fund. Social security was removed from the budget in 1985 and the Postal Service fund in 1989. The Budget Enforcement Act of 1990 excludes these entities from the deficit targets and other enforcement calculations except for the administrative expenses of social security. Other entities were off-budget before 1986 but were moved onto the budget under subsequent law.

TABLE 21–1.COMPARISON OF TOTAL, ON-BUDGET, AND OFF-BUDGET TRANSACTIONS [1]

Fiscal Year	Receipts			Outlays			Surplus or deficit (–)		
	Total	On-budget	Off-budget	Total	On-budget	Off-budget	Total	On-budget	Off-budget
1970	192.8	159.3	33.5	195.6	168.0	27.6	–2.8	–8.7	5.9
1971	187.1	151.3	35.8	210.2	177.3	32.8	–23.0	–26.1	3.0
1972	207.3	167.4	39.9	230.7	193.8	36.9	–23.4	–26.4	3.1
1973	230.8	184.7	46.1	245.7	200.1	45.6	–14.9	–15.4	0.5
1974	263.2	209.3	53.9	269.4	217.3	52.1	–6.1	–8.0	1.8
1975	279.1	216.6	62.5	332.3	271.9	60.4	–53.2	–55.3	2.0
1976	298.1	231.7	66.4	371.8	302.2	69.6	–73.7	–70.5	–3.2
TQ	81.2	63.2	18.0	96.0	76.6	19.4	–14.7	–13.3	–1.4
1977	355.6	278.7	76.8	409.2	328.5	80.7	–53.7	–49.8	–3.9
1978	399.6	314.2	85.4	458.7	369.1	89.7	–59.2	–54.9	–4.3
1979	463.3	365.3	98.0	504.0	404.1	100.0	–40.7	–38.7	–2.0
1980	517.1	403.9	113.2	590.9	476.6	114.3	–73.8	–72.7	–1.1
1981	599.3	469.1	130.2	678.2	543.1	135.2	–79.0	–74.0	–5.0
1982	617.8	474.3	143.5	745.8	594.4	151.4	–128.0	–120.1	–7.9
1983	600.6	453.2	147.3	808.4	661.3	147.1	–207.8	–208.0	0.2
1984	666.5	500.4	166.1	851.9	686.1	165.8	–185.4	–185.7	0.3
1985	734.1	548.0	186.2	946.5	769.7	176.8	–212.3	–221.7	9.4
1986	769.3	569.0	200.2	990.5	807.0	183.5	–221.2	–238.0	16.7
1987	854.4	641.0	213.4	1,004.2	810.3	193.8	–149.8	–169.3	19.6
1988	909.3	667.8	241.5	1,064.5	861.8	202.7	–155.2	–194.0	38.8
1989	991.2	727.5	263.7	1,143.7	932.8	210.9	–152.5	–205.2	52.8
1990	1,032.0	750.3	281.7	1,253.2	1,028.1	225.1	–221.2	–277.8	56.6
1991	1,055.0	761.2	293.9	1,324.4	1,082.7	241.7	–269.4	–321.6	52.2
1992	1,091.3	788.9	302.4	1,381.7	1,129.3	252.3	–290.4	–340.5	50.1
1993	1,154.4	842.5	311.9	1,409.4	1,142.8	266.6	–255.0	–300.4	45.3
1994	1,258.6	923.6	335.0	1,461.7	1,182.4	279.4	–203.1	–258.8	55.7
1995	1,531.8	1,000.8	351.1	1,515.7	1,227.1	288.7	–163.9	–226.3	62.4
1996	1,453.1	1,085.6	367.5	1,560.3	1,259.9	300.5	–107.3	–174.3	67.0
1997 estimate	1,505.4	1,116.5	388.9	1,631.0	1,316.0	315.0	–125.6	–199.5	73.9
1998 estimate	1,566.8	1,161.9	404.9	1,687.5	1,358.9	328.6	–120.6	–197.0	76.4
1999 estimate	1,643.3	1,218.1	425.2	1,760.7	1,422.8	337.9	–117.4	–204.7	87.3
2000 estimate	1,727.3	1,280.4	446.9	1,814.4	1,463.8	350.7	–87.1	–183.3	96.2
2001 estimate	1,808.3	1,340.7	467.6	1,844.5	1,480.0	364.5	–36.1	–139.2	103.1
2002 estimate	1,896.7	1,406.8	489.9	1,879.7	1,499.4	380.3	17.0	–92.5	109.5

[1] Off-budget transactions consist of the social security trust funds for all years and the Postal Service fund as of 1989.

The preceding table compares the total Federal Government receipts, outlays, and deficit with the amounts that are on-budget and off-budget. Social security is classified as off-budget for all years, in order to provide consistent comparison over time. The much smaller Postal Service transactions are classified as off-budget starting in 1989. Entities that were off-budget at one time but are now on-budget are classified as on-budget for all years.

In 1998 the off-budget receipts are an estimated 26 percent of total receipts, and the off-budget outlays are an estimated 19 percent of total outlays. The 1998 total deficit of $120.6 billion consists of an off-budget surplus of $76.4 billion and an on-budget deficit of $197.0 billion. The off-budget surplus consists almost entirely of social security. It was small or even a deficit in the early 1980s but then grew substantially to 1990. It has grown again since 1994 and is estimated to increase each year throughout the projection period.

The Federal Credit Reform Act of 1990 refined budget concepts by distinguishing between the costs of credit programs, which are budgetary in nature, and the other transactions of the credit programs, which are not. For 1992 and subsequent years, the costs of direct loans and loan guarantees have been calculated as the present value of estimated cash outflows from the Government less the present value of estimated cash inflows to the Government. These costs are equivalent to the outlays of other Federal programs and are included in the budget as outlays of credit program accounts when the Federal Government makes a direct loan or guarantees a private loan. The cash transactions with the public—the disbursement and repayment of loans, the payment of default claims on guarantees, the collection of interest and fees, and so forth—are recorded in separate financing accounts. The transactions of the financing accounts do not represent costs to the Government above and beyond those costs that are already included in the credit program accounts. Therefore, they are non-budgetary in concept, and the Act excludes them from the budget.[1] Because the financing accounts are non-budgetary in concept, they are not classified as off-budget Federal entities.

The budget outlays of credit programs thus reflect only the cost of Government decisions, and they reflect this cost when the Federal credit assistance is provided. This enables the budget to better fulfill its purpose of being a financial plan for allocating resources among alternative uses: comparing the cost of a program with its benefits, comparing the cost of credit programs with the cost of other spending programs, and comparing the cost of one type of credit assistance with the cost of another type. Since the financing accounts do affect the Government's cash position, they add to the Government's borrowing requirement or finance part the deficit as explained in Chapter 12 of this volume, "Federal Borrowing and Debt."[2]

Insurance programs have economic effects and pose a financial risk to the Government, but under present budgetary accounting they do not result in budget outlays unless the insured event occurs and the Government pays a claim. In this respect their budgetary treatment is similar to the treatment of loan guarantees before the Credit Reform Act. Insurance programs are discussed in Chapter 8, "Underwriting Federal Credit and Insurance."

Other activities related to the Federal Government are outside the scope of budget outlays because of their inherent nature. The Government-sponsored enterprises, which are mostly financial intermediaries, are excluded from the budget on the grounds that they are privately owned and controlled. However, because of their close relationship to the Federal Government, detailed estimates of their activities are reported in a separate chapter of the budget appendix and an assessment of the risk they pose to the Government is presented in Chapter 8.

Taxation provides the Government with income, which is included in the budget as "receipts" and which withdraws purchasing power from the private sector in order to finance Government expenditure. In addition to this primary effect, taxation has important effects on the allocation of resources among private uses and the distribution of income among individuals. These effects are caused by the choice of taxes and by the rates and other structural characteristics of each tax. These latter effects of taxation on resource allocation and income distribution are analogous to the effects of outlays, but they are not recorded as outlays nor are they measured by receipts. Some of these effects arise from revenue losses caused by special exclusions, exemptions, deductions, and other special provisions. Such revenue losses have been defined as "tax expenditures" and are discussed in Chapter 5, "Tax Expenditures." Tax expenditures are also discussed in the individual chapters of Section VI of the *Budget*, "What the Government Does," in conjunction with the outlays that serve the same function.

Some types of regulation have economic effects that are similar to budget outlays by requiring the private sector to make expenditures for specified purposes such as safety and pollution control. The Office of Management and Budget has recently published a report to the President, *More Benefits, Fewer Burdens*, that documents efforts in this Administration since the President issued Executive Order No. 12866 to develop better new regulations, to change the face of existing regulations, and to change the culture of the regulatory system.[3] The regulatory planning process is described annually in *The Regulatory Plan and the Unified Agenda of Federal Regulatory and Deregulatory Actions.*[4]

[1] See sec. 505(b).

[2] For additional explanation of the budget concepts for direct loans and loan guarantees, see Chapter 24 of this volume, "Budget System and Concepts and Glossary," the section on Federal credit. The structure of credit reform is further explained in Chapter VIII.A of the *Budget*, Fiscal Year 1992, Part Two, pp. 223–26. The implementation of credit reform is discussed in Chapter 8, "Underwriting Federal Credit and Insurance," *Analytical Perspectives, Budget of the United States Government, Fiscal Year 1997*, pp. 142–44.

[3] Office of Information and Regulatory Affairs, Office of Management and Budget, *More Benefits, Fewer Burdens: Creating a Regulatory Systems that Works for the American People* (December 1996).

[4] The most recent publication was issued by the Regulatory Information Service Center in October 1996 (and printed in the Federal Register of November 29, 1996).

UNNECESSARY OR WASTEFUL REPORTS TO CONGRESS

22. UNNECESSARY OR WASTEFUL REPORTS TO CONGRESS

Pursuant to Section 3003(b) of the Federal Reports Elimination and Sunset Act of 1995, and continuing on the progress made in the Congressional Reports Elimination Acts of 1980, 1982, and 1986, the President included in the 1997 Budget a list of over 400 unnecessary or wasteful reports (Table 23–1, *Analytical Perspectives*). The Administration is continuing to work with Congress to enact legislation that would eliminate or modify these reports. Such legislation will improve the efficiency of agency operations and streamline the flow of information from agencies to the Congress.

This initiative carries forward the President's commitment to streamline government and reduce unnecessary and burdensome paperwork. Accordingly, once legislation is signed into law eliminating and modifying the reports listed in the 1997 Budget, the President will identify additional obsolete or wasteful reports that should be eliminated or modified.

FEDERAL DRUG CONTROL FUNDING

23. FEDERAL DRUG CONTROL FUNDING

Table 23–1. FEDERAL DRUG CONTROL FUNDING

(Budget authority, in millions of dollars)

	1996 actual	1997 enacted	1998 proposed	Change 1997–1998	
				Dollars	Percent
Agriculture:					
Agricultural Research Service	5	5	5	....	....
U.S. Forest Service	9	9	9	....	....
Women, Infants, Children (WIC)	15	15	15	....	....
Total, Agriculture	29	29	29	....	....
Corporation for National and Community Service	30	31	40	10	31%
Defense	822	957	809	–149	–16%
Intelligence Community Management Account	....	27	27	....	....
Education:					
Safe and Drug Free Schools and Communities	466	556	620	64	12%
Other	123	123	127	4	3%
Total, Education	588	679	747	68	10%
Health and Human Services:					
Administration for Children and Families	62	[1] 70	54	–16	–22%
Centers for Disease Control	65	82	115	32	39%
Food and Drug Administration	6	6	35	29	525%
Health Care Financing Administration	290	320	360	40	13%
Health Resources and Services Administration	39	46	48	2	5%
Indian Health Service	43	43	43	*	....
National Institutes of Health (NIDA/OAR, NIAAA)	482	515	549	34	7%
Substance Abuse and Mental Health Services Administration [2]	1,085	1,300	1,330	30	2%
Total, Health and Human Services	2,073	2,381	2,534	153	6%
Housing and Urban Development	294	320	290	–30	–9%
Interior:					
Bureau of Indian Affairs	16	16	18	3	17%
Bureau of Land Management	5	5	5	....	....
Fish and Wildlife Service	1	1	1	....	....
National Park Service	9	9	9	....	....
Total, Interior	30	30	33	3	10%
Judiciary	507	539	621	81	15%
Justice:					
Assets Forfeiture Fund	363	401	376	–25	–6%
U.S. Attorneys	239	250	269	19	8%
Bureau of Prisons	1,747	1,961	2,023	62	3%
Community Oriented Policing Services (COPS)	431	469	510	41	9%
Criminal Division	22	25	28	3	11%
Drug Enforcement Administration	867	1054	1146	92	9%
Federal Bureau of Investigation	695	817	865	48	6%
Federal Prisoner Detention (Support of U.S. Prisoners)	162	246	281	35	14%
Immigration and Naturalization Service	225	318	367	48	15%
ICDE (formerly OCDE) [3]	360	359	295	–64	–18%
INTERPOL	2	1	1	....	....
U.S. Marshals Service	302	261	273	12	5%
Office of Justice Programs	853	797	815	18	2%
Tax Division	*	*	*	*	....
Total, Justice	6,267	6,961	7,249	288	4%
Labor	59	60	66	6	10%
Office of National Drug Control Policy:					
Salaries and Expenses, Operations, Research	27	18	18	*	....
Counterdrug Technology Assessment Center	....	18	18	....	....
High Intensity Drug Trafficking Areas	103	140	140	....	....

Table 23–1. FEDERAL DRUG CONTROL FUNDING—Continued

(Budget authority, in millions of dollars)

	1996 actual	1997 enacted	1998 proposed	Change 1997–1998	
				Dollars	Percent
Special Forfeiture Fund	....	113	175	62	55%
Total, Office of National Drug Control Policy	130	289	351	62	22%
State:					
International Narcotics Control Program	115	193	214	21	11%
Economic Support Fund	20	....	....	....	....
Emergencies in the Diplomatic and Consular Service	*	1	2	1	50%
Total, State	135	194	216	22	11%
Transportation:					
U.S. Coast Guard	323	336	389	53	16%
Federal Aviation Administration	18	19	23	4	21%
National Highway Traffic Safety Administration	31	29	31	2	6%
Total, Transportation	372	384	443	59	15%
Treasury:					
Bureau of Alcohol, Tobacco and Firearms	171	176	232	56	32%
U.S. Customs Service	531	609	641	32	5%
Federal Law Enforcement Training Center	19	39	60	22	56%
Financial Crimes Enforcement Network	11	12	13	1	12%
Internal Revenue Service	68	71	73	2	3%
U.S. Secret Service	72	80	90	10	12%
Treasury Forfeiture Fund	156	155	155	....	....
ICDE (formerly OCDE)	....	....	74	74	....
Total, Treasury	1,029	1,141	1,338	197	17%
U.S. Information Agency	8	8	8	....	....
Veterans Affairs	1,081	1,129	1,178	49	4%
Total, Drug Control Programs	**13,454**	**15,159**	**15,977**	**818**	**5%**

* Less than 500 thousand.

[1] Includes $13 million for an ACF program appropriated to Substance Abuse and Mental Health Services Administration, but operated by ACF.

[2] Figures represent estimates based on historical funding patterns. The Performance Partnership eliminates many set-asides, increasing State fexibility to target funds to their substance abuse priorities. Therefore, actual funds for illicit drug treatment and prevention cannot be estimated with precision.

[3] In the past, DOJ has reimbursed agencies (Treasury, Transportation, and Justice components) for ICDE. Beginning in 1998, agencies will request ICDE funding separately. The actual difference in Federal ICDE funding from 1997 enacted ($287 million) to 1998 proposed ($294 million) is +$8 million, or +3 percent.

BUDGET SYSTEM AND CONCEPTS AND GLOSSARY

BUDGET SYSTEM AND CONCEPTS AND GLOSSARY

The budget system of the United States Government provides the means by which the Government decides how much money to spend and what to spend it on, and how to raise the money it has decided to spend. Once these decisions are made, the budget system ensures they are carried out. The Government uses the budget system to determine the allocation of resources among its major functions—such as ensuring the national defense, promoting commerce, and providing health care—as well as to determine the objectives and scope of individual programs, projects, and activities. While the focus of the budget system is on dollars, other resources, such as Federal employment, are also controlled through the budget system. The decisions made in the budget process affect the nation as a whole, state and local governments, and individual Americans. Many budget decisions have worldwide significance.

This chapter provides an overview of the budget system and explains some of the more important budget concepts. A glossary of budget terms is provided at the end of the chapter. Summary dollar amounts illustrate major concepts. These figures and more detailed amounts are discussed in more depth in other chapters of the budget documents.

The budget system is governed by various laws that have been enacted to carry out requirements of the Constitution. The principal laws pertaining to the budget system are referred to by title throughout the text, and complete citations are given later in the chapter.

THE BUDGET PROCESS

The budget process has three main phases, each of which is interrelated with the others:

(1) formulation of the President's budget;

(2) congressional action on the budget; and

(3) budget execution.

Formulation of the President's Budget

The Budget of the United States Government consists of several volumes that set forth the President's financial proposal with recommended priorities for the allocation of resources by the Federal Government. The primary focus of the budget is on the budget year—the next fiscal year for which Congress needs to make appropriations. However, the budget may propose changes to funding levels already provided for the current year, and it covers at least the four years following the budget year in order to reflect the effect of budget decisions over the longer term. The 1998 budget covers four years beyond the budget year through 2002. The budget includes data on the most recently completed fiscal year so that the budget estimates can be compared to actual accounting data.

The process of formulating the budget begins not later than the spring of each year, at least nine months before the budget is transmitted and at least 18 months before the fiscal year begins. (See the Budget Calendar below.) The President establishes general budget and fiscal policy guidelines. Based on these guidelines, the Office of Management and Budget (OMB) works with the Federal agencies to establish specific policy directions and planning levels for the agencies, both for the budget year and for the following four years, at least, to guide the preparation of their budget requests.

During the formulation of the budget, there is a continual exchange of information, proposals, evaluations, and policy decisions among the President, the Director of OMB, other officials in the Executive Office of the President, the Secretaries of the departments, and the heads of the Government agencies. Decisions concerning the upcoming budget are influenced by the results of previously enacted budgets, including the one for the fiscal year in progress, and reactions to the last proposed budget, which is being considered by Congress. Decisions also are influenced by projections of the economic outlook that are prepared jointly by the Council of Economic Advisers, OMB, and the Treasury Department.

In the fall, agencies submit budget requests to OMB, where analysts review them and identify for OMB officials issues that need to be discussed with agencies. Many issues are resolved between OMB and the agency. Others require the involvement of the President and White House policy officials. This decision-making process is usually completed by late December. At that time, the final stage of developing detailed budget data and the preparation of the budget documents begins.

The decision-makers must consider the effects of economic and technical assumptions on the budget estimates. Interest rates, economic growth, the rate of inflation, the unemployment rate, and the size of the beneficiary populations are some of the assumptions that must be made. Small changes in these assumptions can affect budget estimates by billions of dollars. (Chapter 1, "Economic Assumptions," in the *Analytical Perspectives* volume of the 1998 budget provides more information on this subject.)

Budget decisions must also take into account any statutory limitations on receipts, outlays, and the deficit (see Budget Enforcement below).

Thus, the budget formulation process involves the simultaneous consideration of the resource needs of individual programs, the allocation of resources among the functions of the Government, the total outlays and receipts that are appropriate in relation to current and prospective economic conditions, and statutory constraints.

The transmittal of the President's budget to Congress is scheduled in law to occur on or after the first Monday in January but not later than the first Monday in February of each year. This is eight to nine months before the beginning of the next fiscal year on October first.

For various reasons, some parts or all of the budget documents have been transmitted after the scheduled date. One reason is that the current timing does not require an outgoing President to transmit a budget, and it is impractical for an incoming President to complete a budget within a few days of taking office on January 20th. President Clinton, the first President subject to the current requirement, submitted a report to Congress on February 17, 1993, describing the comprehensive economic plan he proposed for the Nation and containing summary budget information. He transmitted the Budget of the United States for 1994 on April 8, 1993.[1]

In some years, the late or pending enactment of appropriations acts, other spending legislation, and tax laws considered in the previous budget cycle have delayed preparation and transmittal of complete budgets. For this reason, President Reagan submitted his budget for 1988 forty-five days after the date specified in law. In other years, Presidents have submitted abbreviated budget documents on the due date, sending the more detailed documents weeks later. For example, President Clinton transmitted an abbreviated budget document to Congress on February 5, 1996, because of uncertainty over 1996 appropriations as well as possible changes in mandatory programs and tax policy. A Budget Supplement and other budget volumes were transmitted in March 1996. This budget is being transmitted on February 6, 1997, three days after the date designated in the law. The delay is so that the budget will not precede the State of the Union address, which was scheduled by the President in consultation with the Congress for February 4th.

Congressional Action[2]

Congress considers the President's budget proposals and approves, modifies, or disapproves them. It can change funding levels, eliminate programs, or add programs not requested by the President. It can add or eliminate taxes and other sources of receipts, or make other changes that affect the amount of receipts collected.

Congress does not enact a budget as such. Through the process of adopting a budget resolution (described below), it agrees on appropriate levels for total spending, receipts, and other matters. The budget resolution then provides the framework within which congressional committees prepare appropriations bills and other spending and receipts legislation. Congress provides spending authority for specified purposes in several appropriations acts each year (usually thirteen). It also enacts changes each year in permanent laws that affect spending and receipts.

In making appropriations, Congress does not vote on the level of outlays (spending) directly, but rather on budget authority, which is the authority to incur legally binding obligations of the Government that will result in immediate or future outlays. In a separate process, prior to making appropriations, Congress usually enacts legislation that authorizes an agency to carry out a particular program and, in some cases, includes limits on the amount that can be appropriated for the program. Some programs require annual authorizing legislation, some are authorized for a specified number of years, and others are authorized indefinitely. Congress may enact appropriations for a program even though there is no specific authorization for it.

Congressional review of the budget begins shortly after the President transmits the budget to Congress. Under the procedures established by the Congressional Budget Act of 1974, Congress considers budget totals before completing action on individual appropriations. The Act requires each standing committee of the House and Senate to recommend budget levels and report legislative plans concerning matters within the committee's jurisdiction to the Budget Committee in each body. The Budget Committees then initiate the concurrent resolution on the budget. The budget resolution sets appropriate levels for total receipts and for budget authority and outlays, in total and by functional category (see Functional Classification below). It also sets appropriate levels for the budget deficit (or surplus) and debt.

The explanatory statement that accompanies the budget resolution allocates amounts of budget authority and outlays within the functional category totals to the committees that have jurisdiction over the programs in the functions. The House and Senate Appropriations Committees are required, in turn, to allocate amounts of budget authority and outlays among their respective subcommittees. Other committees with jurisdiction over spending and receipts may make allocations among their subcommittees but are not required to. There is no allocation at the program level. However, the functional allocations are based on certain assumptions about the level of funding for major programs. These assumptions may be included in the explanatory statement, but they are not binding on the committees of jurisdiction. The budget resolution may contain "reconciliation directives," which are discussed below.

The budget resolution is scheduled to be adopted by the whole Congress by April 15 of each year, but passage is often delayed. After passage of the budget reso-

[1] The transmittal date was changed in 1990 from the first Monday after January 3rd. The report submitted on February 17, 1993, was entitled, "A Vision of Change for America."

[2] For a fuller discussion of the congressional budget process, see Allen Schick, Robert Keith, and Edward Davis, *Manual on the Federal Budget Process* (Congressional Research Service Report 91–902 GOV, December 24, 1991, 218p.); Keith and Davis, Budget *Process Changes Made in the 102nd-103rd* Congress (1991–1994) (Congressional Research Service Report 95–457 GOV, March 31, 1995, 14 p.); and Keith, *Budget Process Changes Made in the 104th* Congress (1995–1996) (Congressional Research Service Report 97–44 GOV, December 27, 1996, 19 p.)

lution, a point of order can be raised to block consideration of bills that would cause a committee's allocation to be exceeded. Like the President's budget, the budget resolution is subject to spending limitations imposed in law through 1998.

Budget resolutions are not laws and, therefore, do not require the President's approval. However, Congress considers the Administration's views, because legislation developed to meet congressional budget allocations does require the President's approval. In some years, the President and the joint leadership of Congress have formally agreed on the framework of a deficit reduction plan. These agreements were reflected in the budget resolution and legislation passed for those years.

Appropriations bills are initiated in the House. The Appropriations Committee in each body has jurisdiction over annual appropriations. Those committees are divided into subcommittees that hold hearings and review detailed budget justification materials prepared by the agencies within the subcommittee's jurisdiction. After a bill has been approved by the committee and by the whole House, usually with amendments to the original version, it is forwarded to the Senate, where a similar review follows. In case of disagreement between the two Houses of Congress, a conference committee (consisting of Members of both bodies) meets to resolve the differences. The report of the conference committee is returned to both Houses for approval. When the measure is agreed to, first in the House and then in the Senate, it is ready to be transmitted to the President as an enrolled bill, for approval or veto (see discussion on Line Item Veto below).

If action on one or more appropriations bills is not completed by the beginning of the fiscal year, Congress enacts a joint continuing resolution to provide authority for the affected agencies to continue operations at some specified level up to a specific date or until their regular appropriations are enacted. In some years, a portion or all of the Government has been funded for the entire year by a continuing resolution. Continuing resolutions must be presented to the President for approval or veto.

Congress provides spending authority in permanent laws as well as in appropriations acts. These are laws that do not need to be reenacted each year. In fact, while spending authority for the majority of Federal programs is provided each year in appropriations acts, a majority of the total spending authority available in a year is provided by permanent laws. This is because the budget authority for interest on the public debt ($344 billion in 1996) and a few programs with large amounts of obligations each year, such as social security ($352 billion in 1996), are funded by permanent law. The outlays from permanent budget authority, together with the outlays from obligations incurred with budget authority provided in previous years, account for the majority of the outlay total for any year. Therefore, the majority of outlays in a year are not controlled through appropriations actions for that year. The types of budget authority, their control by Congress, and the relation of outlays to budget authority are discussed in more detail in later in the chapter.

Almost all taxes and most other receipts result from permanent laws. Tax bills are initiated in the House. The House Ways and Means Committee and the Senate Finance Committee have jurisdiction over tax laws.

The budget resolution often includes reconciliation directives, which require authorizing committees to change permanent laws. They instruct each designated committee to make changes in the laws under the committee's jurisdiction that will change the levels of receipts and spending controlled by the laws. The instructions specify the dollar amount of changes that each designated committee is expected to achieve through changes in law, but do not specify the laws to be changed or the changes to be made. However, the changes in receipt and outlay amounts are based on certain assumptions about how laws would be changed, and these assumptions may be included in the explanatory statement accompanying the budget resolution. Like other assumptions included in the explanatory statement, these are not binding on the committees of jurisdiction.

The committees that are subject to reconciliation directives are expected to prepare implementing legislation. Such legislation may, for example, change the tax code, change benefit formulas or eligibility requirements for entitlement programs, or authorize Government agencies to charge fees to cover some of their costs. In some years, Congress has enacted an omnibus budget reconciliation act, which combines the amendments to implement reconciliation directives in a single act. These acts, together with appropriations acts for the year, often implement agreements between the President and the Congress. They may include other matters, such as laws providing the means for enforcing these agreements, as described below.

Budget Enforcement

The Budget Enforcement Act of 1990 (BEA) significantly amended the laws pertaining to the budget process, including the Congressional Budget Act, the Balanced Budget and Emergency Deficit Control Act, and the law pertaining to the President's budget (see PRINCIPAL BUDGET LAWS, later in the chapter). The BEA constrains legislation that would increase spending or decrease receipts through 1998. The Administration and Congress are expected to consider an extension of the BEA through 2002 in 1997.

The BEA divides spending into two types—***discretionary spending*** and ***direct spending.*** Discretionary spending is controlled through annual appropriations acts. Funding for salaries and other operating expenses of Government agencies, for example, is usually discretionary because it is usually provided by appropriations acts. Direct spending is more commonly called mandatory spending. Mandatory spending is controlled by permanent laws. Medicare and medicaid payments, unemployment insurance benefits, and farm price supports are examples of mandatory spending, because payments for those purposes are authorized in permanent laws. The BEA specifically defines funding for the Food Stamp program as mandatory spending, even though funding for the program is provided in appropriations acts. The BEA includes receipts under the same rules that apply to mandatory spending, because receipts are generally controlled by permanent laws.

The BEA constrains discretionary spending differently from mandatory spending and receipts. Discretionary spending is constrained by dollar limits ("caps") on total budget authority and outlays for this category for each fiscal year through 1998. The caps are adjusted when the budget is transmitted each year for the difference between the inflation rates assumed when the caps were enacted and the actual inflation rates. The BEA also requires the caps to be adjusted for certain other reasons, such as to reflect the enactment of emergency appropriations. The caps for this budget, adjusted to reflect proposed changes, are shown in the following table:

DISCRETIONARY SPENDING LIMITS

(In billions of dollars)

	1996	1997	1998
Budget authority	522.4	527.0	528.3
Outlays	550.4	547.1	541.5

If the amount of budget authority provided in appropriations acts for the year exceeds the discretionary cap on budget authority, or the amount of outlays estimated to result from this budget authority is estimated to exceed the discretionary cap on outlays, the BEA specifies a procedure, called sequestration, for reducing discretionary spending. Under a sequester, spending for most discretionary programs is reduced by a uniform percentage. Special rules apply in reducing some programs, and some programs are exempt from sequester by law.

The Violent Crime Control and Law Enforcement Act of 1994 created the Violent Crime Reduction Trust Fund to earmark funding for specified programs. It appropriated a specified amount to the Fund for each year from 1995 through 2000. Spending from the Fund is controlled by annual appropriations acts, but it is not subject to the general purpose discretionary caps. Instead, the Act specified outlay caps, which are not adjustable, and effectively capped budget authority, as shown in the following table:

VIOLENT CRIME REDUCTION LIMITS

(In billions of dollars)

	1996	1997	1998
Budget authority	4.3	5.0	5.5
Outlays	2.3	3.9	4.9

A separate sequester procedure, similar to the one required for general purpose discretionary spending, applies to amounts appropriated from the Trust Fund if the Violent Crime Reduction caps are exceeded.

The BEA constrains mandatory spending and receipts differently. Laws that would increase mandatory spending or decrease receipts are constrained through ***"pay-as-you-go"*** (PAYGO) rules. Under these rules, the cumulative effects of legislation affecting mandatory spending or receipts must not increase the deficit. Legislated increases in benefit payments, for example, have to be offset by legislated reductions in other mandatory spending or increases in receipts. Following the end of a session of Congress, OMB estimates the net effect on the deficit of laws enacted since the BEA was passed that affect mandatory spending and receipts. If there is an estimated net increase in the deficit for the current fiscal year and the budget year combined, the BEA specifies sequester procedures for the uniform reduction of most non-exempt mandatory spending programs. Special rules apply in reducing some non-exempt programs. Only 3 percent of all mandatory spending is sequesterable by either uniform reduction or special rule; the rest is exempt from sequester by law.

The PAYGO rules do not apply to increases in mandatory spending or decreases in receipts that are not the result of new laws. For example, mandatory spending for benefit programs, such as unemployment insurance, rises when the population of eligible beneficiaries rises, and many benefit payments are automatically increased for inflation under existing laws. Tax receipts decrease when the profits of private businesses decline as the result of economic conditions. To address the problem of rising mandatory spending, President Clinton issued Executive Order No. 12857, which established targets for mandatory spending (excluding deposit insurance and interest on the public debt) for 1994 through 1997. The targets were based on estimates made in 1994 and may be adjusted for unanticipated increases in the number of beneficiaries. If there is an actual or projected overage in any year, the President must submit a message to Congress, explaining the cause. Depending on the economic circumstances at the time, the President may recommend recouping or eliminating all, some, or none of the overage. If the President recommends reducing the overage, he must specify how. The House has instituted rules to expedite its response to such a message. (Chapter 14, "Review of Direct Spending and Receipts," in the *Analytical Perspectives* volume of the 1998 budget provides more information on this subject.)

The BEA requires OMB to make the estimates and calculations that determine whether there is to be a sequester and report them to the President and Congress. The Congressional Budget Office (CBO) is required to make the same estimates and calculations, and the Director of OMB is required to explain any differences between the OMB and CBO estimates. The estimates and calculations by OMB are the basis for sequester orders issued by the President. The President's orders may not change any of the particulars of the OMB report. The General Accounting Office is required to prepare compliance reports.

OMB and CBO are required to publish three sequestration reports—a "preview" report at the time the President submits the budget, an "update" report in August, and a "final" report at the end of a session of Congress (usually in the fall of each year). The preview report discusses the status of discretionary and PAYGO sequestration, based on current law. This report also explains the adjustments that are required by law to the discretionary caps and publishes the revised caps. (See Chapter 13, "Preview Report," in the *Analytical Perspectives* volume of the 1998 budget.) The preview report estimates are revised in the update and final reports to reflect the effects of laws enacted since the preview report. In addition to these reports, OMB and CBO are required to estimate the effects of appropriations acts and PAYGO laws immediately after each one is enacted. The estimates in the OMB final report trigger a sequester if the appropriations enacted for the current year exceed the caps or if the cumulative effect of PAYGO legislation is estimated to increase the deficit.

From the end of a session of Congress through the following June 30th, discretionary sequesters take place whenever an appropriations act for the current fiscal year causes a cap to be exceeded. Because a sequester in the last quarter of a fiscal year might be too disruptive, the BEA specifies that a sequester that otherwise would be required then is to be accomplished by reducing the limit for the next fiscal year. These requirements ensure that supplemental appropriations enacted during the fiscal year are subject to the budget enforcement provisions.

Line Item Veto

In 1996, Congress enacted the Line Item Veto Act, granting the President limited authority to cancel new spending and limited tax benefits when he signs laws enacted by the Congress. This authority is effective for calendar years 1997 through 2004.

The Line Item Veto Act authorizes the President to cancel any item of discretionary or direct spending or any limited tax benefit by sending a special message to Congress identifying the item within 5 days of signing the act containing the item. Discretionary and direct spending are described under Budget Enforcement above. A limited tax benefit is defined in the Act. The President may cancel whole individual amounts specified in appropriations acts, or in the congressional reports that accompany such acts, but cannot reduce amounts. The President also can cancel any provision of a law that would increase the level of direct spending or provide a limited tax benefit. Cancellations are effective upon receipt by Congress and remain in effect unless overturned by a law disapproving the cancellations. Congress may disapprove all or only selected cancellations.

The Line Item Veto Act includes provisions to ensure that canceled items will be applied to deficit reduction. If an item of discretionary spending is canceled, the limits on discretionary spending under the BEA (see Budget Enforcement) must be reduced by an equal amount. If an item of new direct spending or a limited tax benefit provision is canceled, the effect on the deficit may not be used as an offset to increases in direct spending or reductions in receipts under the PAYGO rules. Requirements such as these are sometimes referred to as a "lockbox" mechanism.

Budget Execution

Government officials are generally required to spend no more and no less than has been appropriated, and they may use funds only for purposes specified in law. The Antideficiency Act prohibits government officials from spending or obligating the government to spend in advance of an appropriation, unless specific authority to do so has been provided in law. Additionally, the Act requires the President to apportion the funds available to most executive branch agencies. The President has delegated this authority to OMB, which usually apportions by time periods (usually by quarter of the fiscal year) and sometimes by activities. Agencies may request that an account be reapportioned during the year to accommodate changing circumstances. This system helps to ensure that funds are available to cover operations for the entire year.

If changes in laws or other factors make it necessary, Congress may enact ***supplemental appropriations.*** For example, a supplemental appropriation might be required to respond to an unusually severe natural disaster.

On the other hand, changing circumstances may reduce the need for certain spending for which funds have been appropriated. The President may withhold appropriated amounts from obligation only under certain limited circumstances—to provide for contingencies, to achieve savings made possible through changes in requirements or greater efficiency of operations, or as otherwise specifically provided in law. The Impoundment Control Act of 1974 specifies the procedures that must be followed if funds are withheld. Deferrals, which are temporary withholdings, take effect immediately unless overturned by an act of Congress. In 1996, a total of $3.7 billion in deferrals was reported to Congress and none was overturned. Rescissions, which permanently cancel budget authority, do not take effect unless Congress passes a law rescinding them. If such a law is not passed within 45 days of continuous session, the withheld funds must be made available for spending. In total, Congress has rescinded less than one-third of the amount of funds that Presidents have proposed for rescission since enactment of the Impoundment Control Act. In 1996, the President proposed rescissions totalling $1.4 billion, and Congress rescinded a total of $1.0 billion.

Budget Calendar

The following timetable highlights the scheduled dates for significant budget events during the year.

Between the 1st Monday in January and the 1st Monday in February	President transmits the budget, including a sequester preview report.
Six weeks later	Congressional committees report budget estimates to Budget Committees.
April 15	Action to be completed on congressional budget resolution.
May 15	House consideration of annual appropriations bills may begin.
June 15	Action to be completed on reconciliation.
June 30	Action on appropriations to be completed by House.
July 15	President transmits Mid-Session Review of the budget.
August 20	OMB updates the sequester preview.
October 1	Fiscal year begins.
15 days after the end of a session of Congress	OMB issues final sequester report, and the President issues a sequester order, if necessary.

COVERAGE OF THE BUDGET

Federal Government and Budget Totals

The budget documents provide information on all Federal agencies and programs. The total receipts and outlays of the Federal Government are composed of both on-budget receipts and outlays and receipts and outlays that, by law, are designated as off-budget. By law, the receipts and outlays of social security (the Federal Old-Age and Survivors Insurance and the Federal Disability Insurance trust funds) and the Postal Service Fund are excluded from the budget totals and from the calculation of the deficit for Budget Enforcement Act purposes. The off-budget transactions are separately identified in the budget. The on-budget and off-budget amounts are added together to derive the unified totals for the Federal Government. These are sometimes referred to as the unified or consolidated budget totals.

TOTALS FOR THE BUDGET AND THE FEDERAL GOVERNMENT

(In billions of dollars)

	1996 actual	1997 estimate	1998 estimate
On-budget:			
Budget authority	1,274	1,332	1,379
Outlays	1,260	1,316	1,359
Receipts	1,086	1,117	1,162
Deficit	–174	–199	–197
Off-budget:			
Budget authority	307	321	331
Outlays	300	315	329
Receipts	367	389	405
Surplus	67	74	76

TOTALS FOR THE BUDGET AND THE FEDERAL GOVERNMENT—Continued

(In billions of dollars)

	1996 actual	1997 estimate	1998 estimate
Federal Government:			
Budget authority	1,581	1,653	1,710
Outlays	1,560	1,631	1,687
Receipts	1,453	1,505	1,567
Deficit	–107	–126	–121

Neither the on-budget nor the off-budget totals include transactions of Government-sponsored enterprises, such as the Federal National Mortgage Association (Fannie Mae) and the Student Loan Marketing Association (Sallie Mae). These enterprises were established by Federal law for public policy purposes but are privately owned and operated corporations. Because of their close relationship to the Government, these enterprises are discussed in several parts of the budget, and their financial data are reported in the *Appendix to the Budget of the United States Government* and some detailed tables.

A presentation for the Board of Governors of the Federal Reserve System is included in the Appendix for information only. The amounts are not included in either the on-budget or off-budget totals because of the independent status of the System. However, the Federal Reserve System's net earnings are transferred annually to the Treasury and are recorded in the budget as receipts.

Functional Classification

The functional classification arrays budget authority, outlays, and other budget data according to the major purpose served—such as agriculture, income security, and national defense. There are nineteen major functions, most of which are divided into subfunctions. For example, the ***Agriculture*** function is divided into ***Farm Income Stabilization*** and ***Agricultural Research and Services.*** The functional classification is an integral part of the congressional budget process, and the functional array meets the Congressional Budget Act requirement for a presentation in the budget by national needs and agency missions and programs.

The following criteria are used in the establishment of functional categories and the assignment of activities to them:

- A function comprises activities with similar purposes addressing an important national need. The emphasis is on what the Federal Government seeks to accomplish rather than the means of accomplishment, the objects purchased, or the clientele or geographic area served.
- A function must be of continuing national importance, and the amounts attributable to it must be significant.
- Each basic unit being classified (generally the appropriation or fund account) usually is classified according to its predominant purpose and assigned to only one subfunction. However, some large accounts that serve more than one major purpose are subdivided into two or more subfunctions.
- Activities and programs are normally classified according to their primary purpose (or function) regardless of which agencies conduct the activities.

Section VI, "Investing in the Common Good: The Major Functions of the Federal Government" in the main Budget volume of the 1998 budget provides information on government activities by function and subfunction.

Agencies, Accounts, Programs, Projects, and Activities

Various summary tables in the *Analytical Perspectives* volume of the 1998 budget provide information on budget authority, outlays, and receipts arrayed by Federal agency. Chapter 26 of that volume, "Federal Programs by Agency and Account," consists of a table that lists budget authority and outlays by budget account within each agency and the totals for each agency of budget authority, outlays, and receipts that offset the agency spending totals. The *Appendix to the Budget of the United States Government* provides budgetary, financial, and descriptive information about programs, projects, and activities by account within each agency. That volume of the budget also presents the most recently enacted appropriation language for an account and any changes that are proposed to be made for the budget year.

Types of Funds

Agency activities are financed through Federal funds and trust funds.

Federal funds comprise several types of funds. The ***general fund,*** which is the greater part of the budget, is credited with receipts not earmarked by law for a specific purpose, such as almost all income tax receipts, and is also credited with the proceeds of general borrowing. General fund appropriation accounts record general fund expenditures. General fund appropriations are drawn from general fund receipts collectively and, therefore, are not specifically linked to receipt accounts. ***Special funds*** consist of receipt accounts for Federal fund receipts that are earmarked by law for specific purposes and associated appropriation accounts for the expenditure of the earmarked receipts. ***Public enterprise (revolving) funds*** are used for programs authorized by law to conduct a cycle of business-type operations, primarily with the public, in which outlays generate collections. ***Intragovernmental funds*** are revolving funds that conduct business-type operations primarily within and between Government agencies. The collections and the outlays of revolving funds are recorded in the same account.

Trust funds are established to account for the receipt and expenditure of monies by the Government for carrying out specific purposes and programs in accordance with the terms of a statute that designates the fund as a trust fund (such as the Highway Trust Fund) or for carrying out the stipulations of a trust agreement (such as any of several trust funds for gifts and donations for specific purposes). ***Trust revolving funds*** are trust funds credited with collections earmarked by law to carry out a cycle of business-type operations.

The Federal budget meaning of the term "trust" differs significantly from its private sector usage. In the private sector, the beneficiary of a trust usually owns the trust's assets, which are managed by a trustee who must follow the stipulations of the trust. In contrast, the Federal Government owns the assets of most Federal trust funds, and it can raise or lower future trust fund collections and payments, or change the purposes for which the collections are used, by changing existing laws. There is no substantive difference between a trust fund and a special fund or between a trust revolving fund and a public enterprise revolving fund. (Chapter 17, "Trust Funds and Federal Funds," in the *Analytical Perspectives* volume of the 1998 budget provides more information on this subject.)

Current Operating Expenditures and Capital Investment

The budget includes all types of spending, including both current operating expenditures and capital investment. Capital investment includes direct purchases of land, structures, and equipment. It also includes subsidies for capital investment provided by direct loans and loan guarantees; the purchase of other financial assets; grants to state and local governments for the purchase of physical assets; and the conduct of research, development, education, and training. (Chapter 6, "Federal Investment Spending and Capital Budgeting," in the *Analytical Perspectives* volume of the 1998 budget provides more information on capital investment.)

COLLECTIONS

In General

Money collected by the Government is classified into two major categories:

- ***Governmental receipts,*** which are compared in total to outlays (net of offsetting collections) in calculating the surplus or deficit.
- ***Offsetting collections,*** which are deducted from gross outlays to produce net outlay figures.

Governmental Receipts

These are collections from the public that result primarily from the exercise of the Government's sovereign or governmental powers. Governmental receipts consist mostly of individual and corporation income taxes and social insurance taxes, but also include excise taxes, compulsory user charges, customs duties, court fines, certain license fees, and deposits of earnings by the Federal Reserve System. Gifts and donations are usually counted as governmental receipts. Total receipts for the Federal Government include both on-budget and off-budget receipts (see the table, "Totals for the Budget and Federal Government," which appears earlier in this chapter.)

Offsetting Collections

These are amounts received from the public as a result of business-like or market-oriented activities (for example, proceeds from the sale of postage stamps or electricity, fees for admittance to recreation areas, or the proceeds from the sale of Government-owned land) and amounts collected by one Government account from another. Offsetting collections from the public are deducted from gross budget authority and outlays, rather than combined with governmental receipts. The purpose of this treatment is to produce budget totals for receipts, budget authority, and outlays that represent governmental rather than market activity. Intragovernmental offsetting collections are deducted from gross budget authority and outlays so that the budget totals measure the transactions of the Government with the public.

Offsetting collections are classified into two major categories: ***offsetting collections credited to expenditure accounts,*** and ***offsetting receipts.*** The accounting for each type differs.

Offsetting Collections Credited to Expenditure Accounts

Some laws authorize collections to be credited directly to the account from which they will be expended and, usually, to be spent for the purpose of the account without further action by Congress. This is the case for most revolving funds and many expenditure accounts of other types. These collections may be from either the public or other expenditure accounts. For example, a permanent law authorizes the Postal Service to use collections from the sale of stamps to finance its operations without a requirement for annual appropriations. The offsetting collections that are authorized to be spent are recorded as budget authority. Sometimes this is not the full amount of the offsetting collections, because appropriations acts may contain limitations on the obligations that can be financed by budget authority from offsetting collections. In those cases, the recorded budget authority is adjusted to reflect the amount available to incur obligations. The budget authority and outlays of the appropriation or fund account are shown both gross (that is, before deducting offsetting collections) and net (that is, after deducting offsetting collections). Totals for the agency, subfunction, and budget are net of offsetting collections.

While most offsetting collections credited to expenditure accounts result from business-like activity or are collected from other Government accounts, some are governmental in nature but are required by law to be treated as offsetting. These are labeled as "offsetting governmental collections."

Offsetting Receipts

Offsetting collections that are not authorized to be credited to expenditure accounts are credited to general fund, special fund, or trust fund receipt accounts and are called offsetting receipts. Offsetting receipts are deducted from budget authority and outlays in arriving at total budget authority and outlays. In most cases, such deductions are made at the subfunction and agency levels. Unlike offsetting collections credited to expenditure accounts, offsetting receipts do not offset budget authority and outlays at the account level. Offsetting receipts are subdivided into three categories, as follows:

- ***Proprietary receipts from the public.***—These are collections from the public, deposited in receipt accounts, that arise out of the business-type or market-oriented activities of the Government. Most proprietary receipts are deducted from the budget authority and outlay totals of the agency that conducts the activity generating the receipt and of the subfunction to which the activity is assigned. For example, fees for using National Parks are deducted from the totals for the Department of Interior, which has responsibility for the parks, and the Recreational Resources subfunction. A limited number of proprietary receipts, however, are not offset against any specific agency or function and are classified as undistributed offsetting receipts. They are deducted from the Government-wide totals for budget authority and outlays. For example, the collections of rents and royalties from Outer Continental Shelf lands are undistributed because the amounts are large and for the most part are not related to the spending of the agency and subfunction that administers the transactions.

- ***Intragovernmental transactions.***—These are collections from expenditure accounts that are deposited into receipt accounts. Most intragovernmental transactions are deducted from the budget authority and outlays of the agency that conducts the activity generating the receipts and of the subfunction to which the activity is assigned. In two cases, however, intragovernmental transactions appear as special deductions in computing total budget authority and outlays for the Government rather than as offsets at the agency level—agencies' payments as employers into employee retirement trust funds and interest received by trust funds. The special treatment for these receipts is necessary because the amounts are large and would distort the agency totals, as measures of the agency's activities, if they were attributed to the agency.
- ***Offsetting governmental receipts.***—These are collections that are governmental in nature but are required by law to be treated as offsetting and are not authorized to be credited to expenditure accounts.

There are several categories of intragovernmental transactions. ***Intrabudgetary transactions*** include all payments from on-budget expenditure accounts to on-budget receipt accounts. These are subdivided into three categories: (1) ***interfund transactions,*** where the payment is from an expenditure account in one fund group (either Federal funds or trust funds) to a receipt account in the other fund group; (2) ***Federal intrafund transactions,*** where the payment and receipt both occur within the Federal fund group; and (3) ***trust intrafund transactions,*** where the payment and receipt both occur within the trust fund group. In addition, there are intragovernmental transactions that are not intrabudgetary—payments from on-budget expenditure accounts to off-budget receipt accounts, and from off-budget expenditure accounts to on-budget receipt accounts.

User Fee

User fee is a general term that refers to fees charged to users directly availing themselves of, or subject to, a government service, program, or activity, in order to cover the government's costs. It does not refer to a separate budget category for collections. User fees are classified as governmental receipts or offsetting collections, depending on whether the fee results primarily from the exercise of governmental powers or from business-like activity. (User fees are discussed in more detail in Chapter 4, "User Fees and Other Collections," in the *Analytical Perspectives* volume of the 1998 budget.)

BUDGET AUTHORITY AND OTHER BUDGETARY RESOURCES, OBLIGATIONS, AND OUTLAYS

Budget Authority and Other Budgetary Resources

Budget authority is the authority becoming available during the year to enter into obligations that will result in immediate or future outlays of Government funds. Government officials may obligate the Government to make outlays only to the extent they have been granted budget authority. Budget authority is recorded as a dollar amount in the year that it first becomes available. Under circumstances described below, unobligated balances of budget authority may be carried over into the next year. These balances are not recorded as budget authority again. They do, however, constitute a budgetary resource that is available for obligation. In some cases, a provision of law (such as a limitation on obligations or a benefit formula) precludes the obligation of funds that would otherwise be available for obligation and recorded as budget authority. In such cases, generally, the amount of budget authority recorded is equal to the amount of obligations that can be incurred. There are a few exceptions where the amount of budget authority recorded is equal to the amounts otherwise available even though a limitation precludes the obligation of the full amount.

In deciding the amount of budget authority to request for a program, project, or activity, Government officials estimate the total amount of obligations that will need to be incurred to achieve desired goals and subtract the amounts of unobligated balances available for these purposes. The amount of budget authority requested is influenced by the nature of the programs, projects, or activities being financed. For current operating expenditures, the amount requested usually is the amount estimated to be needed for the year. For major procurement programs and construction projects, a full funding policy generally applies. Under this policy, an amount that is estimated to be adequate to complete the procurement or project must be requested to be appropriated in the first year, even though it may be obligated over several years. This policy is intended to avoid piecemeal funding of programs and projects that cannot be used until they have been completed. The 1998 budget includes a variation on this full funding policy. For certain capital asset acquisitions (capital assets may include land, structures, equipment, and intellectual property that are used by the Government), the budget includes a request for a regular appropriation in the budget year and advance appropriations in subsequent years that together are sufficient to fully fund the acquisition. This policy is intended to ensure full funding but avoid "spikes"—large amounts of budget authority that cannot readily be accomodated under the discretionary caps that apply to the budget year.

Budget authority takes several forms:

- ***appropriations,*** which may be provided in appropriations acts or other laws, permit obligations to be incurred and payments to be made;
- ***authority to borrow,*** permits obligations to be incurred but requires that funds be borrowed, usually from the general fund of the Treasury, to make payment;
- ***contract authority,*** permits obligations in advance of a separate appropriation of the cash for payment or in anticipation of the collection of receipts that can be used for payment; and
- ***spending authority from offsetting collections,*** permits offsetting collections to be credited to an expenditure account and obligations and payments to be made using the offsetting collections.

Because offsetting collections (offsetting receipts and offsetting collections credited to expenditure accounts) are deducted from gross budget authority, they are referred to as negative budget authority for some purposes, such as Congressional Budget Act provisions that pertain to budget authority.

The form of budget authority is usually determined in the authorizing statute for a program. The authorizing statute may authorize a particular type of budget authority to be provided in annual appropriations acts, or it may actually provide the budget authority in one of its forms. Most programs are funded by appropriations. An appropriation may make funds available from the general fund, special funds, trust funds, or authorize the spending of offsetting collections credited to expenditure accounts, including revolving funds. Borrowing authority is usually authorized for business-like activities where the activity being financed is expected to produce income over time with which to repay the borrowing with interest. Contract authority is a traditional form of budget authority for certain programs, particularly transportation programs.

Budget authority that is provided in an annual appropriations act is available for obligation only during the fiscal year to which the appropriations act applies, unless the appropriation language providing the budget authority specifies that it is to remain available for a longer period. Typically, budget authority for current operations is made available for obligation in only one year. Some budget authority is made available for a specified number of years. Other budget authority, including most provided for construction, some for research, and many appropriations of trust fund receipts, is made available for obligation until the amount appropriated has been expended or until the program objectives have been attained. When budget authority is made available by law for a specific period of time, any part that is not obligated during that period expires and cannot be used later, unless the period of availability is extended in law (see Reappropriation below). Budget authority provided in authorizing statutes usually remains available until expended.

Budget authority that is available for more than one year and that is not obligated in the year it becomes available is carried forward for obligation in a following year. The sum of such amounts is an account's ***unobligated balance***. The ***obligated balance*** is that portion of the budget authority that has been obligated but not paid. For example, in the case of salaries and wages, one to three weeks elapse between the time of obligation and the time of payment. In the case of major procurement and construction, payments may occur over a period of several years after the obligation is made. Obligated balances of budget authority are carried forward until the obligations are paid. Due to such flows, a change in the amount of obligations incurred from one year to the next is not necessarily accompanied by an equal change in either the budget authority or the outlays of that same year. Conversely, a change in budget authority in any one year may cause changes in the level of obligations and outlays for several years.[3]

Congress usually makes budget authority available on the first day of the fiscal year for which the appropriations act is passed. Occasionally, the appropriations language specifies a different timing. The language may provide an ***advance appropriation***—budget authority that does not become available until one year or more beyond the fiscal year for which the appropriations act is passed. ***Forward funding*** refers to budget authority that is made available for obligation beginning in the last quarter of the fiscal year (beginning on July 1st) for the financing of ongoing grant programs during the next fiscal year. This kind of funding is used mostly for education programs, so that obligations for grants can be made prior to the beginning of the next school year. For certain benefit programs funded by annual appropriations, the appropriation provides for ***advance funding***—budget authority that is to be charged to the appropriation in the succeeding year but which authorizes obligations to be incurred in the last quarter of the fiscal year if necessary to meet benefit payments in excess of the specific amount appropriated for the year.

Provisions of law that extend the availability of unobligated amounts that have expired or would otherwise expire are called ***reappropriations.*** Reappropriations are counted as new budget authority in the fiscal year in which the balances become newly available. For example, if a 1998 appropriations act extends the availability of unobligated budget authority that otherwise would expire at the end of 1997, new budget authority would be recorded for 1998.

Budget authority is classified as ***current*** or ***permanent.*** Generally, it is current if it is provided by annual appropriations acts and permanent if it becomes available pursuant to standing authorizing legislation. Ad-

[3] Additional information is provided in a separate report, "Balances of Budget Authority," which is available from the National Technical Information Service, Department of Commerce, shortly after the budget is transmitted.

vance appropriations of budget authority are classified as permanent, even though they are provided in annual appropriations acts, because they become available a year or more following the year to which the act pertains. The authority to spend offsetting collections credited to expenditure accounts usually is provided by authorizing legislation and, therefore, is usually a form of permanent budget authority.

Obligations and outlays resulting from permanent budget authority, including the authority to spend offsetting collections credited to expenditure accounts, account for more than half of the budget totals. Put another way, less than half of the obligations and outlays in the budget result from annual appropriations acts. Most permanent budget authority, other than the authority to spend offsetting collections, arises from the authority to spend trust fund receipts and the authority to pay interest on the public debt. Most authority to spend offsetting collections is provided to public enterprise revolving funds.

Budget authority also is classified as ***definite*** or ***indefinite.*** It is definite if the legislation that provides it specifies a definite dollar amount (including an amount not to be exceeded). It is indefinite if, instead of specifying an amount, the legislation providing it permits the amount to be determined by subsequent circumstances. For example, indefinite budget authority is provided for interest on the public debt, payment of claims and judgments awarded by the courts against the U.S., and many entitlement programs. Many of the laws that authorize collections to be credited to revolving, special, and trust funds make all of the collections available for expenditure for the authorized purposes of the fund. Such authority is considered to be indefinite budget authority. In some such cases, only some of these amounts are counted as budget authority, because they are precluded from obligation in a fiscal year by a provision of law, such as a limitation on obligations or a benefit formula that determines the amounts to be paid (for example, the formula for unemployment insurance benefits).

Obligations Incurred

Following the enactment of budget authority and the completion of required apportionment action, Government agencies incur obligations to make payments. Obligations are binding agreements that will result in outlays, immediately or in the future. Such obligations include: the current liabilities for salaries, wages, and interest; contracts for the purchase of supplies and equipment, construction, and the acquisition of office space, buildings, and land; and other arrangements requiring the payment of money. For Federal credit programs, obligations are recorded in an amount equal to the estimated subsidy cost of direct loans and loan guarantees (see FEDERAL CREDIT below).

Outlays

Outlays are the measure of Government spending. They are payments to liquidate obligations (other than the repayment of debt), net of refunds and offsetting collections. They are recorded when obligations are paid, in the amount that is paid. Outlays are usually in the form of cash (currency, checks, or electronic fund transfers). However, obligations may be paid and outlays recorded even though no cash is disbursed. For example, outlays are recorded for the full amount of Federal employees' salaries, even though the cash disbursed to employees is net of Federal and state income taxes, retirement contributions, life and health insurance premiums, and other deductions. (Receipts are also recorded for the deductions that represent payments to the Government.) Outlays are recorded when debt instruments (bonds, debentures, notes, or monetary credits) are used to pay obligations. (An increase in debt is also recorded when such instruments are used.) For example, the acquisition of physical assets through certain types of lease-purchase arrangements is treated as though an outlay were made for an outright purchase. Because no cash is paid up front to the nominal owner of the asset, a debt is recorded. In such cases, the actual cash payments, nominally lease payments, are recorded as repayments of principal and interest.

The measurement of interest varies. Outlays for the interest on the public issues of Treasury debt securities are recorded as the interest accrues, not when the cash is paid. Treasury plans to issue a new kind of security that will feature monthly adjustments to principal for inflation and semiannual payments of interest on the inflation-adjusted principal. As with fixed-rate securities, the interest payments on these securities will be recorded as outlays as the interest accrues. The monthly adjustment to principal will be recorded, simultaneously, as an increase in debt outstanding and an outlay of interest. The interest on special issues of the debt securities held by trust funds and other Government accounts is normally stated on a cash basis. When a Government account invests in Federal debt securities, the purchase price is usually close or identical to the par (face) value of the security. The budget records the investment at par value and adjusts the interest paid by Treasury and collected by the account by the difference between purchase price and par, if any. However, in the case of two trust funds in the Department of Defense, the Military Retirement Trust Fund and the Education Benefits Trust Fund, the differences between purchase price and par are routinely relatively large. For these funds, the budget records the holdings of debt at par but records the differences between purchase price and par as adjustments to the assets of the funds that are amortized over the life of the security. Interest is recorded as the amortization occurs.

For Federal credit programs, outlays are equal to the subsidy cost of direct loans and loan guarantees and are recorded as the underlying loans are disbursed (see FEDERAL CREDIT below).

Refunds of receipts (such as income taxes in excess of tax liabilities) are recorded as reductions of receipts, rather than as outlays.

Outlays during a fiscal year may be for the payment of obligations incurred in the same year or in prior years. Obligations, in turn, may be incurred under budget authority provided in the same or in prior years. Outlays, therefore, flow in part from unexpended balances of prior year budget authority and in part from budget authority provided for the year in which the money is spent. The ratio of the outlays resulting from budget authority enacted in any year to the amount of that budget authority is referred to as the ***spendout rate*** for that year.

Outlays for an account are stated both gross and net of offsetting collections, but function, agency, and Government-wide outlay totals are only stated net. Total outlays for the Federal Government include both on-budget and off-budget outlays. (See the table, "Totals for the Budget and Federal Government" above.)

FEDERAL CREDIT

Government programs may be carried out through federally supported credit in the form of direct loans or loan guarantees. A ***direct loan*** is a disbursement of funds by the Government to a non-Federal borrower under a contract that requires the repayment of such funds with or without interest. The term includes equivalent transactions such as selling a property on credit terms in lieu of receiving cash up front. A ***loan guarantee*** is any guarantee, insurance, or other pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender. The Federal Credit Reform Act prescribes the budget treatment for Federal credit programs. This treatment is designed to measure the subsidy cost of direct loans and guaranteed loans in the budget, rather than the cash flows, so they can be compared to each other and to other methods of delivering benefits, such as grants, on an equivalent basis.

Under credit reform, the estimated long-term cost to the Government arising from the direct loans and loan guarantees of a credit program must be estimated and recorded in the budget in a ***credit program account.*** The cost is estimated as the present value of expected disbursements over the term of the loan less the present value of expected collections.[4] For most programs, direct loan obligations and loan guarantee commitments cannot be made unless Congress has appropriated funds for the costs in advance in annual appropriations acts. In addition, the appropriation language for most credit programs includes annual limitations on the amount of obligations for direct loans and commitments for loan guarantees.

When a direct or guaranteed loan is disbursed, the program account makes a payment equal to the cost, which is recorded as an outlay, to a non-budgetary ***credit financing account.*** For a few programs, the computed cost is negative for a portion or all of the direct loans and loan guarantees. In such cases, the financing account makes a payment to a special fund receipt account established for the program, where it is recorded as an offsetting receipt.

The cost of the outstanding direct loans and loan guarantees is reestimated normally each year. If the cost is estimated to have increased, an additional outlay is made from the program account to the financing account, and, if the cost is estimated to have decreased, a payment is made from the financing account to the program's special fund receipt account, where it is recorded as an offsetting receipt. A permanent appropriation is available to pay the increased costs resulting from reestimates.

If the terms of an outstanding direct loan or loan guarantee are modified in a way that increases the cost, an outlay in the amount of the increased cost is made from the program account to the financing account. The additional cost is recorded as an obligation against the budget authority provided for the costs of the program for that year. The requirement to record the costs of modification applies to pre-credit reform, as well as post-credit reform, direct loans and loan guarantees.

Credit financing accounts record all cash flows to and from the Government arising from direct loan obligations and loan guarantee commitments. These cash flows consist mainly of direct loan disbursements and repayments and loan guarantee default payments. The cash flows of direct loans and of loan guarantees are recorded in separate financing accounts for programs that do both. The transactions of the financing accounts are displayed in the budget documents for information and analytical purposes, together with the related program accounts, but are excluded from the budget totals because they are not a cost to the Government. Financing account transactions are a means of financing a budget surplus or deficit (see **Credit Financing Accounts** in the next section).

The transactions associated with direct loan obligations and loan guarantee commitments made prior to 1992 continue to be accounted for on a cash flow basis and are recorded in ***liquidating accounts.*** In most cases, the liquidating account is the account that was used for the program prior to the enactment of credit reform in 1990.

[4] Present value is a standard financial concept that allows for the time value of money, that is, for the fact that a given sum of money is worth more at present than in the future because interest can be earned on it.

BUDGET DEFICIT OR SURPLUS AND MEANS OF FINANCING

A budget deficit is the amount by which outlays exceed receipts. Deficits are financed by borrowing and, to a limited extent, the other items discussed under this heading. The debt (debt held by the public) is the cumulative amount of borrowing to finance deficits, less repayments. When receipts exceed outlays, the difference is a budget surplus. Surpluses are used to reduce debt and, to a limited extent, may be absorbed by the other items.

Borrowing and Repayment

Borrowing is not defined as receipts, and debt repayment is not defined as outlays. If they were, the budget would virtually be balanced by definition. This rule applies both to borrowing in the form of Treasury securities and to specialized borrowing in the form of agency securities (including the issuance of debt securities to liquidate an obligation and the sale of certificates representing participation in a pool of loans). In addition to issuing debt to the public, the Government issues debt to Government accounts, primarily trust funds that are required by law to invest in Treasury securities. This debt is not a means of financing deficits, because it does not raise any cash. In 1996, the Government borrowed $130 billion from the public. Most of this amount was needed to finance the deficit of $107 billion in that year. The rest was needed to finance direct loans disbursed in credit financing accounts, which are discussed below, and for smaller changes in the other means of financing. At the end of 1996, the debt held by the public was $3,733 billion. (See Chapter 12, "Federal Borrowing and Debt," in the *Analytical Perspectives* volume of the 1998 budget for a fuller discussion of this topic.)

Exercise of Monetary Power

Seigniorage is the profit from coining money. It is the difference between the value of coins as money and their cost of production. Seigniorage on coins arises from the exercise of the Government's monetary powers but differs from receipts coming from the public, since there is no corresponding payment by another party. Therefore, seigniorage is excluded from receipts and treated as a means of financing the deficit other than borrowing from the public. The profit resulting from the sale of gold as a monetary asset also is treated as a means of financing, since the value of gold is determined by its value as a monetary asset rather than as a commodity.

Credit Financing Accounts

The net cash flows of credit programs are recorded in credit financing accounts, which are excluded from the budget totals and are called ***net financing disbursements.*** (See FEDERAL CREDIT above.) Net financing disbursements are defined in the same way as the outlays of a budgetary account and may be either positive or negative. If positive, they must be paid in cash and increase the requirement for Treasury borrowing in the same way as an increase in budget outlays; if negative, they provide cash to the Treasury that can be used to finance the payment of the Government's obligations. The net financing disbursements are therefore a means of financing the deficit other than borrowing from the public.

Deposit Fund Account Balances

Certain accounts outside the budget, known as deposit funds, are established to record amounts held temporarily until ownership is determined (for example, earnest money paid by bidders for mineral leases) or held by the Government as agent for others (for example, State and local income taxes withheld from Federal employees' salaries and payroll deductions for the purchase of savings bonds by employees of the Government). Deposit fund balances may be held in the form of either invested or uninvested balances. Changes in deposit fund balances affect the Treasury's cash balances, even though the transactions are not a part of the budget. To the extent that deposit fund balances are not invested, changes in the balances are a means of financing the deficit other than borrowing from the public. To the extent that the balances are invested in Federal debt, changes in the balances are reflected as borrowing from the public if the deposit fund investments are classified as held by the public, and as a means of financing the deficit other than borrowing from the public if the investments are classified as held by Government accounts.

Exchange of Cash

The Government's deposits with the International Monetary Fund (IMF) are considered to be monetary assets. Therefore, the movement of money between the IMF and the Treasury is not considered in itself a receipt or an outlay, borrowing, or lending. However, interest paid by the IMF on U.S. deposits is an offsetting collection. In a similar manner, the holdings of foreign currency by the Exchange Stabilization Fund are considered to be cash assets. Changes in these holdings are outlays only to the extent there is a realized loss of dollars on the exchange and are offsetting collections only to the extent there is a realized dollar profit.

FEDERAL EMPLOYMENT

The budget includes information on civilian and military employment and personnel compensation and benefits. It also makes comparisons between the Federal workforce, State and local government workforces, and the United States population. Two different measures of employment levels are provided—actual positions filled and full-time equivalents (FTE). One FTE is equal to one work year or 2,080 hours. For most purposes, the FTE measure is more meaningful, because it takes into account part-time employment, temporary employment, and vacancies during the year. For example, one full-time employee and two half-time employees would count as two FTE's but three positions. (Chapter 10, "Federal Employment," in the *Analytical Perspectives* volume of the 1998 budget provides more information on this subject.)

TOTAL FEDERAL EMPLOYMENT

	1996 actual	1997 estimated	1998 estimated	Percent change 1996 to 1998
Total FTE's	4,315,987	4,274,318	4,239,963	–1.8
Federal Executive Branch civilian employees per 1000 U.S. population	10.3	10.1	10.1	–2.9

BASIS FOR BUDGET FIGURES

Data for the Past Year

The past year column (1996) generally presents the actual transactions and balances as recorded in agency accounts and as summarized in the central financial reports prepared by the Treasury Department for the most recently completed fiscal year. Occasionally the budget reports corrections to data reported erroneously to Treasury but not discovered in time to be reflected in Treasury's published data. The budget usually notes the sources of such differences.

Data for the Current Year

The current year column (1997) includes estimates of transactions and balances based on the amounts of budgetary resources that were available when the budget was transmitted, including amounts appropriated for the year. This column also reflects any supplemental appropriations or rescissions proposed in the budget.

Data for the Budget Year

The budget year column (1998) includes estimates of transactions and balances based on the amounts of budgetary resources that are estimated to be available, including amounts proposed to be appropriated, and amounts estimated to result from changes in authorizing legislation and tax laws. The budget generally includes the appropriations language for the amounts proposed to be appropriated. Where the estimates represent amounts that will be requested under proposed legislation, the appropriation language usually is not included; it is transmitted later, usually after the legislation is enacted. In a few cases, proposed language for appropriations to be requested under existing legislation is transmitted later because the exact requirements are not known when the budget is transmitted. In certain tables of the budget, the items for later transmittal and the related outlays are identified separately. Estimates of the total requirements for the budget year include both the amounts requested with the transmittal of the budget and the amounts planned for later transmittal.

Data for the Outyears

The budget presents estimates for each of the four years beyond the budget year (1999 through 2002) in order to reflect the effect of budget decisions on longer term objectives and plans.

Allowances

Lump-sum allowances may be included in the budget to cover certain transactions that are expected to increase or decrease budget authority, outlays, or receipts but that are not, for various reasons, reflected in the program details. Budget authority and outlays are never appropriated for allowances as such. Rather, the allowances indicate the estimated budget authority and outlays that will be requested for specific programs.

Baseline

The budget baseline is an estimate of the receipts, outlays, and deficits that would result from continuing current law through the period covered by the budget. For receipts and mandatory spending, which generally are authorized on a permanent basis, it assumes they continue in the future as required by current law. For discretionary programs, which generally are funded annually, the baseline commonly assumes future funding will be equal to the most recently enacted appropriation, adjusted for inflation. The baseline represents the amount of real resources that would be used by the Government over the period covered by the budget on the basis of laws currently enacted. (Chapter 16, "Current Services Estimates," in the *Analytical Perspectives* volume of the 1998 budget provides more information on the baseline.)

The baseline is useful for several reasons. It warns of future problems, either for Government fiscal policy as a whole or for individual tax and spending programs. It provides a starting point for formulating the President's budget. It is a "policy-neutral" benchmark against which the President's budget and alternative proposals can be compared to assess the magnitude of proposed changes. And it is used, under the Budget

Enforcement Act, to determine how much will be sequestered from each account and what level of funding will be available after sequestration.

PRINCIPAL BUDGET LAWS

The following are the basic laws pertaining to the Federal budget process:

- ***Antideficiency Act (codified in Chapters 13 and 15 of Title 31, United States Code),*** which prescribes rules and procedures for budget execution.
- ***Article 1, section 9, clause 7 of the Constitution,*** which requires appropriations in law before money may be spent from the Treasury.
- ***Chapter 11 of Title 31, United States Code,*** which prescribes procedures for submission of the President's budget and information to be contained in it.
- ***Congressional Budget and Impoundment Control Act of 1974*** (Public Law 93–344), as amended. This Act comprises the:
  —Congressional Budget Act of 1974, as amended, which prescribes the congressional budget process; and
  —Impoundment Control Act of 1974, which controls certain aspects of budget execution.
- ***Balanced Budget and Emergency Deficit Control Act of 1985*** (Public Law 99–177), as amended, which prescribes rules and procedures (including "sequestration") designed to eliminate excess spending. This Act is commonly known as the Gramm-Rudman-Hollings Act.
- ***Budget Enforcement Act of 1990*** (Title XIII, Public Law 101–508), which significantly amended the laws pertaining to the budget process, including the Congressional Budget Act and the Balanced Budget and Emergency Deficit Control Act. The provisions of this act, which would have expired after 1995, were extended through 1998 by the Omnibus Budget Reconciliation Act of 1993 (Public Law 103–66).
- ***Federal Credit Reform Act of 1990,*** a part of the Budget Enforcement Act of 1990, which amended the Congressional Budget Act to prescribe the budget treatment for Federal credit programs.
- ***Line Item Veto Acto of 1996,*** which granted the President limited authority to cancel new spending and limited tax benefits when he signs laws.

GLOSSARY OF BUDGET TERMS

Balances of budget authority—These are amounts of budget authority provided in previous years that have not been outlayed.

Baseline—An estimate of the receipts, outlays, and deficit that would result from continuing current law through the period covered by the budget.

Breach—A breach is the amount by which new budget authority or outlays within a category of discretionary appropriations for a fiscal year is above the cap on new budget authority or outlays for that category for that year.

Budget—The Budget of the United States Government sets forth the President's comprehensive financial plan for allocating resources and indicates the President's priorities for the Federal Government.

Budget authority (BA)—Budget authority is the authority becoming available during the year to enter into obligations that will result in immediate or future outlays of Government funds. (For a description of the several forms of budget authority, see Budget Authority and Other Budgetary Resources earlier in this chapter.).

Budgetary resources—Budgetary resources comprise new budget authority and unobligated balances of budget authority provided in previous years.

Budget totals—The budget includes totals for budget authority, outlays, and receipts. Some presentations in the budget distinguish on-budget totals from off-budget totals. On-budget totals reflect the transactions of all Federal Government entities except those excluded from the budget totals by law. Off-budget totals reflect the transactions of Government entities that are excluded from the on-budget totals by law. Currently excluded are the social security trust funds (Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds) and the Postal Service Fund. The on- and off-budget totals are combined to derive a unified or consolidated total for Federal activity.

Cap—This is the term commonly used to refer to legal limits on the budget authority and outlays for each fiscal year provided by discretionary appropriations. A sequester is required if an appropriation for a category causes a breach in the cap.

Credit program account—A credit program account receives an appropriation for the subsidy cost of a direct loan or loan guarantee program and disburses such cost to a financing account for the program when the direct loan or guaranteed loan is disbursed.

Deficit—A deficit is the amount by which outlays exceed receipts.

Direct loan—A direct loan is a disbursement of funds by the Government to a non-Federal borrower under a contract that requires the repayment of such funds with or without interest. The term includes the purchase of, or participation in, a loan made by another lender. The term also includes the sale of a Government asset on credit terms of more than 90 days duration as well as financing arrangements for other transactions that defer payment for more than 90 days. It also includes loans financed by the Federal Financing Bank (FFB) purusant to agency loan guarantee authority. The term does not include the acquisition of a federally guaranteed loan in satisfaction of default or other guarantee claims or the price support loans of the Commodity Credit Corporation. (Cf. *loan guarantee.*)

Direct spending—Direct spending, more commonly called mandatory spending, is a category of outlays from budget authority provided in law other than appropriations acts, entitlement authority, and the budget authority for the food stamp program. (Cf. *discretionary appropriations.*)

Discretionary appropriations—Discretionary appropriations is a category of budget authority that comprises budgetary resources (except those provided to fund direct-spending programs) provided in appropriations acts. (Cf. *direct spending.*)

Emergency spending—Emergency spending is spending that the President and the Congress have designated as an emergency requirement. Such spending is not subject to the limits on discretionary spending, if it is discretionary spending, or the pay-as-you-go rules, if it is direct spending.

Federal funds—Federal funds are the moneys collected and spent by the Government other than those designated as trust funds. Federal funds include general, special, public enterprise, and intragovernmental funds. (Cf. *trust funds.*)

Financing account—A financing account receives the cost payments from a credit program account and includes all cash flows to and from the Government resulting from direct loan obligations or loan guarantee commitments made on or after October 1, 1991. At least one financing account is associated with each credit program account. For programs that make both direct loans and loan guarantees, there are separate financing accounts for the direct loans and the loan guarantees. The transactions of the financing accounts are non-budgetary and not included in the budget totals. (Cf. *liquidating account.*)

Fiscal year—The fiscal year is the Government's accounting period. It begins on October 1st and ends on September 30th, and is designated by the calendar year in which it ends. Before 1976, the fiscal year began on July 1 and ended on June 30.

General fund—The general fund consists of accounts for receipts not earmarked by law for a specific purpose, the proceeds of general borrowing, and the expenditure of these moneys.

Governmental receipts—These are collections from the public that result primarily from the exercise of the Government's sovereign or governmental powers. Governmental receipts consist mostly of individual and corporation income taxes and social insurance taxes, but also include excise taxes, compulsory user charges, customs duties, court fines, certain license fees, and deposits of earnings by the Federal Reserve System. Gifts and donations are also counted as governmental receipts. They are compared to outlays in calculating a surplus or deficit. (Cf. *offsetting collections.*)

Liquidating account—A liquidating account includes all cash flows to and from the Government resulting from direct loan obligations and loan guarantee commitments made prior to October 1, 1991. (Cf. *financing account.*)

Loan guarantee—A loan guarantee is any guarantee, insurance, or other pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender. The term does not include the insurance of deposits, shares, or other withdrawable accounts in financial institutions. (Cf. *direct loan.*)

Mandatory spending—*See direct spending.*

Intragovernmental funds—Intragovernmental funds are accounts for business-type or market-oriented activities conducted primarily within and between Government agencies and financed by offsetting collections that are credited directly to the fund.

Obligations—Obligations are binding agreements that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.

Obligated balances—These are amounts of budget authority that have been obligated but not yet outlayed. Unobligated balances are amounts that have not been obligated and that remain available for obligation under law.

Off-budget—*See budget totals.*

Offsetting collections—Offsetting collections are collections from the public that result from business-type or market-oriented activities and collections from other Government accounts. These collections are deducted from gross disbursements in calculating outlays, rather than counted in Governmental receipt totals. Some offsetting collections are credited directly to expenditure accounts; others, called offsetting receipts, are credited to receipt accounts. The authority to spend offsetting collections is a form of budget authority. (Cf. *governmental receipts.*)

Offsetting receipts—*See offsetting collections.*

On-budget—*See budget totals.*

Outlays—Outlays are the measure of Government spending. They are payments to liquidate obligations (other than the repayment of debt), net of refunds and offsetting collections. Outlays generally are recorded on a cash basis, but also include cash-equivalent transactions, the subsidy cost of direct loans and loan guarantees, and interest accrued on public issues of Treasury debt.

Pay-as-you-go (PAYGO)—This term refers to requirements in law that result in a sequester if the estimated combined result of legislation affecting direct spending or receipts is an increase in the deficit for a fiscal year.

Outyear estimates—This term refers to estimates presented in the budget for years beyond the budget year (usually four).

Public enterprise funds—Public enterprise funds are revolving accounts for business or market-oriented activities conducted primarily with the public and financed by offsetting collections that are credited directly to the fund.

Receipts—*See governmental receipts and offsetting collections.*

Scorekeeping—This term refers to measuring the budget effects of legislation, generally in terms of budget authority, receipts, and outlays for purposes of the Budget Enforcement Act.

Sequester—A sequester is the cancellation of budgetary resources provided by discretionary appropriations or direct spending legislation, following various procedures prescribed in law. A sequester may occur in response to a discretionary appropriation that causes a breach or in response to increases in the deficit resulting from the combined result of legislation affecting direct spending or receipts (referred to as a “pay-as-you-go” sequester).

Special funds—Special funds are Federal fund accounts for receipts earmarked for specific purposes and the associated expenditure of those receipts. (Cf. *trust funds.*)

Subsidy—This term means the same as cost when it is used in connection with Federal credit programs.

Surplus—A surplus is the amount by which receipts exceed outlays. Supplemental appropriation—A supplemental appropriation is one enacted subsequent to a regular annual appropriations act when the need for funds is too urgent to be postponed until the next regular annual appropriations act.

Trust funds—Trust funds are accounts, designated by law as trust funds, for receipts earmarked for specific purposes and the associated expenditure of those receipts. (Cf. *special funds.*)

User fee—This term refers to user, regulatory and other fees, charges, and assessments levied on a class directly availing itself of, or directly subject to a government service, program, or activity, but not on the general public, as measures to be utilized solely to support, usually subject to annual appropriations, the service, program or activity.

OUTLAYS TO THE PUBLIC

25. OUTLAYS TO THE PUBLIC

Table 25–1. TOTAL OUTLAYS, INCLUDING THOSE OFFSET BY COLLECTIONS FROM THE PUBLIC, BY AGENCY, 1996–1998

(In millions of dollars)

Department or other unit	1996				1997				1998			
	Net Outlays	Offsetting Collections from the Public in:		Outlays Gross of Collections from the Public	Net Outlays	Offsetting Collections from the Public in:		Outlays Gross of Collections from the Public	Net Outlays	Offsetting Collections from the Public in:		Outlays Gross of Collections from the Public
		Expendi-ture Accounts	Receipt Accounts			Expendi-ture Accounts	Receipt Accounts			Expendi-ture Accounts	Receipt Accounts	
Legislative Branch	2,273	87	13	2,373	2,531	99	9	2,639	2,772	113	9	2,894
The Judiciary	3,059	35	7	3,101	3,617	36	7	3,660	3,693	40	7	3,740
Executive Office of the President	202	1	....	203	222	1	....	223	233	1	....	234
Funds Appropriated to the President	9,713	1,524	15,668	26,905	9,738	1,453	14,600	25,791	10,156	1,337	14,077	25,570
Agriculture	54,344	17,858	1,051	73,253	56,954	16,461	856	74,271	58,779	17,198	870	76,847
Commerce	3,702	753	128	4,583	3,808	901	132	4,841	4,080	913	126	5,119
Defense-Military	253,253	8,932	631	262,816	254,284	7,847	1,102	263,233	247,492	7,956	1,100	256,548
Defense-Civil	32,536	13	232	32,781	33,873	13	184	34,070	34,798	17	195	35,010
Education	29,727	1,695	61	31,483	28,340	1,667	62	30,069	32,134	1,613	792	34,539
Energy	16,203	3,665	2,009	21,877	15,423	2,864	2,154	20,441	14,562	3,942	1,754	20,258
Health and Human Services	319,803	393	20,086	340,282	351,086	1,086	21,181	373,353	376,147	760	22,856	399,763
Housing and Urban Development	25,508	9,327	1,376	36,211	29,928	6,367	989	37,284	32,302	2,664	2,882	37,848
Interior	6,725	305	1,925	8,955	7,404	511	2,230	10,145	7,101	515	2,244	9,860
Justice	11,954	296	987	13,237	14,520	428	998	15,946	17,350	452	1,220	19,022
Labor	32,492	1,673	6	34,171	32,874	1,811	2	34,687	35,624	1,827	2	37,453
State	4,951	166	....	5,117	5,487	340	....	5,827	5,523	154	....	5,677
Transportation	38,780	147	111	39,038	38,388	213	106	38,707	38,456	736	169	39,361
Treasury	364,629	3,082	7,420	375,131	380,559	2,712	8,378	391,649	390,381	2,760	9,604	402,745
Veterans Affairs	36,920	1,829	946	39,695	39,619	1,785	2,066	43,470	40,890	1,888	1,054	43,832
Environmental Protection Agency	6,046	24	257	6,327	6,272	20	209	6,501	6,701	22	186	6,909
General Services Administration	732	210	23	965	1,243	9	21	1,273	521	9	21	551
National Aeronautics and Space Administration	13,881	60	....	13,941	13,697	86	....	13,783	13,595	46	....	13,641
Office of Personnel Management	42,870	5,264	....	48,134	44,838	5,461	....	50,299	46,527	5,779	....	52,306
Small Business Adminstration	873	893	....	1,766	460	838	188	1,486	137	785	50	972
Social Security Administration	375,234	2,848	1,204	379,286	395,943	3,013	1,343	400,299	413,000	3,013	1,449	417,462
Financial Institutions (FDIC/RTC)	–8,175	10,320	....	2,145	–11,896	12,363	....	467	–3,828	4,524	....	696
Postal Service	–504	55,477	....	54,973	2,097	56,801	....	58,898	4,180	58,533	....	62,713
Other Independent Agencies	17,596	10,514	783	28,893	20,244	9,854	637	30,735	19,846	8,855	699	29,400
Undistributed offsetting receipts	–134,997	....	4,084	–130,913	–150,537	....	12,113	–138,424	–165,677	....	21,276	–144,401
Total outlays	**1,560,330**	**137,391**	**59,008**	**1,756,729**	**1,631,016**	**135,040**	**69,567**	**1,835,623**	**1,687,475**	**126,452**	**82,642**	**1,896,569**

26. FEDERAL PROGRAMS BY AGENCY AND ACCOUNT

EXPLANATORY NOTE

This section includes a detailed tabulation containing information on budget authority (BA), outlays (O), and subfunctional code number(s) for each appropriation and fund account. Budget authority amounts reflect transfers of budget authority between appropriations. All budget authority items are definite appropriations except where otherwise indicated.

Congressional action on appropriations occasionally results in the establishment of a limitation on the use of a trust fund or other fund, or an appropriation to liquidate contract authority. Amounts for these and other such items, which do not affect budget authority, are included here in parentheses and identified in the stub column, but are not included in the totals.

FEDERAL PROGRAMS BY AGENCY AND ACCOUNT

LEGISLATIVE BRANCH

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Senate									
Federal funds									
General and Special Funds:									
Compensation of members, Senate:									
Appropriation, permanent	801	BA	17	17	17	17	19	19	19
Outlays		O	16	17	17	17	19	19	19
Salaries, officers and employees:									
Appropriation, current	801	BA	59	75	79	79	79	79	79
Outlays		O	61	75	79	79	79	79	79
Office of the Legislative Counsel of the Senate:									
Appropriation, current	801	BA	3	3	4	4	4	4	4
Outlays		O	3	3	4	4	4	4	4
Inquiries and investigations:									
Appropriation, current	801	BA	59	70	71	71	71	71	71
Outlays		O	61	70	71	71	71	71	71
Miscellaneous items:									
Appropriation, current	801	BA	1	7	8	8	8	8	8
Outlays		O	6	7	8	8	8	8	8
Senators' official personnel and office expense account:									
Appropriation, current	801	BA	197	208	228	228	228	228	228
Outlays		O	205	208	228	228	228	228	228
Secretary of the Senate:									
Appropriation, current	801	BA		2	2	1	1	1	1
Outlays		O	1	2	2	1	1	1	1
Sergeant at Arms and Doorkeeper of the Senate:									
Appropriation, current	801	BA	39	66	78	78	78	78	78
Outlays		O	61	66	78	78	78	78	78
Official mail costs:									
Appropriation, current	801	BA	1	10	9	9	9	9	9
Outlays		O	3	10	9	9	9	9	9
Settlement and awards reserve, Senate:									
Appropriation, current	801	BA	1						
Congressional use of foreign currency, Senate:									
Appropriation, permanent	801	BA	1	1	1	1	1	1	1
Outlays		O	1	1	1	1	1	1	1
Senate items:									
Appropriation, current	801	BA	2	1	1	1	1	1	1
Outlays		O	2	1	1	1	1	1	1
Public Enterprise Funds:									
Senate revolving funds:									
Spending authority from offsetting collections	801	BA	2	2	2	2	2	2	2
Outlays		O	2	2	2	2	2	2	2
Senate revolving funds (gross)		BA	2	2	2	2	2	2	2
		O	2	2	2	2	2	2	2
Total, offsetting collections			–2	–2	–2	–2	–2	–2	–2
Total Senate revolving funds (net)		BA							
		O							
Total Federal funds Senate		BA	380	460	498	497	499	499	499
		O	420	460	498	497	499	499	499
House of Representatives									
Federal funds									
General and Special Funds:									
Compensation of Members and related administrative expenses:									
Appropriation, permanent	801	BA	74	74	74	74	74	74	74
Outlays		O	73	74	74	74	74	74	74

LEGISLATIVE BRANCH—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Salaries and expenses:									
Appropriation, current	801	BA	**671**	**684**	**752**	**752**	**752**	**752**	**752**
Outlays		O	666	683	747	752	752	752	752
Congressional use of foreign currency, House of Representatives:									
Appropriation, permanent	801	BA	**3**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	2	2	2	2	2	2	2
Total Federal funds House of Representatives		BA	**748**	**760**	**828**	**828**	**828**	**828**	**828**
		O	741	759	823	828	828	828	828
Joint Items									
Federal funds									
General and Special Funds:									
Capitol guide service and special services office:									
Appropriation, current	801	BA	**2**	**3**	**2**	**2**	**2**	**2**	**2**
Outlays		O	2	3	2	2	2	2	2
Joint Economic Committee:									
Appropriation, current	801	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	3	3	3	3	3	3	3
Joint Committee on Printing:									
Appropriation, current	801	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
Joint Committee on Taxation:									
Appropriation, current	801	BA	**5**	**5**	**6**	**8**	**8**	**8**	**8**
Outlays		O	3	5	6	8	8	8	8
Office of the Attending Physician:									
Appropriation, current	801	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
General expenses, Capitol police:									
Appropriation, current	801	BA	**3**	**3**	**5**	**8**	**8**	**8**	**8**
Outlays		O	2	2	4	6	8	8	8
Salaries, Capitol Police:									
Appropriation, current	801	BA	**70**	**69**	**74**	**76**	**76**	**76**	**76**
Outlays		O	66	69	74	76	76	76	76
Total Federal funds Joint Items		BA	**85**	**85**	**92**	**99**	**99**	**99**	**99**
		O	78	84	91	97	99	99	99
Office of Compliance									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	801	BA	**2**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	2	3	3	3	3	3	3
Office of Technology Assessment									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	801	BA	**4**	....	....	....	....	....	....
Reappropriation		BA	**2**	....	....	....	....	....	....
Outlays		O	6	....	....	....	....	....	....
Total Salaries and expenses		BA	**6**	....	....	....	....	....	....
		O	6	....	....	....	....	....	....
Congressional Budget Office									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	801	BA	**24**	**25**	**25**	**26**	**27**	**28**	**29**
Outlays		O	22	25	25	26	27	28	29

LEGISLATIVE BRANCH—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Architect of the Capitol									
Federal funds									
General and Special Funds:									
Office of the Architect of the Capitol: Salaries:									
Appropriation, current	801	BA	**8**	**8**					
Outlays		O	8	8					
Capitol buildings, salaries, and expenses:									
Appropriation, current	801	BA	**23**	**24**	**42**	**42**	**42**	**42**	**42**
Outlays		O	24	36	42	42	42	42	42
Capitol grounds:									
Appropriation, current	801	BA	**5**	**5**	**7**	**7**	**7**	**7**	**7**
Outlays		O	5	5	7	7	7	7	7
Senate office buildings:									
Appropriation, current	801	BA	**42**	**40**	**52**	**52**	**52**	**52**	**52**
Outlays		O	40	55	50	52	52	52	52
House office buildings:									
Appropriation, current	801	BA	**33**	**33**	**39**	**39**	**39**	**39**	**39**
Outlays		O	30	44	38	39	39	39	39
Capitol power plant:									
Appropriation, current	801	BA	**32**	**31**	**34**	**34**	**34**	**34**	**34**
Spending authority from offsetting collections		BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	32	35	37	38	38	38	38
Capitol power plant (gross)		BA	**36**	**35**	**38**	**38**	**38**	**38**	**38**
		O	32	35	37	38	38	38	38
Total, offsetting collections			–4	–4	–4	–4	–4	–4	–4
Total Capitol power plant (net)		BA	**32**	**31**	**34**	**34**	**34**	**34**	**34**
		O	28	31	33	34	34	34	34
Library buildings and grounds, structural and mechanical care:									
Appropriation, current	801	BA	**13**	**10**	**16**	**16**	**16**	**16**	**16**
Outlays		O	13	26	16	16	16	16	16
Intragovernmental Funds:									
Judiciary office building development and operations fund:									
Spending authority from offsetting collections	801	BA	**21**	**21**	**21**	**21**	**21**	**21**	**21**
Outlays		O	21	21	21	21	21	21	21
Judiciary office building development and operations fund (gross)		BA	**21**	**21**	**21**	**21**	**21**	**21**	**21**
		O	21	21	21	21	21	21	21
Total, offsetting collections			–22	–23	–23	–23	–23	–23	–24
Total Judiciary office building development and operations fund (net)		BA	**–1**	**–2**	**–2**	**–2**	**–2**	**–2**	**–3**
		O	–1	–2	–2	–2	–2	–2	–3
Total Federal funds Architect of the Capitol		BA	**155**	**149**	**188**	**188**	**188**	**188**	**187**
		O	147	203	184	188	188	188	187
Botanic Garden									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	801	BA	**3**	**3**	**12**	**12**	**12**	**12**	**12**
Outlays		O	3	3	11	12	12	12	12
Trust funds									
Gifts and donations:									
Appropriation, permanent	801	BA		**1**	**8**				
Outlays		O		1	8				
Library of Congress									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	503	BA	**204**	**208**	**224**	**226**	**228**	**230**	**233**
Spending authority from offsetting collections		BA	**71**	**109**	**97**	**101**	**104**	**106**	**109**

LEGISLATIVE BRANCH—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	272	324	316	311	318	322	327
Salaries and expenses (gross)		BA	**275**	**317**	**321**	**327**	**332**	**336**	**342**
		O	272	324	316	311	318	322	327
Total, offsetting collections			–71	–109	–97	–101	–104	–106	–109
Total Salaries and expenses (net)		BA	**204**	**208**	**224**	**226**	**228**	**230**	**233**
		O	201	215	219	210	214	216	218
Copyright Office: Salaries and expenses:									
Appropriation, current	376	BA	**11**	**11**	**13**	**12**	**12**	**12**	**12**
Spending authority from offsetting collections		BA	**18**	**22**	**23**	**23**	**23**	**23**	**24**
Outlays		O	28	33	36	35	35	35	36
Copyright Office (gross)		BA	**29**	**33**	**36**	**35**	**35**	**35**	**36**
		O	28	33	36	35	35	35	36
Total, offsetting collections			–18	–22	–23	–23	–23	–23	–24
Total Copyright Office (net)		BA	**11**	**11**	**13**	**12**	**12**	**12**	**12**
		O	10	11	13	12	12	12	12
Congressional Research Service: Salaries and expenses:									
Appropriation, current	801	BA	**60**	**63**	**67**	**65**	**65**	**65**	**65**
Outlays		O	60	63	66	64	64	64	64
Books for the blind and physically handicapped: Salaries and expenses:									
Appropriation, current	503	BA	**45**	**45**	**48**	**47**	**48**	**49**	**51**
Outlays		O	47	48	51	44	44	45	47
Furniture and furnishings:									
Appropriation, current	503	BA	**5**	**5**	**5**	**5**	**5**	**5**	**6**
Outlays		O	4	6	8	7	7	7	7
Payments to copyright owners:									
Appropriation, permanent	376	BA	**223**	**243**	**245**	**255**	**263**	**271**	**282**
Outlays		O	5	180	278	220	220	220	220
Trust funds									
Gift and trust fund accounts:									
Appropriation, permanent	503	BA	**27**	**24**	**25**	**28**	**29**	**29**	**30**
Outlays		O	22	26	26	28	28	28	29
Total Federal funds Library of Congress		BA	**548**	**575**	**602**	**610**	**621**	**632**	**649**
		O	327	523	635	557	561	564	568
Total Trust funds Library of Congress		BA	**27**	**24**	**25**	**28**	**29**	**29**	**30**
		O	22	26	26	28	28	28	29

Government Printing Office

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Congressional printing and binding:									
Appropriation, current	801	BA	**84**	**82**	**84**	**86**	**88**	**91**	**93**
Outlays		O	82	85	85	85	87	90	92
Office of Superintendent of Documents: Salaries and expenses:									
Appropriation, current	808	BA	**30**	**29**	**30**	**31**	**32**	**33**	**34**
Outlays		O	30	35	29	31	31	32	33
Intragovernmental Funds:									
Government Printing Office revolving fund:									
Spending authority from offsetting collections	808	BA	**831**	**839**	**840**	**862**	**884**	**907**	**931**
Outlays		O	824	833	848	878	867	903	937
Government Printing Office revolving fund (gross)		BA	**831**	**839**	**840**	**862**	**884**	**907**	**931**
		O	824	833	848	878	867	903	937
Change in orders on hand from Federal sources		BA	....	**4**	**11**	**11**	**–5**	**–12**	**12**

LEGISLATIVE BRANCH—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Total, offsetting collections			–831	–843	–851	–873	–879	–895	–943
Total Government Printing Office revolving fund (net)		BA							
		O	–7	–10	–3	5	–12	8	–6
Total Federal funds Government Printing Office		BA	**114**	**111**	**114**	**117**	**120**	**124**	**127**
		O	105	110	111	121	106	130	119

General Accounting Office

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	801	BA	**373**	**333**	**361**	**370**	**384**	**392**	**400**
Spending authority from offsetting collections		BA	**6**	**6**	**7**				
Outlays		O	405	345	366	370	383	392	400
Salaries and expenses (gross)		BA	**379**	**339**	**368**	**370**	**384**	**392**	**400**
		O	405	345	366	370	383	392	400
Total, offsetting collections			–6	–6	–7				
Total Salaries and expenses (net)		BA	**373**	**333**	**361**	**370**	**384**	**392**	**400**
		O	399	339	359	370	383	392	400

United States Tax Court

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	752	BA	**33**	**34**	**34**	**45**	**48**	**50**	**52**
Outlays		O	32	34	34	44	48	50	52

Other Legislative Branch Agencies

Legislative Branch Boards and Commissions

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Prospective Payment Assessment Commission:									
Spending authority from offsetting collections	551	BA	**3**	**3**	**4**	**4**	**4**	**4**	**4**
Outlays		O	4	3	4	4	4	4	4
Prospective Payment Assessment Commission (gross)		BA	**3**	**3**	**4**	**4**	**4**	**4**	**4**
		O	4	3	4	4	4	4	4
Total, offsetting collections			–3	–3	–4	–4	–4	–4	–4
Total Prospective Payment Assessment Commission (net)		BA							
		O	1						
Physician Payment Review Commission:									
Spending authority from offsetting collections	801	BA	**3**	**3**	**4**	**4**	**4**	**4**	**4**
Outlays		O	4	4	4	4	4	4	4
Physician Payment Review Commission (gross)		BA	**3**	**3**	**4**	**4**	**4**	**4**	**4**
		O	4	4	4	4	4	4	4
Total, offsetting collections			–3	–3	–4	–4	–4	–4	–4
Total Physician Payment Review Commission (net)		BA							
		O	1	1					
Gambling Impact Study Commission:									
Appropriation, current	801	BA		**4**					
Outlays		O			1	3			
Other Legislative Branch Boards and Commissions									
(Other advancement of commerce):									
(Outlays)	376	O	1						
(Legislative functions):									
(Appropriation, current)	801	BA	**3**	**3**	**2**	**2**	**2**	**2**	**2**

LEGISLATIVE BRANCH—Continued
(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
(Outlays)		O	3	5	2	2	2	2	2
Total Other Legislative Branch Boards and Commissions		BA	**3**	**3**	**2**	**2**	**2**	**2**	**2**
		O	4	5	2	2	2	2	2
Trust funds									
U.S. Capitol preservation commission:									
Appropriation, permanent	801	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	....	....	....	1	1	1	1
John C. Stennis Center for Public Service Development trust fund:									
Appropriation, permanent	801	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
Total Federal funds Legislative Branch Boards and Commissions		BA	**3**	**7**	**2**	**2**	**2**	**2**	**2**
		O	6	6	3	5	2	2	2
Total Trust funds Legislative Branch Boards and Commissions		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
		O	1	1	1	2	2	2	2
Summary									
Federal funds:									
(As shown in detail above)		BA	**2,474**	**2,545**	**2,759**	**2,797**	**2,831**	**2,857**	**2,887**
		O	2,288	2,549	2,777	2,748	2,756	2,795	2,798
Deductions for offsetting receipts:									
Intrafund transactions	908	BA/O	*–25*	*–37*	*–31*	*–32*	*–31*	*–30*	*–31*
Total Federal funds		BA	**2,449**	**2,508**	**2,728**	**2,765**	**2,800**	**2,827**	**2,856**
		O	2,263	2,512	2,746	2,716	2,725	2,765	2,767
Trust funds:									
(As shown in detail above)		BA	**29**	**27**	**35**	**30**	**31**	**31**	**32**
		O	23	28	35	30	30	30	31
Deductions for offsetting receipts:									
Proprietary receipts from the public	503	BA/O	*–8*	*–9*	*–9*	*–9*	*–9*	*–10*	*–10*
	908	BA/O	*–5*	....	....	....	....	....	....
Total Trust funds		BA	**16**	**18**	**26**	**21**	**22**	**21**	**22**
		O	10	19	26	21	21	20	21
Total Legislative Branch		BA	**2,465**	**2,526**	**2,754**	**2,786**	**2,822**	**2,848**	**2,878**
		O	2,273	2,531	2,772	2,737	2,746	2,785	2,788

THE JUDICIARY
(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Supreme Court of the United States									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	752	BA	**26**	**27**	**29**	**29**	**30**	**32**	**33**
Outlays		O	25	26	28	29	30	32	33
Care of the buildings and grounds:									
Appropriation, current	752	BA	**3**	**3**	**4**	**4**	**4**	**4**	**4**
Outlays		O	3	4	4	4	4	4	4
Total Federal funds Supreme Court of the United States		BA	**29**	**30**	**33**	**33**	**34**	**36**	**37**
		O	28	30	32	33	34	36	37
United States Court of Appeals for the Federal Circuit									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	752	BA	**14**	**15**	**16**	**16**	**17**	**17**	**18**

THE JUDICIARY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	13	14	15	16	17	17	18
United States Court of International Trade									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	752	BA	**10**	**11**	**11**	**12**	**13**	**13**	**14**
Outlays		O	10	11	11	12	13	13	14
Courts of Appeals, District Courts, and other Judicial Services									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	752	BA	**2,433**	**2,560**	**2,842**	**2,921**	**3,003**	**3,088**	**3,174**
Spending authority from offsetting collections		BA	**114**	**229**	**187**	**149**	**149**	**149**	**149**
Outlays		O	2,604	2,872	2,954	3,068	3,147	3,232	3,318
Salaries and expenses (gross)		BA	**2,547**	**2,789**	**3,029**	**3,070**	**3,152**	**3,237**	**3,323**
		O	2,604	2,872	2,954	3,068	3,147	3,232	3,318
Total, offsetting collections			–114	–229	–187	–149	–149	–149	–149
Total Salaries and expenses (net)		BA	**2,433**	**2,560**	**2,842**	**2,921**	**3,003**	**3,088**	**3,174**
		O	2,490	2,643	2,767	2,919	2,998	3,083	3,169
Defender services:									
Appropriation, current	752	BA	**268**	**310**	**330**	**339**	**349**	**359**	**369**
Spending authority from offsetting collections		BA	**32**	**24**	**25**	**25**	**25**	**25**	**25**
Outlays		O	309	330	356	364	374	384	394
Defender services (gross)		BA	**300**	**334**	**355**	**364**	**374**	**384**	**394**
		O	309	330	356	364	374	384	394
Total, offsetting collections			–32	–24	–25	–25	–25	–25	–25
Total Defender services (net)		BA	**268**	**310**	**330**	**339**	**349**	**359**	**369**
		O	277	306	331	339	349	359	369
Fees of jurors and commissioners:									
Appropriation, current	752	BA	**59**	**67**	**70**	**72**	**74**	**76**	**78**
Spending authority from offsetting collections		BA	....	....	**2**	**2**	**2**	**2**	**2**
Outlays		O	65	70	72	74	76	78	80
Fees of jurors and commissioners (gross)		BA	**59**	**67**	**72**	**74**	**76**	**78**	**80**
		O	65	70	72	74	76	78	80
Total, offsetting collections			....	....	–2	–2	–2	–2	–2
Total Fees of jurors and commissioners (net)		BA	**59**	**67**	**70**	**72**	**74**	**76**	**78**
		O	65	70	70	72	74	76	78
Court security:									
Appropriation, current	752	BA	**102**	**131**	**170**	**175**	**180**	**185**	**190**
Spending authority from offsetting collections		BA	....	**10**	**1**	**1**	**1**	**1**	**1**
Outlays		O	112	136	157	174	179	184	189
Court security (gross)		BA	**102**	**141**	**171**	**176**	**181**	**186**	**191**
		O	112	136	157	174	179	184	189
Total, offsetting collections			....	–10	–1	–1	–1	–1	–1
Total Court security (net)		BA	**102**	**131**	**170**	**175**	**180**	**185**	**190**
		O	112	126	156	173	178	183	188
Judiciary filiing fees:									
Appropriation, permanent	752	BA	**84**	**76**	**81**	**81**	**81**	**81**	**81**
Outlays		O	14	263	118	81	81	81	81
Registry administration:									
Appropriation, permanent	752	BA	**6**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	7	5	5	5	5	5	5

THE JUDICIARY—Continued
(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Judiciary information technology fund:									
Appropriation, permanent	752	BA	**224**	**144**	**146**	**183**	**188**	**193**	**198**
Outlays		O	138	166	177	214	219	223	230
National Fine Center:									
Appropriation, permanent	752	BA	**6**						
Outlays		O	2						
Total Federal funds Courts of Appeals, District Courts, and other Judicial Services		BA	**3,182**	**3,293**	**3,644**	**3,776**	**3,880**	**3,987**	**4,095**
		O	3,105	3,579	3,624	3,803	3,904	4,010	4,120
Administrative Office of the United States Courts									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	752	BA	**48**	**50**	**54**	**54**	**54**	**54**	**54**
Spending authority from offsetting collections		BA	**31**	**36**	**38**	**33**	**33**	**33**	**33**
Outlays		O	83	86	92	87	87	87	87
Salaries and expenses (gross)		BA	**79**	**86**	**92**	**87**	**87**	**87**	**87**
		O	83	86	92	87	87	87	87
Total, offsetting collections			–31	–36	–38	–33	–33	–33	–33
Total Salaries and expenses (net)		BA	**48**	**50**	**54**	**54**	**54**	**54**	**54**
		O	52	50	54	54	54	54	54
Federal Judicial Center									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	752	BA	**18**	**17**	**18**	**19**	**19**	**20**	**20**
Outlays		O	17	17	18	19	19	20	20
Trust funds									
Gifts and donations, Federal Judicial Center Foundation:									
Appropriation, permanent	752	BA	**1**						
Outlays		O	1						
Judicial Retirement Funds									
Federal funds									
General and Special Funds:									
Payment to judiciary trust funds:									
Appropriation, current	752	BA	**33**	**30**	**32**	**33**	**35**	**36**	**36**
Outlays		O	33	30	32	33	35	36	36
Trust funds									
Judicial officers' retirement fund:									
Appropriation, permanent	602	BA	**27**	**24**	**28**	**30**	**31**	**33**	**33**
Outlays		O	10	12	14	16	19	21	27
Judicial survivors' annuities fund:									
Appropriation, permanent	602	BA	**28**	**28**	**32**	**33**	**35**	**38**	**39**
Outlays		O	9	9	10	11	12	14	14
Claims court judges retirement fund:									
Appropriation, permanent	602	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O			1	1	1	1	1
Total Federal funds Judicial Retirement Funds		BA	**33**	**30**	**32**	**33**	**35**	**36**	**36**
		O	33	30	32	33	35	36	36
Total Trust funds Judicial Retirement Funds		BA	**57**	**54**	**62**	**65**	**68**	**73**	**74**
		O	19	21	25	28	32	36	42
United States Sentencing Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	752	BA	**9**	**8**	**9**	**10**	**11**	**11**	**11**

THE JUDICIARY—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Outlays		O	8	9	10	10	12	12	12
Violent Crime Reduction Programs — *Federal funds*									
General and Special Funds:									
Violent crime reduction programs:									
Appropriation, current	752	BA	**30**	**30**	**50**	**50**	**50**	**50**	**50**
Outlays		O	30	30	50	50	50	50	50
Summary									
Federal funds:									
(As shown in detail above)		BA	**3,373**	**3,484**	**3,867**	**4,003**	**4,113**	**4,224**	**4,335**
		O	3,296	3,770	3,846	4,030	4,138	4,248	4,361
Deductions for offsetting receipts:									
Intrafund transactions	752	BA/O	*–217*	*–137*	*–139*	*–176*	*–181*	*–186*	*–191*
Proprietary receipts from the public	752	BA/O	*–7*	*–7*	*–7*	*–7*	*–7*	*–7*	*–7*
Total Federal funds		BA	**3,149**	**3,340**	**3,721**	**3,820**	**3,925**	**4,031**	**4,137**
		O	3,072	3,626	3,700	3,847	3,950	4,055	4,163
Trust funds:									
(As shown in detail above)		BA	**58**	**54**	**62**	**65**	**68**	**73**	**74**
		O	20	21	25	28	32	36	42
Interfund transactions	752	BA/O	*–33*	*–30*	*–32*	*–34*	*–35*	*–36*	*–36*
Total The Judiciary		BA	**3,174**	**3,364**	**3,751**	**3,851**	**3,958**	**4,068**	**4,175**
		O	3,059	3,617	3,693	3,841	3,947	4,055	4,169

EXECUTIVE OFFICE OF THE PRESIDENT

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Compensation of the President and the White House Office — *Federal funds*									
General and Special Funds:									
Compensation of the President and the White House Office:									
Appropriation, current	802	BA	**40**	**40**	**51**	**51**	**51**	**51**	**51**
Outlays		O	40	40	51	51	51	51	51
Executive Residence at the White House — *Federal funds*									
General and Special Funds:									
Operating expenses:									
Appropriation, current	802	BA	**8**	**8**	**8**	**8**	**8**	**8**	**8**
Spending authority from offsetting collections		BA	**2**	**2**	**2**	**2**	**3**	**3**	**3**
Outlays		O	10	10	10	10	11	11	11
Operating expenses (gross)		BA	**10**	**10**	**10**	**10**	**11**	**11**	**11**
		O	10	10	10	10	11	11	11
Total, offsetting collections			–2	–2	–2	–2	–3	–3	–3
Total Operating expenses (net)		BA	**8**	**8**	**8**	**8**	**8**	**8**	**8**
		O	8	8	8	8	8	8	8
White house repair and restoration:									
Appropriation, current	802	BA	**2**	....	....	....	....	....	....
Outlays		O	....	1	1	....	....	....	....
Total Federal funds Executive Residence at the White House		BA	**10**	**8**	**8**	**8**	**8**	**8**	**8**
		O	8	9	9	8	8	8	8

EXECUTIVE OFFICE OF THE PRESIDENT—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Special Assistance to the President and the Official Residence of the Vice President									
Federal funds									
General and Special Funds:									
Special Assistance to the President and the Official Residence of the Vice President:									
Appropriation, current	802	BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	4	4	4	4	4	4	4
Council of Economic Advisers									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	802	BA	**3**	**3**	**4**	**4**	**4**	**4**	**4**
Outlays		O	3	3	4	4	4	4	4
Council on Environmental Quality and Office of Environmental Quality									
Federal funds									
General and Special Funds:									
Council on Environmental Quality and Office of Environmental Quality:									
Appropriation, current	802	BA	**2**	**2**	**3**	**3**	**3**	**3**	**3**
Outlays		O	2	2	3	3	3	3	3
Intragovernmental Funds:									
Management fund, Office of Environmental Quality:									
Spending authority from offsetting collections	802	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	....	1	1	1	1	1	1
Management fund, Office of Environmental Quality (gross)		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
		O	....	1	1	1	1	1	1
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total Management fund, Office of Environmental Quality (net)		BA	....	....	....	....	....	....	....
		O	–1	....	....	....	....	....	....
Total Federal funds Council on Environmental Quality and Office of Environmental Quality		BA	**2**	**2**	**3**	**3**	**3**	**3**	**3**
		O	1	2	3	3	3	3	3
Office of Policy Development									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	802	BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	4	4	4	4	4	4	4
National Security Council									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	802	BA	**7**	**7**	**7**	**7**	**7**	**7**	**7**
Outlays		O	6	7	7	7	7	7	7
Office of Administration									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	802	BA	**26**	**26**	**29**	**29**	**29**	**29**	**29**
Spending authority from offsetting collections		BA	**5**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	31	31	34	35	35	35	35
Salaries and expenses (gross)		BA	**31**	**32**	**35**	**35**	**35**	**35**	**35**
		O	31	31	34	35	35	35	35

EXECUTIVE OFFICE OF THE PRESIDENT—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Total, offsetting collections			–5	–6	–6	–6	–6	–6	–6
Total Salaries and expenses (net)		BA	**26**	**26**	**29**	**29**	**29**	**29**	**29**
		O	26	25	28	29	29	29	29
Armstrong Resolution									
Federal funds									
General and Special Funds:									
Armstrong resolution account:									
Outlays	802	O	3	3	3	2			
Office of Management and Budget									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	802	BA	**56**	**56**	**57**	**57**	**57**	**57**	**57**
Outlays		O	56	56	57	57	57	57	57
Office of National Drug Control Policy									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	802	BA	**25**	**36**	**36**	**36**	**36**	**36**	**36**
Outlays		O	25	43	36	36	36	36	36
Office of Science and Technology Policy									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	802	BA	**5**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	5	5	5	5	5	5	5
Office of the United States Trade Representative									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	802	BA	**21**	**21**	**22**	**22**	**22**	**22**	**22**
Outlays		O	21	21	22	22	22	22	22
Summary									
Federal funds:									
Total Executive Office of the President		BA	**203**	**212**	**230**	**230**	**230**	**230**	**230**
		O	202	222	233	232	230	230	230

FUNDS APPROPRIATED TO THE PRESIDENT

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Unanticipated Needs									
Federal funds									
General and Special Funds:									
Unanticipated needs:									
Appropriation, current	802	BA	**1**		**1**	**1**	**1**	**1**	**1**
Outlays		O			1	1	1	1	1

FUNDS APPROPRIATED TO THE PRESIDENT—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Federal Drug Control Programs									
Federal funds									
General and Special Funds:									
High intensity drug trafficking areas program:									
Appropriation, current	802	BA	**64**	**111**	**140**	**140**	**140**	**140**	**140**
Outlays		O	48	75	71	71	71	71	71
Special forfeiture fund:									
Appropriation, current	802	BA	....	**71**	**175**	**175**	**175**	**175**	**175**
Outlays		O	....	....	158	176	175	175	175
Total Federal funds Federal Drug Control Programs		BA	**64**	**182**	**315**	**315**	**315**	**315**	**315**
		O	48	75	229	247	246	246	246
International Security Assistance									
Federal funds									
General and Special Funds:									
Economic support fund:									
Appropriation, current	152	BA	**2,341**	**2,363**	**2,445**	**2,503**	**2,511**	**2,519**	**2,527**
Spending authority from offsetting collections		BA	**1**	....	....	....	....	....	....
Outlays		O	2,238	2,465	2,423	2,475	2,480	2,441	2,467
Economic support fund (gross)		BA	**2,342**	**2,363**	**2,445**	**2,503**	**2,511**	**2,519**	**2,527**
		O	2,238	2,465	2,423	2,475	2,480	2,441	2,467
Total, offsetting collections			–1	....	....	....	....	....	....
Total Economic support fund (net)		BA	**2,341**	**2,363**	**2,445**	**2,503**	**2,511**	**2,519**	**2,527**
		O	2,237	2,465	2,423	2,475	2,480	2,441	2,467
Foreign military financing program:									
Appropriation, current	152	BA	**3,292**	**3,224**	**3,274**	**3,274**	**3,274**	**3,274**	**3,274**
Outlays		O	2,946	3,160	3,453	3,446	3,399	3,323	3,274
International military education and training:									
Appropriation, current	152	BA	**39**	**43**	**50**	**50**	**50**	**50**	**50**
Outlays		O	30	35	51	47	49	50	50
Military-to-military contact program:									
Outlays	152	O	2	3	....	....	....	....	....
Peacekeeping operations:									
Appropriation, current	152	BA	**96**	**65**	**90**	**90**	**90**	**90**	**90**
Outlays		O	73	75	82	90	90	90	90
Counter-terrorism assistance to Israel:									
Appropriation, current	152	BA	**50**	....	....	....	....	....	....
Outlays		O	50	....	....	....	....	....	....
Non-proliferation, anti-terrorism, demining, and related programs:									
Appropriation, current	152	BA	....	**151**	....	....	....	....	....
Outlays		O	....	66	39	28	18	....	....
Assistance for relocation of facilities in Israel:									
Outlays	152	O	....	2	....	....	....	....	....
Assistance for relocation of facilities in Israel (gross)		O	....	2	....	....	....	....	....
Total, offsetting collections			....	–2	....	....	....	....	....
Total Assistance for relocation of facilities in Israel (net)		BA	....	**–2**	....	....	....	....	....
		O	....	....	....	....	....	....	....
Nonproliferation and Disarmament Fund:									
Appropriation, current	152	BA	**35**	....	**15**	**15**	**15**	**15**	**15**
Spending authority from offsetting collections		BA	**1**	....	....	....	....	....	....
Outlays		O	24	15	16	17	15	15	15
Nonproliferation and Disarmament Fund (gross)		BA	**36**	....	**15**	**15**	**15**	**15**	**15**
		O	24	15	16	17	15	15	15
Total, offsetting collections			–1	....	....	....	....	....	....
Total Nonproliferation and Disarmament Fund (net)		BA	**35**	....	**15**	**15**	**15**	**15**	**15**
		O	23	15	16	17	15	15	15

FUNDS APPROPRIATED TO THE PRESIDENT—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Credit Accounts:									
Foreign military financing loan program account:									
Appropriation, current	152	BA	**59**	**60**	**66**	**66**	**66**	**66**	**66**
Appropriation, permanent		BA		**24**					
Outlays		O	66	92	52	96	87	81	70
Limitation on direct loan activity			(544)	(540)	(700)	(700)	(700)	(700)	(700)
Total Foreign military financing loan program account		BA	**59**	**84**	**66**	**66**	**66**	**66**	**66**
		O	66	92	52	96	87	81	70
Foreign military loan liquidating account:									
Appropriation, permanent	152	BA	**24**	**16**	**28**	**29**	**19**	**6**	**7**
Spending authority from offsetting collections		BA	**36**	**36**	**22**	**17**	**17**	**21**	**19**
Outlays		O	70	52	50	46	36	26	25
Foreign military loan liquidating account (gross)		BA	**60**	**52**	**50**	**46**	**36**	**27**	**26**
		O	70	52	50	46	36	26	25
Total, offsetting collections			–289	–255	–241	–235	–237	–255	–253
Total Foreign military loan liquidating account (net)		BA	**–229**	**–203**	**–191**	**–189**	**–201**	**–228**	**–227**
		O	–219	–203	–191	–189	–201	–229	–228
Summary									
Federal funds:									
(As shown in detail above)		BA	**5,683**	**5,725**	**5,749**	**5,809**	**5,805**	**5,786**	**5,795**
		O	5,208	5,708	5,925	6,010	5,937	5,771	5,738
Deductions for offsetting receipts:									
Proprietary receipts from the public	152	BA/O	*–661*	*–637*	*–535*	*–364*	*–268*	*–183*	*–133*
	908	BA/O	*–245*	*–203*	*–142*	*–108*	*–88*	*–74*	*–63*
Total International Security Assistance		BA	**4,777**	**4,885**	**5,072**	**5,337**	**5,449**	**5,529**	**5,599**
		O	4,302	4,868	5,248	5,538	5,581	5,514	5,542

International Development Assistance

Multilateral Assistance

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Contribution to the International Bank for Reconstruction and Development:									
Appropriation, current	151	BA	**63**	**35**	**100**	**70**	**70**		
Outlays		O	26	54	42	44	55	61	66
Contribution to the International Development Association:									
Appropriation, current	151	BA	**700**	**700**	**1,035**	**800**			
Outlays		O	1,180	1,139	1,057	911	896	649	518
Contribution to the International Finance Corporation:									
Appropriation, current	151	BA	**61**	**7**					
Outlays		O	53	60	33	4			
Contribution to the Inter-American Development Bank:									
Appropriation, current	151	BA	**36**	**36**	**46**	**46**	**26**		
Outlays		O	121	101	72	38	37	29	22
Contribution to the Asian Development Bank:									
Appropriation, current	151	BA	**113**	**113**	**163**	**203**	**210**	**101**	
Outlays		O	116	125	126	131	157	174	190
Contribution to the African Development Fund:									
Appropriation, current	151	BA			**50**	**100**	**50**		
Outlays		O	72	63	72	77	91	96	83
Contribution to the European Bank for Reconstruction and Development:									
Appropriation, current	151	BA	**70**	**12**	**36**	**36**	**36**	**36**	**36**
Outlays		O	97	31	32	25	27	32	36
North American development bank:									
Appropriation, current	151	BA	**56**	**56**	**57**				
Outlays		O	58	56	57				
Multilateral development banks, Other:									
Appropriation, current	151	BA				**138**	**988**	**1,033**	**1,091**
Outlays		O				14	94	221	432
Bank for Economic Cooperation and Development in the Middle East and North Africa:									
Appropriation, current	151	BA			**53**				
Outlays		O			53				

FUNDS APPROPRIATED TO THE PRESIDENT—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Contribution to enterprise for the Americas multilateral investment fund:									
Appropriation, current	151	BA	**54**	**28**	**30**	**75**	**74**		
Outlays		O	30	38	45	52	52	56	49
International organizations and programs:									
Appropriation, current	151	BA	**285**	**272**	**365**	**365**	**365**	**365**	**365**
Outlays		O	302	287	342	365	365	365	365
Credit Accounts:									
Debt restructuring:									
Appropriation, current	151	BA	**10**	**27**	**34**	**22**	**22**	**22**	**22**
Appropriation, permanent		BA	**28**						
Outlays		O	28	31	41	22	22	22	22
Total Debt restructuring		BA	**38**	**27**	**34**	**22**	**22**	**22**	**22**
		O	28	31	41	22	22	22	22
Summary									
Federal funds:									
(As shown in detail above)		BA	**1,476**	**1,286**	**1,969**	**1,855**	**1,841**	**1,557**	**1,514**
		O	2,083	1,985	1,972	1,683	1,796	1,705	1,783
Deductions for offsetting receipts:									
Proprietary receipts from the public	151	BA/O	*–6*						
Total Multilateral Assistance		BA	**1,470**	**1,286**	**1,969**	**1,855**	**1,841**	**1,557**	**1,514**
		O	2,077	1,985	1,972	1,683	1,796	1,705	1,783

Agency for International Development

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Sustainable development assistance program:									
Appropriation, current	151	BA	**1,642**	**1,630**	**998**	**1,024**	**1,051**	**1,078**	**1,106**
Spending authority from offsetting collections		BA	**5**						
Outlays		O	1,360	1,293	1,310	1,055	1,023	1,047	1,068
Sustainable development assistance program (gross)		BA	**1,647**	**1,630**	**998**	**1,024**	**1,051**	**1,078**	**1,106**
		O	1,360	1,293	1,310	1,055	1,023	1,047	1,068
Total, offsetting collections			–5						
Total Sustainable development assistance program (net)		BA	**1,642**	**1,630**	**998**	**1,024**	**1,051**	**1,078**	**1,106**
		O	1,355	1,293	1,310	1,055	1,023	1,047	1,068
Assistance for Eastern Europe and the Baltic States:									
Appropriation, current	151	BA	**463**	**475**	**492**	**300**	**175**	**100**	**50**
Outlays		O	444	497	491	379	313	257	192
Assistance for the new independent States of the Former Soviet Union:									
Appropriation, current	151	BA	**518**	**576**	**900**	**850**	**800**	**750**	**675**
Outlays		O	765	696	697	701	752	767	774
Development fund for Africa:									
Appropriation, current	151	BA			**700**	**718**	**737**	**756**	**776**
Outlays		O	645	472	337	639	714	733	742
Sahel development program:									
Outlays	151	O	10	2	1				
American schools and hospitals abroad:									
Outlays	151	O	5	3	3	2			
Sub-Saharan Africa disaster assistance:									
Outlays	151	O	5	4	2				
International disaster assistance:									
Appropriation, current	151	BA	**181**	**190**	**190**	**195**	**200**	**205**	**210**
Outlays		O	146	162	178	170	186	199	203
Operating expenses of the Agency for International Development:									
Appropriation, current	151	BA	**469**	**489**	**473**	**473**	**473**	**473**	**473**
Spending authority from offsetting collections		BA	**6**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	472	520	463	472	471	477	477
Operating expenses of the Agency for International Development (gross)		BA	**475**	**495**	**479**	**479**	**479**	**479**	**479**
		O	472	520	463	472	471	477	477

FUNDS APPROPRIATED TO THE PRESIDENT—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Total, offsetting collections			–6	–6	–6	–6	–6	–6	–6
Total Operating expenses of the Agency for International Development (net)		BA	**469**	**489**	**473**	**473**	**473**	**473**	**473**
		O	466	514	457	466	465	471	471
Payment to the Foreign Service retirement and disability fund:									
Appropriation, current	153	BA	**44**	**44**	**44**	**45**	**47**	**47**	**48**
Outlays		O	44	44	44	45	47	47	48
Operating expenses of the Agency for International Development, Office of Inspector General:									
Appropriation, current	151	BA	**30**	**30**	**29**	**29**	**29**	**29**	**29**
Outlays		O	33	29	26	29	30	29	29
Public Enterprise Funds:									
Property management fund:									
Spending authority from offsetting collections	151	BA	**2**	**2**		**6**			
Outlays		O	1						
Property management fund (gross)		BA	**2**	**2**		**6**			
		O	1						
Total, offsetting collections			–2	–2		–6			
Total Property management fund (net)		BA							
		O	–1	–2		–6			
Credit Accounts:									
Assistance for the New Independent States of the Former Soviet Union: Ukraine export credit insurance program account:									
Outlays	151	O		19					
Loan guarantees to Israel program account:									
Limitation on loan guarantee committments	151		(2,000)	(2,000)					
Urban and environmental credit program account:									
Appropriation, current	151	BA	**11**	**10**	**9**	**9**	**9**	**9**	**9**
Outlays		O	20	21	17	13	8	9	9
Housing and other credit guaranty programs liquidating account:									
Appropriation, permanent	151	BA	**23**	**44**	**51**	**38**	**38**	**32**	**32**
Spending authority from offsetting collections		BA	**41**	**34**	**13**	**38**	**38**	**32**	**32**
Outlays		O	65	56	60	69	65	54	47
Housing and other credit guaranty programs liquidating account (gross)		BA	**64**	**78**	**64**	**76**	**76**	**64**	**64**
		O	65	56	60	69	65	54	47
Total, offsetting collections			–56	–59	–38	–63	–63	–49	–44
Total Housing and other credit guaranty programs liquidating account (net)		BA	**8**	**19**	**26**	**13**	**13**	**15**	**20**
		O	9	–3	22	6	2	5	3
Microenterprise and other development credit program account:									
Appropriation, current	151	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	1	2	2	2	2	2	2
Private sector revolving fund liquidating account:									
Spending authority from offsetting collections	151	BA	**3**	**2**					
Outlays		O	1						
Private sector revolving fund liquidating account (gross)		BA	**3**	**2**					
		O	1						
Total, offsetting collections			–3	–2					
Total Private sector revolving fund liquidating account (net)		BA							
		O	–2	–2					
Economic assistance loans — liquidating account:									
Spending authority from offsetting collections	151	BA	**882**	**903**	**837**	**764**	**745**	**733**	**717**
Outlays		O	3	4					
Economic assistance loans — liquidating account (gross)		BA	**882**	**903**	**837**	**764**	**745**	**733**	**717**
		O	3	4					
Total, offsetting collections			–882	–903	–837	–764	–745	–733	–717
Total Economic assistance loans — liquidating account (net)		BA							
		O	–879	–899	–837	–764	–745	–733	–717

FUNDS APPROPRIATED TO THE PRESIDENT—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Trust funds									
Foreign service national separation liability trust fund:									
Appropriation, permanent	602	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	2	1	1	1	1	1	1
Miscellaneous trust funds, AID:									
Outlays	151	O	1	1	1	....	....	....	....
Summary									
Federal funds:									
(As shown in detail above)		BA	**3,368**	**3,465**	**3,863**	**3,658**	**3,536**	**3,464**	**3,398**
		O	3,066	2,852	2,750	2,737	2,797	2,833	2,824
Deductions for offsetting receipts:									
Proprietary receipts from the public	151	BA/O	*–9*	....	....	....	....	....	....
Total Federal funds		BA	**3,359**	**3,465**	**3,863**	**3,658**	**3,536**	**3,464**	**3,398**
		O	3,057	2,852	2,750	2,737	2,797	2,833	2,824
Trust funds:									
(As shown in detail above)		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
		O	3	2	2	1	1	1	1
Interfund transactions	602	BA/O	*–2*	*–2*	*–2*	*–2*	*–2*	*–1*	*–1*
Total Agency for International Development		BA	**3,359**	**3,465**	**3,863**	**3,658**	**3,536**	**3,465**	**3,399**
		O	3,058	2,852	2,750	2,736	2,796	2,833	2,824

Overseas Private Investment Corporation

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
Public Enterprise Funds:									
Overseas Private Investment Corporation noncredit account:									
Appropriation, current	151	BA	**–16**	**–19**	**–79**	**–79**	**–79**	**–79**	**–79**
Spending authority from offsetting collections		BA	**72**	**81**	**146**	**149**	**151**	**154**	**154**
Outlays		O	34	49	59	62	54	56	56
Overseas Private Investment Corporation noncredit account (gross)		BA	**56**	**62**	**67**	**70**	**72**	**75**	**75**
		O	34	49	59	62	54	56	56
Change in orders on hand from Federal sources		BA	**–16**	....	....	....	....	....	....
Total, offsetting collections			–235	–284	–304	–320	–334	–350	–350
Total Overseas Private Investment Corporation noncredit account (net)		BA	**–195**	**–222**	**–237**	**–250**	**–262**	**–275**	**–275**
		O	–201	–235	–245	–258	–280	–294	–294
Credit Accounts:									
Overseas private investment corporation program account:									
Appropriation, current	151	BA	**88**	**91**	**79**	**79**	**79**	**79**	**79**
Outlays		O	26	85	81	93	81	81	79
Overseas Private Investment Corporation liquidating account:									
Spending authority from offsetting collections	151	BA	**40**	**33**	**25**	**18**	**15**	**10**	....
Outlays		O	8	10	10	10	5	....	....
Overseas Private Investment Corporation liquidating account (gross)		BA	**40**	**33**	**25**	**18**	**15**	**10**	....
		O	8	10	10	10	5	....	....
Total, offsetting collections			–40	–33	–25	–18	–15	–10	....
Total Overseas Private Investment Corporation liquidating account (net)		BA	....	....	....	....	....	....	....
		O	–32	–23	–15	–8	–10	–10	....
Total Federal funds Overseas Private Investment Corporation		BA	**–107**	**–131**	**–158**	**–171**	**–183**	**–196**	**–196**
		O	–207	–173	–179	–173	–209	–223	–215

Trade and Development Agency

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Trade and Development Agency:									
Appropriation, current	151	BA	**49**	**45**	**43**	**43**	**43**	**43**	**43**
Outlays		O	52	56	50	45	43	43	43

FUNDS APPROPRIATED TO THE PRESIDENT—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Peace Corps									
Federal funds									
General and Special Funds:									
Peace Corps:									
Appropriation, current	151	BA	**218**	**220**	**222**	**228**	**234**	**240**	**246**
Spending authority from offsetting collections		BA	**9**	**11**	**10**	**10**	**10**	**10**	**10**
Outlays		O	222	250	233	236	243	249	255
Peace Corps (gross)		BA	**227**	**231**	**232**	**238**	**244**	**250**	**256**
		O	222	250	233	236	243	249	255
Total, offsetting collections			–9	–11	–10	–10	–10	–10	–10
Total Peace Corps (net)		BA	**218**	**220**	**222**	**228**	**234**	**240**	**246**
		O	213	239	223	226	233	239	245
Trust funds									
Peace Corps miscellaneous trust fund:									
Appropriation, permanent	151	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
Inter-American Foundation									
Federal funds									
General and Special Funds:									
Inter-American Foundation:									
Appropriation, current	151	BA	**20**	**20**	**22**	**23**	**23**	**24**	**24**
Spending authority from offsetting collections		BA	**14**	**8**	**8**	**8**	**4**	....	....
Outlays		O	33	36	33	31	30	27	25
Inter-American Foundation (gross)		BA	**34**	**28**	**30**	**31**	**27**	**24**	**24**
		O	33	36	33	31	30	27	25
Total, offsetting collections			–14	–8	–8	–8	–4	....	....
Total Inter-American Foundation (net)		BA	**20**	**20**	**22**	**23**	**23**	**24**	**24**
		O	19	28	25	23	26	27	25
African Development Foundation									
Federal funds									
General and Special Funds:									
African Development Foundation:									
Appropriation, current	151	BA	**12**	**12**	**14**	**14**	**15**	**15**	**16**
Outlays		O	13	12	13	14	14	15	15
Total Federal funds International Development Assistance		BA	**5,021**	**4,917**	**5,975**	**5,650**	**5,509**	**5,147**	**5,045**
		O	5,224	4,999	4,854	4,555	4,700	4,639	4,720
Total Trust funds International Development Assistance		BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
		O	4	3	3	2	2	2	2
Interfund transactions	602	BA/O	*–2*	*–2*	*–2*	*–2*	*–2*	*–1*	*–1*
Total International Development Assistance		BA	**5,022**	**4,918**	**5,976**	**5,651**	**5,510**	**5,149**	**5,047**
		O	5,226	5,000	4,855	4,555	4,700	4,640	4,721
International Monetary Programs									
Federal funds									
General and Special Funds:									
United States quota, International Monetary Fund:									
Outlays	155	O	675	....	....	....	....	....	....
Loans to International Monetary Fund:									
Appropriation, current	155	BA	....	....	**3,521**	....	....	....	....
Contribution to enhanced structural adjustment facility of the International Monetary Fund:									
Appropriation, current	155	BA	....	....	**7**	**17**	**17**	**17**	**17**

FUNDS APPROPRIATED TO THE PRESIDENT—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	19	26	24	22	19	16	7
Total Federal funds International Monetary Programs		BA	....	....	**3,528**	**17**	**17**	**17**	**17**
		O	694	26	24	22	19	16	7

Military Sales Programs

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
Public Enterprise Funds:									
Special defense acquisition fund:									
Outlays	155	O	36	32	22	8	12	4	1
Special defense acquisition fund (gross)		O	36	32	22	8	12	4	1
Total, offsetting collections			–173	–166	–106	–30	....	....	....
Total Special defense acquisition fund (net)		BA	**–173**	**–166**	**–106**	**–30**	....	....	....
		O	–137	–134	–84	–22	12	4	1
Trust funds									
Foreign military sales trust fund:									
Contract authority, permanent	155	BA	**15,299**	**14,520**	**13,490**	**11,920**	**11,480**	**11,680**	**11,750**
Outlays		O	14,323	13,660	13,280	12,770	12,140	11,960	11,880

Summary

Account			1996 actual	1997	1998	1999	2000	2001	2002
Federal funds:									
(As shown in detail above)		BA	**–173**	**–166**	**–106**	**–30**	....	....	....
		O	–137	–134	–84	–22	12	4	1
Trust funds:									
(As shown in detail above)		BA	**15,299**	**14,520**	**13,490**	**11,920**	**11,480**	**11,680**	**11,750**
		O	14,323	13,660	13,280	12,770	12,140	11,960	11,880
Deductions for offsetting receipts:									
Proprietary receipts from the public	155	BA/O	*–14,747*	*–13,760*	*–13,400*	*–12,740*	*–12,060*	*–11,830*	*–11,760*
Total Trust funds		BA	**552**	**760**	**90**	**–820**	**–580**	**–150**	**–10**
		O	–424	–100	–120	30	80	130	120
Total Military Sales Programs		BA	**379**	**594**	**–16**	**–850**	**–580**	**–150**	**–10**
		O	–561	–234	–204	8	92	134	121

Special Assistance for Central America

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Demobilization and transition fund:									
Outlays	152	O	4	3	3	....	....	....	....

International Commodity Agreements

Account			1996 actual	1997	1998	1999	2000	2001	2002
Federal funds:									
Deductions for offsetting receipts:									
Proprietary receipts from the public	155	BA/O	....	....	....	....	*–75*	*–25*	....

Summary

Account			1996 actual	1997	1998	1999	2000	2001	2002
Federal funds:									
(As shown in detail above)		BA	**10,611**	**10,658**	**15,462**	**11,762**	**11,647**	**11,266**	**11,173**
		O	11,056	10,677	10,952	10,813	10,915	10,677	10,713
Deductions for offsetting receipts:									
Proprietary receipts from the public	151	BA/O	*–15*	....	.	.	.	....	....
	152	BA/O	*–661*	*–637*	*–535*	*–364*	*–268*	*–183*	*–133*
	155	BA/O	....	.	.	.	*–75*	*–25*	.
	908	BA/O	*–245*	*–203*	*–142*	*–108*	*–88*	*–74*	*–63*
Total Federal funds		BA	**9,690**	**9,818**	**14,785**	**11,290**	**11,216**	**10,984**	**10,977**
		O	10,135	9,837	10,275	10,341	10,484	10,395	10,517
Trust funds:									
(As shown in detail above)		BA	**15,302**	**14,523**	**13,493**	**11,923**	**11,483**	**11,683**	**11,753**
		O	14,327	13,663	13,283	12,772	12,142	11,962	11,882

FUNDS APPROPRIATED TO THE PRESIDENT—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Deductions for offsetting receipts:									
Proprietary receipts from the public	155	BA/O	*–14,747*	*–13,760*	*–13,400*	*–12,740*	*–12,060*	*–11,830*	*–11,760*
Total Trust funds		BA	**555**	**763**	**93**	**–817**	**–577**	**–147**	**–7**
		O	–420	–97	–117	32	82	132	122
Interfund transactions	602	BA/O	*–2*	*–2*	*–2*	*–2*	*–2*	*–1*	*–1*
Total Funds Appropriated to the President		BA	**10,243**	**10,579**	**14,876**	**10,471**	**10,637**	**10,836**	**10,969**
		O	9,713	9,738	10,156	10,371	10,564	10,526	10,638

DEPARTMENT OF AGRICULTURE

(In millions of dollars)

Office of the Secretary

Federal funds

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
General and Special Funds:									
Office of the Secretary:									
Appropriation, current	352	BA	**16**	**9**	**9**	**9**	**9**	**9**	**9**
Outlays		O	7	12	11	9	9	9	9
Fund for rural America									
(Agricultural research and services):									
(Appropriation, permanent)	352	BA	...	**45**	...	**50**	**50**	...	...
					B 50		**B –50**		
(Outlays)		O	...	1	28	23	39	32	17
					B 13	B 20		B –15	B –12
Total (Agricultural research and services)		BA	...	**45**	**50**	**50**	...	...	...
		O	...	1	41	43	39	17	5
(Mortgage credit):									
(Appropriation, permanent)	371	BA	...	**22**	...	...	...	...	...
(Outlays)		O	...	17	4	1	...	...	...
(Area and regional development):									
(Appropriation, permanent)	452	BA	...	**33**	...	**50**	**50**	...	...
					B 50		**B –50**		
(Outlays)		O	...	7	8	26	36	33	18
					B 12	B 20		B –15	B –13
Total (Area and regional development)		BA	...	**33**	**50**	**50**	...	...	...
		O	...	7	20	46	36	18	5
Total Fund for rural America		BA	...	**100**	**100**	**100**	...	...	...
		O	...	25	65	90	75	35	10
Trust funds									
Gifts and bequests:									
Appropriation, permanent	352	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
Total Federal funds Office of the Secretary		BA	**16**	**109**	**109**	**109**	**9**	**9**	**9**
		O	7	37	76	99	84	44	19
Total Trust funds Office of the Secretary		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
		O	1	1	1	1	1	1	1

Executive Operations

Federal funds

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
General and Special Funds:									
Executive operations:									
Appropriation, current	352	BA	**22**	**22**	**27**	**26**	**26**	**25**	**25**
Outlays		O	19	22	27	26	26	25	25
Chief financial officer:									
Appropriation, current	352	BA	**4**	**4**	**5**	**5**	**5**	**5**	**5**
Spending authority from offsetting collections		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Outlays		O	5	5	6	6	6	6	6
Chief financial officer (gross)		BA	**5**	**5**	**6**	**6**	**6**	**6**	**6**
		O	5	5	6	6	6	6	6
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total Chief financial officer (net)		BA	**4**	**4**	**5**	**5**	**5**	**5**	**5**
		O	4	4	5	5	5	5	5
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	352	BA	**197**	**228**	**228**	**228**	**228**	**228**	**228**
Outlays		O	211	228	228	228	228	228	228
Working capital fund (gross)		BA	**197**	**228**	**228**	**228**	**228**	**228**	**228**
		O	211	228	228	228	228	228	228
Change in orders on hand from Federal sources		BA	**–34**						
Total, offsetting collections			–163	–228	–228	–228	–228	–228	–228
Total Working capital fund (net)		BA							
		O	48						
Total Federal funds Executive Operations		BA	**26**	**26**	**32**	**31**	**31**	**30**	**30**
		O	71	26	32	31	31	30	30

Departmental Administration

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Departmental administration:									
Appropriation, current	352	BA	**28**	**31**	**30**	**30**	**30**	**30**	**30**
Spending authority from offsetting collections		BA	**13**	**14**	**13**	**13**	**13**	**13**	**13**
Outlays		O	44	44	44	43	43	43	43
Departmental administration (gross)		BA	**41**	**45**	**43**	**43**	**43**	**43**	**43**
		O	44	44	44	43	43	43	43
Change in orders on hand from Federal sources		BA	**2**	**12**					
Adjustment to orders on hand from Federal sources		BA	**–6**	**–12**					
Total, offsetting collections			–9	–14	–13	–13	–13	–13	–13
Total Departmental administration (net)		BA	**28**	**31**	**30**	**30**	**30**	**30**	**30**
		O	35	30	31	30	30	30	30
Hazardous waste management:									
Appropriation, current	304	BA	**16**	**16**	**25**	**25**	**25**	**25**	**25**
Outlays		O	15	16	22	25	25	25	25
Agriculture buildings and facilities:									
Appropriation, current	352	BA	**136**	**144**	**131**	**147**	**147**	**147**	**147**
Spending authority from offsetting collections		BA	**4**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	120	144	155	153	152	152	152
Agriculture buildings and facilities (gross)		BA	**140**	**149**	**136**	**152**	**152**	**152**	**152**
		O	120	144	155	153	152	152	152
Total, offsetting collections			–4	–5	–5	–5	–5	–5	–5
Total Agriculture buildings and facilities (net)		BA	**136**	**144**	**131**	**147**	**147**	**147**	**147**
		O	116	139	150	148	147	147	147
Advisory committees:									
Appropriation, current	352	BA	**1**						
Outlays		O	1						
Total Federal funds Departmental Administration		BA	**181**	**191**	**186**	**202**	**202**	**202**	**202**
		O	167	185	203	203	202	202	202

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Office of Communications

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Office of Communications:									
Appropriation, current	352	BA	**8**	**8**	**8**	**8**	**8**	**8**	**8**
Spending authority from offsetting collections		BA	**4**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	13	9	9	9	9	9	9
Office of Communications (gross)		BA	**12**	**9**	**9**	**9**	**9**	**9**	**9**
		O	13	9	9	9	9	9	9
Change in orders on hand from Federal sources		BA	**1**						
Adjustment to orders on hand from Federal sources		BA	**–2**						
Total, offsetting collections			–3	–1	–1	–1	–1	–1	–1
Total Office of Communications (net)		BA	**8**	**8**	**8**	**8**	**8**	**8**	**8**
		O	10	8	8	8	8	8	8

Office of the Inspector General

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Office of the Inspector General:									
Appropriation, current	352	BA	**64**	**63**	**65**	**65**	**65**	**65**	**65**
Spending authority from offsetting collections		BA	**2**	**2**	**2**	**1**	**1**	**1**	**1**
Outlays		O	64	65	67	66	66	66	66
Office of the Inspector General (gross)		BA	**66**	**65**	**67**	**66**	**66**	**66**	**66**
		O	64	65	67	66	66	66	66
Total, offsetting collections			–2	–2	–2	–1	–1	–1	–1
Total Office of the Inspector General (net)		BA	**64**	**63**	**65**	**65**	**65**	**65**	**65**
		O	62	63	65	65	65	65	65

Office of the General Counsel

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Office of the General Counsel:									
Appropriation, current	352	BA	**28**	**28**	**29**	**29**	**29**	**29**	**29**
Spending authority from offsetting collections		BA	**2**	**2**	**1**	**1**	**1**	**1**	**1**
Outlays		O	30	29	29	30	30	30	30
Office of the General Counsel (gross)		BA	**30**	**30**	**30**	**30**	**30**	**30**	**30**
		O	30	29	29	30	30	30	30
Total, offsetting collections			–2	–2	–1	–1	–1	–1	–1
Total Office of the General Counsel (net)		BA	**28**	**28**	**29**	**29**	**29**	**29**	**29**
		O	28	27	28	29	29	29	29

Economic Research Service

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Economic research service:									
Appropriation, current	352	BA	**53**	**53**	**54**	**54**	**54**	**54**	**54**
Spending authority from offsetting collections		BA	**7**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	57	57	58	58	58	58	58
Economic research service (gross)		BA	**60**	**57**	**58**	**58**	**58**	**58**	**58**
		O	57	57	58	58	58	58	58
Total, offsetting collections			–7	–4	–4	–4	–4	–4	–4
Total Economic research service (net)		BA	**53**	**53**	**54**	**54**	**54**	**54**	**54**
		O	50	53	54	54	54	54	54

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

National Agricultural Statistics Service

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
National agricultural statistics service:									
Appropriation, current	352	BA	**81**	**100**	**120**	**107**	**102**	**93**	**101**
Spending authority from offsetting collections		BA	**9**	**10**	**10**	**10**	**10**	**10**	**10**
Outlays		O	87	107	128	119	113	104	110
National agricultural statistics service (gross)		BA	**90**	**110**	**130**	**117**	**112**	**103**	**111**
		O	87	107	128	119	113	104	110
Total, offsetting collections			–9	–10	–10	–10	–10	–10	–10
Total National agricultural statistics service (net)		BA	**81**	**100**	**120**	**107**	**102**	**93**	**101**
		O	78	97	118	109	103	94	100

Agricultural Research Service

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Agricultural Research Service:									
Appropriation, current	352	BA	**710**	**717**	**727**	**733**	**745**	**757**	**768**
Spending authority from offsetting collections		BA	**37**	**42**	**42**	**42**	**42**	**42**	**42**
Outlays		O	739	757	766	773	785	797	808
Agricultural Research Service (gross)		BA	**747**	**759**	**769**	**775**	**787**	**799**	**810**
		O	739	757	766	773	785	797	808
Total, offsetting collections			–37	–42	–42	–42	–42	–42	–42
Total Agricultural Research Service (net)		BA	**710**	**717**	**727**	**733**	**745**	**757**	**768**
		O	702	715	724	731	743	755	766
Buildings and facilities:									
Appropriation, current	352	BA	**30**	**69**	**59**	**32**	**32**	**32**	**32**
Outlays		O	25	52	53	51	51	36	32
Trust funds									
Miscellaneous contributed funds:									
Appropriation, permanent	352	BA	**11**	**15**	**15**	**15**	**15**	**15**	**15**
Outlays		O	12	13	14	15	15	15	15
Total Federal funds Agricultural Research Service		BA	**740**	**786**	**786**	**765**	**777**	**789**	**800**
		O	727	767	777	782	794	791	798
Total Trust funds Agricultural Research Service		BA	**11**	**15**	**15**	**15**	**15**	**15**	**15**
		O	12	13	14	15	15	15	15

Cooperative State Research, Education, and Extension Service

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Cooperative state research activities:									
Appropriation, current	352	BA	**427**	**427**	**427**	**427**	**427**	**422**	**422**
Spending authority from offsetting collections		BA	**11**	**16**	**16**	**16**	**16**	**16**	**16**
Outlays		O	428	444	440	442	430	438	438
Cooperative state research activities (gross)		BA	**438**	**443**	**443**	**443**	**443**	**438**	**438**
		O	428	444	440	442	430	438	438
Total, offsetting collections			–11	–16	–16	–16	–16	–16	–16
Total Cooperative state research activities (net)		BA	**427**	**427**	**427**	**427**	**427**	**422**	**422**
		O	417	428	424	426	414	422	422
Buildings and facilities:									
Appropriation, current	352	BA	**58**	**62**					
Outlays		O	31	60	61	59	47	27	
Extension activities:									
Appropriation, current	352	BA	**428**	**426**	**418**	**418**	**418**	**418**	**418**
Spending authority from offsetting collections		BA	**10**	**25**	**25**	**25**	**25**	**25**	**25**

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	413	444	445	443	443	443	443
Extension activities (gross)		BA	**438**	**451**	**443**	**443**	**443**	**443**	**443**
		O	413	444	445	443	443	443	443
Total, offsetting collections			–10	–25	–25	–25	–25	–25	–25
Total Extension activities (net)		BA	**428**	**426**	**418**	**418**	**418**	**418**	**418**
		O	403	419	420	418	418	418	418
Total Federal funds Cooperative State Research, Education, and Extension Service		BA	**913**	**915**	**845**	**845**	**845**	**840**	**840**
		O	851	907	905	903	879	867	840

Animal and Plant Health Inspection Service

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	352	BA	**450**	**435**	**424**	**424**	**424**	**424**	**424**
					[J] –10	**[J] –10**	**[J] –10**	**[J] –10**	**[J] –10**
Appropriation, permanent		BA	....	**35**	**41**	**44**	**48**	**53**	**59**
Spending authority from offsetting collections		BA	**39**	**42**	**43**	**43**	**43**	**43**	**43**
					[J] 10	**[J] 10**	**[J] 10**	**[J] 10**	**[J] 10**
Outlays		O	508	485	509	510	515	520	525
Salaries and expenses (gross)		BA	**489**	**512**	**508**	**511**	**515**	**520**	**526**
		O	508	485	509	510	515	520	525
Total, offsetting collections			–39	–42	–43	–43	–43	–43	–43
					[J] –10	[J] –10	[J] –10	[J] –10	[J] –10
Total Salaries and expenses (net)		BA	**450**	**470**	**455**	**458**	**462**	**467**	**473**
		O	469	443	456	457	462	467	472
Buildings and facilities:									
Appropriation, current	352	BA	**9**	**3**	**7**	**7**	**7**	**7**	**7**
Outlays		O	12	16	18	19	7	7	7
Trust funds									
Miscellaneous trust funds:									
Appropriation, permanent	352	BA	**7**	**7**	**7**	**7**	**7**	**7**	**7**
Outlays		O	7	7	7	7	7	7	7
Total Federal funds Animal and Plant Health Inspection Service		BA	**459**	**473**	**462**	**465**	**469**	**474**	**480**
		O	481	459	474	476	469	474	479
Total Trust funds Animal and Plant Health Inspection Service		BA	**7**	**7**	**7**	**7**	**7**	**7**	**7**
		O	7	7	7	7	7	7	7

Food Safety and Inspection Service

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	554	BA	**545**	**574**	**591**	**591**	**591**	**591**	**591**
					[J] –390	**[J] –390**	**[J] –390**	**[J] –390**	**[J] –390**
Spending authority from offsetting collections		BA	**81**	**84**	**90**	**90**	**90**	**90**	**90**
					[J] 390	**[J] 390**	**[J] 390**	**[J] 390**	**[J] 390**
Outlays		O	614	656	681	681	681	681	681
Salaries and expenses (gross)		BA	**626**	**658**	**681**	**681**	**681**	**681**	**681**
		O	614	656	681	681	681	681	681
Total, offsetting collections			–81	–84	–90	–90	–90	–90	–90
					[J] –390	[J] –390	[J] –390	[J] –390	[J] –390
Total Salaries and expenses (net)		BA	**545**	**574**	**201**	**201**	**201**	**201**	**201**
		O	533	572	201	201	201	201	201
Trust funds									
Expenses and refunds, inspection and grading of farm products:									
Appropriation, permanent	352	BA	**4**	**5**	**5**	**5**	**5**	**5**	**5**

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1996 actual	1997 (estimate)	1998 (estimate)	1999 (estimate)	2000 (estimate)	2001 (estimate)	2002 (estimate)
Outlays		O	4	5	5	5	5	5	5
Grain Inspection, Packers and Stockyards Administration									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	352	BA	23	23	26	26	26	26	26
					[J] –16	[J] –19	[J] –19	[J] –19	[J] –19
Spending authority from offsetting collections		BA			[J] 19	[J] 19	[J] 19	[J] 19	[J] 19
Outlays		O	22	23	26	26	26	26	26
					[J] 3				
Salaries and expenses (gross)		BA	23	23	29	26	26	26	26
		O	22	23	29	26	26	26	26
Total, offsetting collections					[J] –19	[J] –19	[J] –19	[J] –19	[J] –19
Total Salaries and expenses (net)		BA	23	23	10	7	7	7	7
		O	22	23	10	7	7	7	7
Public Enterprise Funds:									
Inspection and weighing services:									
Spending authority from offsetting collections	352	BA	31	43	43	43	39	39	39
Outlays		O	35	43	43	43	39	39	39
Inspection and weighing services (gross)		BA	31	43	43	43	39	39	39
		O	35	43	43	43	39	39	39
Total, offsetting collections			–31	–43	–43	–43	–39	–39	–39
Total Inspection and weighing services (net)		BA	....	....	....	....	....	....	....
		O	4	....	....	....	....	....	....
Total Federal funds Grain Inspection, Packers and Stockyards Administration		BA	23	23	10	7	7	7	7
		O	26	23	10	7	7	7	7
Agricultural Marketing Service									
Federal funds									
General and Special Funds:									
Marketing services:									
Appropriation, current	352	BA	47	39	50	50	50	50	50
Spending authority from offsetting collections		BA	55	63	64	64	64	64	64
Outlays		O	96	102	108	115	114	114	114
Limitation on administrative level			(47)	(59)	(60)	(60)	(60)	(60)	(60)
Marketing services (gross)		BA	102	102	114	114	114	114	114
		O	96	102	108	115	114	114	114
Total, offsetting collections			–55	–63	–64	–64	–64	–64	–64
Total Marketing services (net)		BA	47	39	50	50	50	50	50
		O	41	39	44	51	50	50	50
Payments to States and possessions:									
Appropriation, current	352	BA	1	1	1	1	1	1	1
Outlays		O	1	1	1	1	1	1	1
Perishable Agricultural Commodities Act fund:									
Appropriation, permanent	352	BA	10	9	9	9	9	9	9
Outlays		O	10	7	7	7	9	9	9
Funds for strengthening markets, income, and supply (section 32):									
Appropriation, permanent	605	BA	588	423	461	417	417	417	417
Spending authority from offsetting collections		BA	1	1	1	1	1	1	1
					[B] 10	[B] 11	[B] 11	[B] 11	[B] 11
Outlays		O	451	468	417	418	418	418	418
Funds for strengthening markets, income, and supply (section 32) (gross)		BA	589	424	472	429	429	429	429
		O	451	468	417	418	418	418	418

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Total, offsetting collections			–1	–1	–1 [B] –10	–1 [B] –11	–1 [B] –11	–1 [B] –11	–1 [B] –11
Total Funds for strengthening markets, income, and supply (section 32) (net)		BA	**588**	**423**	**461**	**417**	**417**	**417**	**417**
		O	450	467	406	406	406	406	406
Trust funds									
Miscellaneous trust funds:									
Appropriation, permanent	352	BA	**102**	**103**	**103**	**103**	**103**	**103**	**103**
Outlays		O	106	103	103	103	103	103	103
Milk market orders assessment fund:									
Spending authority from offsetting collections	351	BA	**36**	**39**	**42**	**42**	**42**	**42**	**42**
Outlays		O	36	39	42	42	42	42	42
Milk market orders assessment fund (gross)		BA	**36**	**39**	**42**	**42**	**42**	**42**	**42**
		O	36	39	42	42	42	42	42
Total, offsetting collections			–36	–39	–42	–42	–42	–42	–42
Total Milk market orders assessment fund (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....
Total Federal funds Agricultural Marketing Service		BA	**646**	**472**	**521**	**477**	**477**	**477**	**477**
		O	502	514	458	465	466	466	466
Total Trust funds Agricultural Marketing Service		BA	**102**	**103**	**103**	**103**	**103**	**103**	**103**
		O	106	103	103	103	103	103	103

Risk Management Agency

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Administrative and operating expenses:									
Appropriation, current	351	BA	....	**64**	**271** [J] **–53**	**269** [J] **–51**	**280** [J] **–62**	**293** [J] **–75**	**306** [J] **–88**
Outlays		O	9	60	181 [J] –34	270 [J] –52	276 [J] –58	288 [J] –70	301 [J] –83
Total Administrative and operating expenses		BA	....	**64**	**218**	**218**	**218**	**218**	**218**
		O	9	60	147	218	218	218	218
Public Enterprise Funds:									
Federal crop insurance corporation fund:									
Appropriation, current	351	BA	**1,650**	**1,785**	**1,584** [B] **26**	**1,505** [B] **22**	**1,571** [B] **23**	**1,653** [B] **25**	**1,751** [B] **25**
Spending authority from offsetting collections		BA	**641**	**773**	**784** [B] **31**	**794** [B] **31**	**830** [B] **33**	**880** [B] **35**	**933** [B] **37**
Outlays		O	2,401	2,502	2,459 [B] 35	2,341 [B] 54	2,362 [B] 56	2,481 [B] 60	2,624 [B] 62
Federal crop insurance corporation fund (gross)		BA	**2,291**	**2,558**	**2,425**	**2,352**	**2,457**	**2,593**	**2,746**
		O	2,401	2,502	2,494	2,395	2,418	2,541	2,686
Total, offsetting collections			–641	–773	–784 [B] –31	–794 [B] –31	–830 [B] –33	–880 [B] –35	–933 [B] –37
Total Federal crop insurance corporation fund (net)		BA	**1,650**	**1,785**	**1,610**	**1,527**	**1,594**	**1,678**	**1,776**
		O	1,760	1,729	1,679	1,570	1,555	1,626	1,716
Total Federal funds Risk Management Agency		BA	**1,650**	**1,849**	**1,828**	**1,745**	**1,812**	**1,896**	**1,994**
		O	1,769	1,789	1,826	1,788	1,773	1,844	1,934

Farm Service Agency

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	351	BA	**795**	**746**	**743**	**661**	**587**	**551**	**541**
Spending authority from offsetting collections		BA	**298**	**296**	**296**	**296**	**296**	**296**	**296**

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	993	1,060	1,039	972	896	853	839
Salaries and expenses (gross)		BA	**1,093**	**1,042**	**1,039**	**957**	**883**	**847**	**837**
		O	993	1,060	1,039	972	896	853	839
Total, offsetting collections			–298	–296	–296	–296	–296	–296	–296
Total Salaries and expenses (net)		BA	**795**	**746**	**743**	**661**	**587**	**551**	**541**
		O	695	764	743	676	600	557	543
Conservation reserve program:									
Appropriation, current	302	BA	**1,782**						
Outlays		O	1,730	84	27				
Salaries and expenses:									
Outlays	351	O	44	8					
Agricultural conservation program:									
Appropriation, current	302	BA	**75**						
Outlays		O	101	100	29	12	11	9	
State mediation grants:									
Appropriation, current	351	BA	**2**	**2**	**4**	**4**	**4**	**4**	**4**
Outlays		O	2	2	3	4	4	4	4
Emergency conservation program:									
Appropriation, current	453	BA	**30**	**25**					
Outlays		O	25	58	7	2			
Public Enterprise Funds:									
Commodity credit corporation fund									
(Conservation and land management):									
(Authority to borrow, permanent)	302	BA	**142**	**2,121**	**2,347**	**2,204**	**2,311**	**2,313**	**2,296**
					[B] **–25**	[B] **–25**	[B] **–25**	[B] **–25**	[B] **–25**
(Outlays)		O	9	1,926	2,192	2,182	2,268	2,270	2,261
					[B] –25	[B] –25	[B] –25	[B] –25	[B] –25
Total (Conservation and land management)		BA	**142**	**2,121**	**2,322**	**2,179**	**2,286**	**2,288**	**2,271**
		O	9	1,926	2,167	2,157	2,243	2,245	2,236
(Farm income stabilization):									
(Appropriation, permanent)	351	BA	**107**						
(Authority to borrow, current)		BA			**–10**				
(Authority to borrow, permanent)		BA	**4,598**	**6,668**	**7,137**	**6,768**	**6,294**	**5,091**	**4,848**
(Spending authority from offsetting collections)		BA	**8,337**	**8,282**	**9,419**	**9,604**	**9,303**	**8,554**	**7,970**
(Outlays)		O	13,601	13,900	16,806	16,638	15,874	13,925	13,085
Commodity credit corporation fund (gross)		BA	**13,184**	**17,071**	**18,868**	**18,551**	**17,883**	**15,933**	**15,089**
		O	13,610	15,826	18,973	18,795	18,117	16,170	15,321
Total, offsetting collections			–8,337	–8,282	–9,419	–9,604	–9,303	–8,554	–7,970
Total (Farm income stabilization) (net)		BA	**4,705**	**6,668**	**7,127**	**6,768**	**6,294**	**5,091**	**4,848**
		O	5,264	5,618	7,387	7,034	6,571	5,371	5,115
Total Commodity credit corporation fund		BA	**4,847**	**8,789**	**9,449**	**8,947**	**8,580**	**7,379**	**7,119**
		O	5,273	7,544	9,554	9,191	8,814	7,616	7,351
Credit Accounts:									
Commodity Credit Corporation export loans program account:									
Appropriation, current	351	BA	**3**	**4**	**4**	**4**	**4**	**4**	**4**
Appropriation, permanent		BA	**424**		**346**	**529**	**530**	**530**	**530**
Spending authority from offsetting collections		BA	**572**						
Outlays		O	342	434	518	533	534	534	535
Commodity Credit Corporation export loans program account (gross)		BA	**999**	**4**	**350**	**533**	**534**	**534**	**534**
		O	342	434	518	533	534	534	535
Total, offsetting collections			–572						
Total Commodity Credit Corporation export loans program account (net)		BA	**427**	**4**	**350**	**533**	**534**	**534**	**534**
		O	–230	434	518	533	534	534	535
Commodity credit corporation guaranteed loans liquidating account:									
Spending authority from offsetting collections	351	BA	**441**	**214**	**172**	**285**	**327**	**328**	**347**

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	44	2					
Commodity credit corporation guaranteed loans liquidating account (gross)		BA	**441**	**214**	**172**	**285**	**327**	**328**	**347**
		O	44	2					
Total, offsetting collections			–441	–214	–172	–285	–327	–328	–347
Total Commodity credit corporation guaranteed loans liquidating account (net)		BA							
		O	–397	–212	–172	–285	–327	–328	–347
Agricultural credit insurance fund program account:									
Appropriation, current	351	BA	**422**	**384**	**318**	**318**	**318**	**318**	**318**
Appropriation, permanent		BA	**64**						
Outlays		O	473	370	321	318	318	318	318
Limitation on direct loan activity			(929)	(663)	(532)	(604)	(681)	(760)	(788)
Limitation on guarantee commitments			(1,851)	(2,547)	(2,300)	(2,277)	(2,273)	(2,269)	(2,268)
Total Agricultural credit insurance fund program account		BA	**486**	**384**	**318**	**318**	**318**	**318**	**318**
		O	473	370	321	318	318	318	318
Agricultural credit insurance fund liquidating account:									
Spending authority from offsetting collections	351	BA		**50**	**50**	**50**	**50**	**50**	**50**
Outlays		O	163	43	167	53	53	52	50
Agricultural credit insurance fund liquidating account (gross)		BA		**50**	**50**	**50**	**50**	**50**	**50**
		O	163	43	167	53	53	52	50
Total, offsetting collections			–1,301	–1,291	–1,240	–1,179	–1,123	–1,066	–1,061
Total Agricultural credit insurance fund liquidating account (net)		BA	**–1,301**	**–1,241**	**–1,190**	**–1,129**	**–1,073**	**–1,016**	**–1,011**
		O	–1,138	–1,248	–1,073	–1,126	–1,070	–1,014	–1,011
Total Federal funds Farm Service Agency		BA	**7,143**	**8,709**	**9,674**	**9,334**	**8,950**	**7,770**	**7,505**
		O	6,578	7,904	9,957	9,325	8,884	7,696	7,393

Natural Resources Conservation Service

Federal funds

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
General and Special Funds:									
Conservation operations									
(Water resources):									
(Appropriation, current)	301	BA	**14**	**12**	**76**	**76**	**76**	**76**	**76**
(Spending authority from offsetting collections)		BA	**1**	**2**	**8**	**8**	**8**	**8**	**8**
(Outlays)		O	15	15	76	83	84	84	84
Conservation operations (gross)		BA	**15**	**14**	**84**	**84**	**84**	**84**	**84**
		O	15	15	76	83	84	84	84
Total, offsetting collections			–1	–2	–8	–8	–8	–8	–8
Total (Water resources) (net)		BA	**14**	**12**	**76**	**76**	**76**	**76**	**76**
		O	14	13	68	75	76	76	76
(Conservation and land management):									
(Appropriation, current)	302	BA	**630**	**620**	**646**	**646**	**646**	**646**	**646**
(Spending authority from offsetting collections)		BA	**63**	**147**	**128**	**128**	**128**	**128**	**128**
(Outlays)		O	675	795	778	773	774	774	774
Conservation operations (gross)		BA	**707**	**779**	**850**	**850**	**850**	**850**	**850**
		O	689	808	846	848	850	850	850
Total, offsetting collections			–63	–147	–128	–128	–128	–128	–128
Total (Conservation and land management) (net)		BA	**630**	**620**	**646**	**646**	**646**	**646**	**646**
		O	612	648	650	645	646	646	646
Total Conservation operations		BA	**644**	**632**	**722**	**722**	**722**	**722**	**722**
		O	626	661	718	720	722	722	722
Watershed and flood prevention operations:									
Appropriation, current	301	BA	**181**	**164**	**40**	**40**	**40**	**40**	**40**
Spending authority from offsetting collections		BA	**17**	**30**	**24**	**24**	**24**	**24**	**24**

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	277	313	94	69	64	64	64
Watershed and flood prevention operations (gross)		BA	**198**	**194**	**64**	**64**	**64**	**64**	**64**
		O	277	313	94	69	64	64	64
Total, offsetting collections			–17	–30	–24	–24	–24	–24	–24
Total Watershed and flood prevention operations (net)		BA	**181**	**164**	**40**	**40**	**40**	**40**	**40**
		O	260	283	70	45	40	40	40
Resource conservation and development									
(Water resources):									
(Appropriation, current)	301	BA	....	....	**13**	**13**	**13**	**13**	**13**
(Outlays)		O	....	....	12	13	13	13	13
(Conservation and land management):									
(Appropriation, current)	302	BA	**29**	**29**	**35**	**35**	**35**	**35**	**35**
(Spending authority from offsetting collections)		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
(Outlays)		O	31	30	38	36	36	36	36
Resource conservation and development (gross)		BA	**30**	**30**	**49**	**49**	**49**	**49**	**49**
		O	31	30	50	49	49	49	49
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total (Conservation and land management) (net)		BA	**29**	**29**	**35**	**35**	**35**	**35**	**35**
		O	30	29	37	35	35	35	35
Total Resource conservation and development		BA	**29**	**29**	**48**	**48**	**48**	**48**	**48**
		O	30	29	49	48	48	48	48
Outreach for socially disadvantaged farmers:									
Appropriation, current	351	BA	**1**	**1**	**5**	**5**	**5**	**5**	**5**
Outlays		O	3	4	5	5	5	5	5
Great plains conservation program:									
Outlays	302	O	12	9	6	4	2	1	....
Forestry incentives program:									
Appropriation, current	302	BA	**6**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	11	10	8	5	6	6	6
Water bank program:									
Outlays	302	O	7	10	9	8	7	7	....
Colorado river basin salinity control program:									
Appropriation, current	304	BA	**3**	....	....	....	....	....	....
Outlays		O	4	6	2	....	....	....	....
Wetlands reserve program:									
Appropriation, current	302	BA	**77**	....	....	....	....	....	....
Outlays		O	109	92	17	....	....	....	....
Rural clean water program:									
Outlays	304	O	....	1	1	1	....	....	....
Trust funds									
Miscellaneous contributed funds									
(Conservation and land management):									
(Appropriation, permanent)	302	BA	**21**	....	....	....	....	....	....
(Outlays)		O	....	8	10	4	....	....	....
Total Miscellaneous contributed funds		BA	**21**	....	....	....	....	....	....
		O	....	8	10	4	....	....	....
Total Federal funds Natural Resources Conservation Service		BA	**941**	**832**	**821**	**821**	**821**	**821**	**821**
		O	1,062	1,105	885	836	830	829	821
Total Trust funds Natural Resources Conservation Service		BA	**21**	....	....	....	....	....	....
		O	....	8	10	4	....	....	....

Rural Development

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Rural community advancement program:									
Appropriation, current	452	BA	....	....	**689**	**707**	**726**	**745**	**765**
Outlays		O	....	....	680	628	644	652	689
Limitation on direct loan activity			....	....	(994)	(1,013)	(1,033)	(1,054)	(1,077)

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Limitation on loan guarantee commitments					(894)	(893)	(891)	(888)	(888)
Rural Utilities Service									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	452	BA	18	33	33	33	33	33	33
Spending authority from offsetting collections		BA	47	34	37	37	37	37	37
Outlays		O	51	66	66	68	70	70	70
Salaries and expenses (gross)		BA	65	67	70	70	70	70	70
		O	51	66	66	68	70	70	70
Total, offsetting collections			–47	–34	–37	–37	–37	–37	–37
Total Salaries and expenses (net)		BA	18	33	33	33	33	33	33
		O	4	32	29	31	33	33	33
Salaries and expenses (Rural Electrification Administration):									
Outlays	271	O	6						
Rural utilities assistance program:									
Appropriation, current	452	BA	13						
Outlays		O	13						
Distance learning and medical link program account:									
Appropriation, current	452	BA	8	9	21	21	21	21	21
Outlays		O	10	24	19	21	21	21	21
Limitation on direct loan activity				(150)	(150)	(150)	(150)	(150)	(150)
Solid waste management grants:									
Appropriation, current	304	BA	2	3					
Outlays		O	3	3					
Emergency community water assistance grants:									
Appropriation, current	451	BA	5						
Outlays		O	8	7					
Rural water and waste disposal grants:									
Appropriation, current	452	BA	391	498					
Outlays		O	423	472					
Public Enterprise Funds:									
Rural communication development fund liquidating account:									
Appropriation, permanent	452	BA	1	2	2	2	2	2	2
Spending authority from offsetting collections		BA	2	1	1	1	1	1	1
Outlays		O	3	3	3	3	3	3	3
Rural communication development fund liquidating account (gross)		BA	3	3	3	3	3	3	3
		O	3	3	3	3	3	3	3
Total, offsetting collections			–2	–1	–1	–1	–1	–1	–1
Total Rural communication development fund liquidating account (net)		BA	1	2	2	2	2	2	2
		O	1	2	2	2	2	2	2
Credit Accounts:									
Rural water and waste disposal loans program account:									
Appropriation, current	452	BA	137	67					
Appropriation, permanent		BA	96						
Outlays		O	197	117					
Limitation on direct loan activity			(608)	(745)					
Limitation on loan guarantee commitments			(75)	(75)					
Total Rural water and waste disposal loans program account		BA	233	67					
		O	197	117					
Rural electrification and telecommunications loans program account:									
Appropriation, current	271	BA	125	66	65	61	61	61	61
Appropriation, permanent		BA	10						
Outlays		O	119	137	108	87	72	67	61
Limitation on direct loan activity			(1,189)	(1,320)	(1,285)	(1,335)	(1,430)	(1,495)	(1,511)
Total Rural electrification and telecommunications loans program account		BA	135	66	65	61	61	61	61
		O	119	137	108	87	72	67	61

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Rural electrification and telecommunications liquidating account:									
Appropriation, current	271	BA			**–6**	**–6**	**–6**	**–6**	**–6**
Spending authority from offsetting collections		BA	**3,521**	**2,057**	**1,888**	**1,433**	**1,299**	**775**	**1,436**
Outlays		O	2,289	2,363	1,958	1,729	1,443	1,283	1,432
Rural electrification and telecommunications liquidating account (gross)		BA	**3,521**	**2,057**	**1,882**	**1,427**	**1,293**	**769**	**1,430**
		O	2,289	2,363	1,958	1,729	1,443	1,283	1,432
Total, offsetting collections			–3,790	–3,250	–2,658	–3,599	–2,337	–2,348	–2,299
Total Rural electrification and telecommunications liquidating account (net)		BA	**–269**	**–1,193**	**–776**	**–2,172**	**–1,044**	**–1,579**	**–869**
		O	–1,501	–887	–700	–1,870	–894	–1,065	–867
Rural telephone bank program account:									
Appropriation, current	452	BA	**9**	**6**	**7**				
Appropriation, permanent		BA	**3**						
Outlays		O	4	9	6	3	3	3	2
Limitation on direct loan activity			(175)	(176)	(175)				
Total Rural telephone bank program account		BA	**12**	**6**	**7**				
		O	4	9	6	3	3	3	2
Rural telephone bank liquidating account:									
Spending authority from offsetting collections	452	BA	**111**	**521**	**157**				
Outlays		O	154	99	66				
Rural telephone bank liquidating account (gross)		BA	**111**	**521**	**157**				
		O	154	99	66				
Total, offsetting collections			–218	–621	–228				
Total Rural telephone bank liquidating account (net)		BA	**–107**	**–100**	**–71**				
		O	–64	–522	–162				
Rural development insurance fund liquidating account:									
Appropriation, permanent	452	BA	**225**	**220**	**250**	**260**	**195**	**210**	**55**
Spending authority from offsetting collections		BA	**472**	**449**	**432**	**412**	**393**	**374**	**357**
Outlays		O	678	701	664	654	605	580	409
Rural development insurance fund liquidating account (gross)		BA	**697**	**669**	**682**	**672**	**588**	**584**	**412**
		O	678	701	664	654	605	580	409
Total, offsetting collections			–472	–449	–432	–412	–393	–374	–357
Total Rural development insurance fund liquidating account (net)		BA	**225**	**220**	**250**	**260**	**195**	**210**	**55**
		O	206	252	232	242	212	206	52
Trust funds									
Rural telephone bank equity fund:									
Appropriation, permanent	452	BA		**413**					
Outlays		O		413					
Total Federal funds Rural Utilities Service		BA	**667**	**–389**	**–469**	**–1,795**	**–732**	**–1,252**	**–697**
		O	–571	–354	–466	–1,484	–551	–733	–696
Total Trust funds Rural Utilities Service		BA		**413**					
		O		413					

Rural Housing Service

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	452	BA	**47**	**61**	**59**	**59**	**59**	**59**	**59**
Spending authority from offsetting collections		BA	**436**	**422**	**411**	**411**	**411**	**411**	**411**
Outlays		O	414	436	462	471	470	470	470
Salaries and expenses (gross)		BA	**483**	**483**	**470**	**470**	**470**	**470**	**470**
		O	414	436	462	471	470	470	470

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Total, offsetting collections			–436	–422	–411	–411	–411	–411	–411
Total Salaries and expenses (net)		BA	**47**	**61**	**59**	**59**	**59**	**59**	**59**
		O	–22	14	51	60	59	59	59
Salaries and expenses (Farmers Home Administration):									
Spending authority from offsetting collections	452	BA	**2**						
Outlays		O	74	36					
Salaries and expenses (Farmers Home Administration) (gross)		BA	**2**						
		O	74	36					
Total, offsetting collections			–2						
Total Salaries and expenses (Farmers Home Administration) (net)		BA							
		O	72	36					
Rural housing assistance grants									
(Area and regional development):									
(Appropriation, current)	452	BA		**7**					
(Outlays)		O		1					
(Housing assistance):									
(Appropriation, current)	604	BA			**71**	**71**	**71**	**71**	**71**
(Outlays)		O			75	74	76	72	71
Total Rural housing assistance grants		BA		**7**	**71**	**71**	**71**	**71**	**71**
		O		1	75	74	76	72	71
Rental assistance program:									
Appropriation, current	604	BA	**541**	**524**	**593**	**676**	**770**	**772**	**829**
Outlays		O	482	531	553	581	625	672	713
Rural housing voucher program:									
Outlays	604	O	1	1	1	1	1		
Rural housing for domestic farm labor grants:									
Appropriation, current	604	BA	**10**	**6**					
Outlays		O	20	20					
Mutual and self-help housing grants:									
Appropriation, current	604	BA	**13**	**26**					
Outlays		O	15	17					
Supervisory and technical assistance grants:									
Outlays	604	O	1	3					
Very low income housing repair grants:									
Appropriation, current	604	BA	**26**	**16**					
Outlays		O	25	19					
Rural community fire protection grants:									
Appropriation, current	452	BA	**2**	**1**	**2**	**2**	**2**	**2**	**2**
Outlays		O	3	2	2	2	2	2	2
Rural housing preservation grants:									
Appropriation, current	604	BA	**11**	**7**					
Outlays		O	21	16					
Credit Accounts:									
Rural community facility loans program account:									
Appropriation, current	452	BA	**47**	**12**					
Appropriation, permanent		BA	**10**						
Outlays		O	37	23					
Limitation on direct loan activity			(208)	(137)					
Limitation on guarantee commitments			(75)	(74)					
Total Rural community facility loans program account		BA	**57**	**12**					
		O	37	23					
Rural housing insurance fund program account:									
Appropriation, current	371	BA	**646**	**557**	**580**	**580**	**580**	**580**	**580**
Appropriation, permanent		BA	**54**						
Outlays		O	725	626	609	584	579	579	578
Limitation on direct loan activity			(1,260)	(852)	(1,200) [J] (21)	(1,498) [J] (25)	(1,846) [J] (28)	(2,181) [J] (29)	(2,287) [J] (29)

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Limitation on guarantee commitments			(1,713)	(2,713)	(3,000) J (100)	(3,000) J (50)	(2,760) J (40)	(2,556) J (33)	(2,464) J (33)
Total Rural housing insurance fund program account		BA	**700**	**557**	**580**	**580**	**580**	**580**	**580**
		O	725	626	609	584	579	579	578
Rural housing insurance fund liquidating account:									
Appropriation, permanent	371	BA	**3,006**	**2,349**	**1,498**	**1,000**	**320**	....	....
Spending authority from offsetting collections		BA	....	....	....	....	**450**	**1,324**	**1,588**
Outlays		O	2,683	2,303	1,557	1,092	771	572	527
Rural housing insurance fund liquidating account (gross)		BA	**3,006**	**2,349**	**1,498**	**1,000**	**770**	**1,324**	**1,588**
		O	2,683	2,303	1,557	1,092	771	572	527
Total, offsetting collections			–2,621	–2,425	–2,288	–2,165	–2,035	–1,909	–1,788
Total Rural housing insurance fund liquidating account (net)		BA	**385**	**–76**	**–790**	**–1,165**	**–1,265**	**–585**	**–200**
		O	62	–122	–731	–1,073	–1,264	–1,337	–1,261
Total Federal funds Rural Housing Service		BA	**1,792**	**1,141**	**515**	**223**	**217**	**899**	**1,341**
		O	1,442	1,187	560	229	78	47	162

Rural Business — Cooperative Service

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	452	BA	**9**	**25**	**27**	**27**	**27**	**27**	**27**
Spending authority from offsetting collections		BA	**20**	**1**	**4**	**4**	**4**	**4**	**4**
Outlays		O	20	25	29	30	31	31	31
Salaries and expenses (gross)		BA	**29**	**26**	**31**	**31**	**31**	**31**	**31**
		O	20	25	29	30	31	31	31
Total, offsetting collections			–20	–1	–4	–4	–4	–4	–4
Total Salaries and expenses (net)		BA	**9**	**25**	**27**	**27**	**27**	**27**	**27**
		O	....	24	25	26	27	27	27
Salaries and expenses (Rural Development Administration):									
Outlays	452	O	10	4	3	....	....	....	....
Rural cooperative development grants:									
Appropriation, current	452	BA	**2**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	2	3	3	3	3	3	3
Local technical assistance and planning grants:									
Appropriation, current	452	BA	....	**1**	....	....	....	....	....
Rural business enterprise grants:									
Appropriation, current	452	BA	**45**	**41**	....	....	....	....	....
Outlays		O	37	45	....	....	....	....	....
Rural economic development grants:									
Spending authority from offsetting collections	452	BA	**45**	**2**	**8**	**8**	**8**	**8**	**8**
Outlays		O	....	2	8	8	8	8	8
Rural economic development grants (gross)		BA	**45**	**2**	**8**	**8**	**8**	**8**	**8**
		O	....	2	8	8	8	8	8
Total, offsetting collections			–45	–2	–8	–8	–8	–8	–8
Total Rural economic development grants (net)		BA	....	....	....	....	....	....	....
		O	–45	....	....	....	....	....	....
Public Enterprise Funds:									
Alternative agricultural research and commercialization corporation revolving fund:									
Appropriation, current	352	BA	**6**	**7**	**10**	**10**	**10**	**10**	**10**
Outlays		O	9	8	8	9	10	10	10
National sheep industry improvement center revolving fund:									
Appropriation, permanent	452	BA	**20**	....	....	....	....	....	....
Credit Accounts:									
Rural business and industry loans program account:									
Appropriation, current	452	BA	**21**	**6**	....	....	....	....	....
Outlays		O	20	6	....	....	....	....	....

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Limitation on direct loan activity			....	(50)	....	....	....	....	....
Limitation on guarantee commitments			(638)	(688)	....	....	....	....	....
Rural development loan fund program account:									
Appropriation, current	452	BA	**24**	**17**	**20**	**20**	**20**	**20**	**20**
Appropriation, permanent		BA	**2**	....	....	....	....	....	....
Outlays		O	35	37	28	21	17	20	20
Limitation on direct loan activity			(38)	(37)	(35)	(35)	(35)	(35)	(35)
Total Rural development loan fund program account		BA	**26**	**17**	**20**	**20**	**20**	**20**	**20**
		O	35	37	28	21	17	20	20
Rural development loan fund liquidating account:									
Outlays	452	O	5	3	1	....	....	....	....
Rural development loan fund liquidating account (gross)		O	5	3	1	....	....	....	....
Total, offsetting collections			–6	–4	–4	–4	–4	–4	–4
Total Rural development loan fund liquidating account (net)		BA	**–6**	**–4**	**–4**	**–4**	**–4**	**–4**	**–4**
		O	–1	–1	–3	–4	–4	–4	–4
Rural economic development loans program account:									
Appropriation, current	452	BA	**4**	**3**	**6**	**6**	**6**	**6**	**6**
Appropriation, permanent		BA	**1**	....	....	....	....	....	....
Outlays		O	4	4	3	5	6	6	6
Limitation on direct loan activity			(9)	(12)	(25)	(25)	(25)	(25)	(25)
Total Rural economic development loans program account		BA	**5**	**3**	**6**	**6**	**6**	**6**	**6**
		O	4	4	3	5	6	6	6
Rural economic development loans liquidating account:									
Spending authority from offsetting collections	271	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	–1	–2	–2	–2	....	....	....
Rural economic development loans liquidating account (gross)		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
		O	–1	–2	–2	–2	....	....	....
Total, offsetting collections			–2	–2	–2	–2	–2	–2	–2
Total Rural economic development loans liquidating account (net)		BA	....	....	....	....	....	....	....
		O	–3	–4	–4	–4	–2	–2	–2
Total Federal funds Rural Business — Cooperative Service		BA	**128**	**99**	**62**	**62**	**62**	**62**	**62**
		O	68	126	63	56	57	60	60

Foreign Agricultural Service

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Foreign agricultural service and general sales manager:									
Appropriation, current	352	BA	**120**	**131**	**147**	**137**	**137**	**137**	**137**
Advance appropriation		BA	....	....	....	**3**	....	....	....
Spending authority from offsetting collections		BA	**59**	**59**	**39**	**39**	**39**	**39**	**39**
Outlays		O	158	180	179	178	179	176	176
Foreign agricultural service and general sales manager (gross)		BA	**179**	**190**	**186**	**179**	**176**	**176**	**176**
		O	158	180	179	178	179	176	176
Total, offsetting collections			–59	–59	–39	–39	–39	–39	–39
Total Foreign agricultural service and general sales manager (net)		BA	**120**	**131**	**147**	**140**	**137**	**137**	**137**
		O	99	121	140	139	140	137	137
Scientific activities overseas (foreign currency program):									
Outlays	352	O	1	1	1	1	1	1	1
P.L. 480 Grants — Titles I (OFD), II, and III:									
Appropriation, current	151	BA	**836**	**881**	**877**	**900**	**923**	**946**	**971**
				H **–4**					

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	798	1,096	881	892	913	936	960
				[H] –2	[H] –1				
Total P.L. 480 Grants — Titles I (OFD), II, and III		BA	836	877	877	900	923	946	971
		O	798	1,094	880	892	913	936	960
Credit Accounts:									
P.L. 480 program account:									
Appropriation, current	351	BA	238	188	90	90	90	90	90
				[H] –46					
Outlays		O	286	188	135	96	90	90	90
				[H] –26	[H] –17	[H] –3			
Limitation on direct loan activity			(291)	(227)	(113)	(113)	(113)	(113)	(113)
Total P.L. 480 program account		BA	238	142	90	90	90	90	90
		O	286	162	118	93	90	90	90
Expenses, Public Law 480, foreign assistance programs, Agriculture liquidating account:									
Spending authority from offsetting collections	151	BA	....	5	37	22	....	....	....
Expenses, Public Law 480, foreign assistance programs, Agriculture liquidating account (gross)		BA	....	5	37	22	....	....	....
Total, offsetting collections			–572	–545	–520	–487	–485	–483	–478
Trust funds									
Miscellaneous contributed funds:									
Appropriation, permanent	352	BA	1	1	1	1	1	1	1
Outlays		O	1	1	1	1	1	1	1
Total Federal funds Foreign Agricultural Service		BA	622	610	631	665	665	690	720
		O	612	833	619	638	659	681	710
Total Trust funds Foreign Agricultural Service		BA	1	1	1	1	1	1	1
		O	1	1	1	1	1	1	1

Food and Consumer Service

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Food program administration:									
Appropriation, current	605	BA	108	106	106	106	106	106	106
Spending authority from offsetting collections		BA	1	1	1	1	1	1	1
Outlays		O	108	107	107	107	107	107	107
Food program administration (gross)		BA	109	107	107	107	107	107	107
		O	108	107	107	107	107	107	107
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total Food program administration (net)		BA	108	106	106	106	106	106	106
		O	107	106	106	106	106	106	106
The Center for Nutrition Policy and Promotion:									
Appropriation, current	605	BA	....	....	2	2	2	2	2
Spending authority from offsetting collections		BA	3	2	....	....	....	....	....
Outlays		O	3	2	2	2	2	2	2
The Center for Nutrition Policy and Promotion (gross)		BA	3	2	2	2	2	2	2
		O	3	2	2	2	2	2	2
Total, offsetting collections			–3	–2	....	....	....	....	....
Total The Center for Nutrition Policy and Promotion (net)		BA	....	....	2	2	2	2	2
		O	....	....	2	2	2	2	2
Food stamp program:									
Appropriation, current	605	BA	27,661	27,618	27,551	22,143	22,729	23,431	24,115
				[B] 365	[B] 845	[B] 635	[B] 600	[B] 405	[B] 835
Advance appropriation		BA	....	....	....	6,600	6,800	7,000	7,200
Spending authority from offsetting collections		BA	30	85	85	85	95	95	95

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	25,452	24,585	25,129	26,243	27,123	28,025	28,908
				[A] –6					
				[B] 362	[B] 836	[B] 659	[B] 600	[B] 405	[B] 835
Food stamp program (gross)		BA	27,691	28,068	28,481	29,463	30,224	30,931	32,245
		O	25,452	24,941	25,965	26,902	27,723	28,430	29,743
Total, offsetting collections			–30	–85	–85	–85	–95	–95	–95
Total Food stamp program (net)		BA	27,661	27,983	28,396	29,378	30,129	30,836	32,150
		O	25,422	24,856	25,880	26,817	27,628	28,335	29,648
Child nutrition programs:									
Appropriation, current	605	BA	2,348	3,219	2,632	3,770	4,225	4,694	5,205
				[A] 6					
Appropriation, permanent		BA	5,618	5,440	5,157	5,157	5,157	5,157	5,157
Outlays		O	7,875	8,258	8,500	8,869	9,319	9,785	10,290
				[A] 6					
Total Child nutrition programs		BA	7,966	8,665	7,789	8,927	9,382	9,851	10,362
		O	7,875	8,264	8,500	8,869	9,319	9,785	10,290
Special supplemental nutrition program for women, infants, and children (WIC):									
Appropriation, current	605	BA	3,694	3,730	4,108	4,140	4,248	4,358	4,472
				[A] 100					
Spending authority from offsetting collections		BA	1	....	....	....	....	....	....
Outlays		O	3,679	3,769	3,988	4,130	4,240	4,350	4,464
				[A] 91	[A] 9				
Special supplemental nutrition program for women, infants, and children (WIC) (gross)		BA	3,695	3,830	4,108	4,140	4,248	4,358	4,472
		O	3,679	3,860	3,997	4,130	4,240	4,350	4,464
Total, offsetting collections			–1	....	....	....	....	....	....
Total Special supplemental nutrition program for women, infants, and children (WIC) (net)		BA	3,694	3,830	4,108	4,140	4,248	4,358	4,472
		O	3,678	3,860	3,997	4,130	4,240	4,350	4,464
Commodity assistance program:									
Appropriation, current	605	BA	317	307	272	262	252	242	242
Outlays		O	301	342	276	263	253	243	242
Total Federal funds Food and Consumer Service		BA	39,746	40,891	40,673	42,815	44,119	45,395	47,334
		O	37,383	37,428	38,761	40,187	41,548	42,821	44,752

Forest Service

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
National forest system:									
Appropriation, current	302	BA	1,283	1,275	1,325	1,367	1,411	1,456	1,503
Appropriation, permanent		BA	1	16	15	19	20	20	21
Spending authority from offsetting collections		BA	99	95	85	92	92	92	92
Outlays		O	1,387	1,413	1,444	1,472	1,517	1,562	1,610
National forest system (gross)		BA	1,383	1,386	1,425	1,478	1,523	1,568	1,616
		O	1,387	1,413	1,444	1,472	1,517	1,562	1,610
Total, offsetting collections			–99	–95	–85	–92	–92	–92	–92
Total National forest system (net)		BA	1,284	1,291	1,340	1,386	1,431	1,476	1,524
		O	1,288	1,318	1,359	1,380	1,425	1,470	1,518
Reconstruction and construction:									
Appropriation, current	302	BA	226	175	146	146	146	146	146
Spending authority from offsetting collections		BA	7	7	7	5	5	5	5
Outlays		O	211	166	164	155	151	151	151
Reconstruction and construction (gross)		BA	233	182	153	151	151	151	151
		O	211	166	164	155	151	151	151

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Total, offsetting collections			–7	–7	–7	–5	–5	–5	–5
Total Reconstruction and construction (net)		BA	**226**	**175**	**146**	**146**	**146**	**146**	**146**
		O	204	159	157	150	146	146	146
Forest and rangeland research:									
Appropriation, current	302	BA	**178**	**180**	**180**	**180**	**180**	**180**	**180**
Spending authority from offsetting collections		BA	**15**	**15**	**15**	**15**	**15**	**15**	**15**
Outlays		O	198	195	207	195	195	195	195
Forest and rangeland research (gross)		BA	**193**	**195**	**195**	**195**	**195**	**195**	**195**
		O	198	195	207	195	195	195	195
Total, offsetting collections			–15	–15	–15	–15	–15	–15	–15
Total Forest and rangeland research (net)		BA	**178**	**180**	**180**	**180**	**180**	**180**	**180**
		O	183	180	192	180	180	180	180
State and private forestry:									
Appropriation, current	302	BA	**158**	**155**	**156**	**156**	**156**	**156**	**156**
Spending authority from offsetting collections		BA	**1**	**1**	**1**	**2**	**2**	**2**	**2**
Outlays		O	160	171	157	158	158	158	158
State and private forestry (gross)		BA	**159**	**156**	**157**	**158**	**158**	**158**	**158**
		O	160	171	157	158	158	158	158
Total, offsetting collections			–1	–1	–1	–2	–2	–2	–2
Total State and private forestry (net)		BA	**158**	**155**	**156**	**156**	**156**	**156**	**156**
		O	159	170	156	156	156	156	156
Wildland fire management:									
Appropriation, current	302	BA	**485**	**751**	**514**	**514**	**514**	**514**	**514**
Spending authority from offsetting collections		BA	**27**	**27**	**27**	**7**	**7**	**7**	**7**
Outlays		O	493	784	535	522	522	522	522
Wildland fire management (gross)		BA	**512**	**778**	**541**	**521**	**521**	**521**	**521**
		O	493	784	535	522	522	522	522
Total, offsetting collections			–27	–27	–27	–7	–7	–7	–7
Total Wildland fire management (net)		BA	**485**	**751**	**514**	**514**	**514**	**514**	**514**
		O	466	757	508	515	515	515	515
Payments to states northern spotted owl guarantee, Forest Service:									
Appropriation, permanent	806	BA	....	**130**	**125**	**125**	**125**	**125**	**125**
Outlays		O	....	130	125	125	125	125	125
Southeast alaska economic disaster fund:									
Appropriation, current	451	BA	**110**	....	....	....	....	....	....
Outlays		O	23	47	20	20	....	....	....
Range betterment fund:									
Appropriation, current	302	BA	**4**	**3**	**3**	**3**	**3**	**3**	**4**
Outlays		O	5	3	3	3	3	3	4
Land acquisition accounts									
(Conservation and land management):									
(Appropriation, current)	302	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
(Outlays)		O	26	13	4	1	1	1	1
(Recreational resources):									
(Appropriation, current)	303	BA	**40**	**41**	**41**	**41**	**41**	**41**	**41**
(Outlays)		O	24	35	41	41	41	41	41
Total Land acquisition accounts		BA	**41**	**42**	**42**	**42**	**42**	**42**	**42**
		O	50	48	45	42	42	42	42
Forest Service permanent appropriations									
(Conservation and land management):									
(Appropriation, permanent)	302	BA	**252**	**284**	**283**	**267**	**267**	**267**	**267**
(Outlays)		O	277	320	264	247	247	247	247
(Recreational resources):									
(Appropriation, permanent)	303	BA	**1**	**4**	**1** [B] **16**	**1** [B] **16**	**1** [B] **16**	**1** [B] **16**	**1** [B] **16**

DEPARTMENT OF AGRICULTURE—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
(Outlays)		O	1	4	1 [B] 16	1 [B] 16	1 [B] 16	1 [B] 16	1 [B] 16
Total (Recreational resources)		BA	**1**	**4**	**17**	**17**	**17**	**17**	**17**
		O	1	4	17	17	17	17	17
(General purpose fiscal assistance):									
(Appropriation, permanent)	806	BA	**284**	**127**	**127**	**56**	**61**	**66**	**66**
(Outlays)		O	277	127	127	56	61	66	66
Total Forest Service permanent appropriations		BA	**537**	**415**	**427**	**340**	**345**	**350**	**350**
		O	555	451	408	320	325	330	330
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	302	BA	**213**	**142**	**134**	**134**	**134**	**134**	**134**
Outlays		O	228	142	134	134	134	134	134
Working capital fund (gross)		BA	**213**	**142**	**134**	**134**	**134**	**134**	**134**
		O	228	142	134	134	134	134	134
Total, offsetting collections			–213	–142	–134	–134	–134	–134	–134
Total Working capital fund (net)		BA							
		O	15						
	Trust funds								
Forest service trust funds:									
Appropriation, permanent	302	BA	**231**	**226**	**234**	**197**	**193**	**191**	**191**
Outlays		O	468	245	247	240	236	234	234
Total Federal funds Forest Service		BA	**3,023**	**3,142**	**2,933**	**2,892**	**2,942**	**2,992**	**3,041**
		O	2,948	3,263	2,973	2,891	2,917	2,967	3,016
Total Trust funds Forest Service		BA	**231**	**226**	**234**	**197**	**193**	**191**	**191**
		O	468	245	247	240	236	234	234

Summary

Account			1996 actual	1997	1998	1999	2000	2001	2002
Federal funds:									
(As shown in detail above)		BA	**59,495**	**60,705**	**60,785**	**60,834**	**62,858**	**63,296**	**66,189**
		O	54,884	57,019	59,267	58,526	60,231	60,196	62,139
Deductions for offsetting receipts:									
Intrafund transactions	352	BA/O	*–5*	*–5*	*–6*	*–6*	*–6*	*–6*	*–6*
Proprietary receipts from the public	271	BA/O	*–1*						
	302	BA/O	*–538*	*–516*	*–509*	*–524*	*–514*	*–514*	*–513*
	303	BA/O	*–6*	*–8*	*–21*	*–21*	*–5* *–16*	*–5* *–16*	*–5* *–16*
	351	BA/O	*–114*						
	371	BA/O	*–41*						
	452	BA/O	*–2*						
Total Federal funds		BA	**58,788**	**60,176**	**60,249**	**60,283**	**62,317**	**62,755**	**65,649**
		O	54,177	56,490	58,731	57,975	59,690	59,655	61,599
Trust funds:									
(As shown in detail above)		BA	**378**	**771**	**366**	**329**	**325**	**323**	**323**
		O	599	796	388	376	368	366	366
Deductions for offsetting receipts:									
Proprietary receipts from the public	302	BA/O	*–201*	*–196*	*–204*	*–206*	*–197*	*–193*	*–190*
	352	BA/O	*–148*	*–136*	*–136*	*–136*	*–136*	*–136*	*–136*
Total Trust funds		BA	**29**	**439**	**26**	**–13**	**–8**	**–6**	**–3**
		O	250	464	48	34	35	37	40
Interfund transactions	452	BA/O	*–83*						
Total Department of Agriculture		BA	**58,734**	**60,615**	**60,275**	**60,270**	**62,309**	**62,749**	**65,646**
		O	54,344	56,954	58,779	58,009	59,725	59,692	61,639

DEPARTMENT OF COMMERCE

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
General Administration									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	376	BA	**32**	**28**	**30**	**30**	**30**	**30**	**30**
Spending authority from offsetting collections		BA	**42**	**48**	**48**	**48**	**48**	**48**	**48**
Outlays		O	74	80	78	78	78	78	78
Salaries and expenses (gross)		BA	**74**	**76**	**78**	**78**	**78**	**78**	**78**
		O	74	80	78	78	78	78	78
Total, offsetting collections			–42	–48	–48	–48	–48	–48	–48
Total Salaries and expenses (net)		BA	**32**	**28**	**30**	**30**	**30**	**30**	**30**
		O	32	32	30	30	30	30	30
Office of the Inspector General:									
Appropriation, current	376	BA	**20**	**21**	**22**	**22**	**22**	**22**	**22**
Spending authority from offsetting collections		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	21	22	23	23	23	23	23
Office of the Inspector General (gross)		BA	**21**	**22**	**23**	**23**	**23**	**23**	**23**
		O	21	22	23	23	23	23	23
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total Office of the Inspector General (net)		BA	**20**	**21**	**22**	**22**	**22**	**22**	**22**
		O	20	21	22	22	22	22	22
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	376	BA	**72**	**76**	**79**	**86**	**95**	**95**	**95**
Outlays		O	69	76	79	86	95	95	95
Working capital fund (gross)		BA	**72**	**76**	**79**	**86**	**95**	**95**	**95**
		O	69	76	79	86	95	95	95
Adjustment to orders on hand from Federal sources		BA	**–9**						
Total, offsetting collections			–63	–76	–79	–86	–95	–95	–95
Total Working capital fund (net)		BA							
		O	6						
Franchise fund:									
Spending authority from offsetting collections	376	BA		**23**	**23**	**23**	**23**	**23**	**23**
Outlays		O		23	23	23	23	23	23
Franchise fund (gross)		BA		**23**	**23**	**23**	**23**	**23**	**23**
		O		23	23	23	23	23	23
Total, offsetting collections				–23	–23	–23	–23	–23	–23
Total Franchise fund (net)		BA							
		O							
Total Federal funds General Administration		BA	**52**	**49**	**52**	**52**	**52**	**52**	**52**
		O	58	53	52	52	52	52	52
Economic Development Administration									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	452	BA	**27**	**20**	**24**	**24**	**24**	**24**	**24**
Spending authority from offsetting collections		BA	**5**	**2**	**1**	**1**	**1**	**1**	**1**
Outlays		O	27	26	25	25	25	25	25
Salaries and expenses (gross)		BA	**32**	**22**	**25**	**25**	**25**	**25**	**25**
		O	27	26	25	25	25	25	25

DEPARTMENT OF COMMERCE—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Total, offsetting collections			–5	–2	–1	–1	–1	–1	–1
Total Salaries and expenses (net)		BA	**27**	**20**	**24**	**24**	**24**	**24**	**24**
		O	22	24	24	24	24	24	24
Economic development assistance programs:									
Appropriation, current	452	BA	**345**	**354**	**319**	**314**	**213**	**209**	**208**
Spending authority from offsetting collections		BA	**20**	....	....	....	....	....	....
Outlays		O	413	442	386	381	342	297	266
Economic development assistance programs (gross)		BA	**365**	**354**	**319**	**314**	**213**	**209**	**208**
		O	413	442	386	381	342	297	266
Total, offsetting collections			–20	....	....	....	....	....	....
Total Economic development assistance programs (net)		BA	**345**	**354**	**319**	**314**	**213**	**209**	**208**
		O	393	442	386	381	342	297	266
Credit Accounts:									
Economic development revolving fund liquidating account:									
Appropriation, current	452	BA	**–21**	**–1**	....	....	....	....	....
Spending authority from offsetting collections		BA	**12**	**19**	**7**	**7**	**5**	**5**	**5**
Outlays		O	8	6	6	4	3	2	2
Economic development revolving fund liquidating account (gross)		BA	**–9**	**18**	**7**	**7**	**5**	**5**	**5**
		O	8	6	6	4	3	2	2
Total, offsetting collections			–12	–19	–7	–7	–5	–5	–5
Total Economic development revolving fund liquidating account (net)		BA	**–21**	**–1**	....	....	....	....	....
		O	–4	–13	–1	–3	–2	–3	–3
Total Federal funds Economic Development Administration		BA	**351**	**373**	**343**	**338**	**237**	**233**	**232**
		O	411	453	409	402	364	318	287

Bureau of the Census

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	376	BA	**134**	**135**	**138**	**138**	**138**	**138**	**138**
Appropriation, permanent		BA	**10**	**10**	**10**	**10**	**10**	**10**	**10**
Spending authority from offsetting collections		BA	**166**	**188**	**185**	**185**	**185**	**185**	**185**
Outlays		O	270	327	331	333	333	333	333
Salaries and expenses (gross)		BA	**310**	**333**	**333**	**333**	**333**	**333**	**333**
		O	270	327	331	333	333	333	333
Total, offsetting collections			–166	–188	–185	–185	–185	–185	–185
Total Salaries and expenses (net)		BA	**144**	**145**	**148**	**148**	**148**	**148**	**148**
		O	104	139	146	148	148	148	148
Periodic censuses and programs:									
Appropriation, current	376	BA	**150**	**211**	**523**	**964**	**2,430**	**337**	**262**
Outlays		O	157	197	457	873	2,511	388	257
Intragovernmental Funds:									
Census working capital fund:									
Spending authority from offsetting collections	376	BA	....	**299**	**360**	**360**	**360**	**360**	**360**
Outlays		O	....	299	360	360	360	360	360
Census working capital fund (gross)		BA	....	**299**	**360**	**360**	**360**	**360**	**360**
		O	....	299	360	360	360	360	360
Total, offsetting collections			....	–299	–360	–360	–360	–360	–360
Total Census working capital fund (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....
Total Federal funds Bureau of the Census		BA	**294**	**356**	**671**	**1,112**	**2,578**	**485**	**410**
		O	261	336	603	1,021	2,659	536	405

DEPARTMENT OF COMMERCE—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Economic and Statistical Analysis									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	376	BA	**46**	**46**	**52**	**52**	**52**	**52**	**52**
Spending authority from offsetting collections		BA	**1**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	48	48	54	54	54	54	54
Salaries and expenses (gross)		BA	**47**	**48**	**54**	**54**	**54**	**54**	**54**
		O	48	48	54	54	54	54	54
Total, offsetting collections			–1	–2	–2	–2	–2	–2	–2
Total Salaries and expenses (net)		BA	**46**	**46**	**52**	**52**	**52**	**52**	**52**
		O	47	46	52	52	52	52	52
Public Enterprise Funds:									
Economics and statistics administration revolving fund:									
Spending authority from offsetting collections	376	BA	**3**	**4**	**3**	**3**	**3**	**3**	**3**
Outlays		O	1	5	3	3	3	3	3
Economics and statistics administration revolving fund (gross)		BA	**3**	**4**	**3**	**3**	**3**	**3**	**3**
		O	1	5	3	3	3	3	3
Total, offsetting collections			–3	–4	–3	–3	–3	–3	–3
Total Economics and statistics administration revolving fund (net)		BA	....	....	....	....	....	....	....
		O	–2	1	....	....	....	....	....
Total Federal funds Economic and Statistical Analysis		BA	**46**	**46**	**52**	**52**	**52**	**52**	**52**
		O	45	47	52	52	52	52	52
Promotion of Industry and Commerce									
International Trade Administration									
Federal funds									
General and Special Funds:									
Operations and administration:									
Appropriation, current	376	BA	**267**	**270**	**272**	**272**	**272**	**272**	**272**
Spending authority from offsetting collections		BA	**14**	**26**	**26**	**26**	**26**	**26**	**26**
Outlays		O	260	287	293	300	298	298	298
Operations and administration (gross)		BA	**281**	**296**	**298**	**298**	**298**	**298**	**298**
		O	260	287	293	300	298	298	298
Total, offsetting collections			–14	–26	–26	–26	–26	–26	–26
Total Operations and administration (net)		BA	**267**	**270**	**272**	**272**	**272**	**272**	**272**
		O	246	261	267	274	272	272	272
Export Administration									
Federal funds									
General and Special Funds:									
Operations and administration:									
Appropriation, current	376	BA	**39**	**40**	**43**	**43**	**43**	**43**	**43**
Spending authority from offsetting collections		BA	**2**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	43	45	46	46	46	46	46
Operations and administration (gross)		BA	**41**	**43**	**46**	**46**	**46**	**46**	**46**
		O	43	45	46	46	46	46	46
Total, offsetting collections			–2	–3	–3	–3	–3	–3	–3
Total Operations and administration (net)		BA	**39**	**40**	**43**	**43**	**43**	**43**	**43**
		O	41	42	43	43	43	43	43

DEPARTMENT OF COMMERCE—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Minority Business Development Agency									
Federal funds									
General and Special Funds:									
Minority business development:									
Appropriation, current	376	BA	**32**	**28**	**28**	**28**	**28**	**28**	**28**
Outlays		O	36	36	31	28	28	28	28
United States Travel and Tourism Administration									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	376	BA	**10**						
Outlays		O	11	6					
Total Federal funds Promotion of Industry and Commerce		BA	**348**	**338**	**343**	**343**	**343**	**343**	**343**
		O	334	345	341	345	343	343	343
Science and Technology									
National Oceanic and Atmospheric Administration									
Federal funds									
General and Special Funds:									
Operations, research, and facilities:									
Appropriation, current	306	BA	**1,923**	**1,963**	**1,536**	**1,519**	**1,565**	**1,572**	**1,619**
Appropriation, permanent		BA	**3**	**6**	**5**	**5**	**5**	**6**	**6**
Spending authority from offsetting collections		BA	**276**	**319**	**319**	**315**	**315**	**315**	**315**
Outlays		O	2,275	2,242	2,177	1,984	1,937	1,846	1,920
Operations, research, and facilities (gross)		BA	**2,202**	**2,288**	**1,860**	**1,839**	**1,885**	**1,893**	**1,940**
		O	2,275	2,242	2,177	1,984	1,937	1,846	1,920
Change in orders on hand from Federal sources		BA	**–22**						
Total, offsetting collections			–254	–319	–319	–315	–315	–315	–315
Total Operations, research, and facilities (net)		BA	**1,926**	**1,969**	**1,541**	**1,524**	**1,570**	**1,578**	**1,625**
		O	2,021	1,923	1,858	1,669	1,622	1,531	1,605
Capital assets acquisition:									
Appropriation, current	306	BA			**503**				
Advance appropriation		BA				**724**	**551**	**480**	**375**
Outlays		O			176	429	547	536	473
Total Capital assets acquisition		BA			**503**	**724**	**551**	**480**	**375**
		O			176	429	547	536	473
Promote and develop fishery products and research pertaining to American fisheries:									
Appropriation, current	376	BA	**–63**	**–66**	**–62**	**–62**	**–62**	**–62**	**–62**
Appropriation, permanent		BA	**73**	**66**	**66**	**66**	**66**	**66**	**66**
Outlays		O	6	13	7	5	4	4	4
Total Promote and develop fishery products and research pertaining to American fisheries		BA	**10**		**4**	**4**	**4**	**4**	**4**
		O	6	13	7	5	4	4	4
Fishermen's contingency fund:									
Appropriation, current	376	BA		**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	2	2	1	1	1	1	1
Public Enterprise Funds:									
Coastal zone management fund:									
Spending authority from offsetting collections	306	BA	**7**	**8**	**8**	**8**	**8**	**8**	**8**
Outlays		O	6	13	8	8	8	8	8
Coastal zone management fund (gross)		BA	**7**	**8**	**8**	**8**	**8**	**8**	**8**
		O	6	13	8	8	8	8	8

DEPARTMENT OF COMMERCE—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Total, offsetting collections			–5	–4	–5	–8	–8	–8	–8
Total Coastal zone management fund (net)		BA	2	4	3	....	....	....	....
		O	1	9	3	....	....	....	....
Damage assessment and restoration revolving fund:									
Appropriation, permanent	304	BA	–3	–2	–2	–2	–2	–2	–2
Spending authority from offsetting collections		BA	2	2	2	2	2	2	2
Outlays		O	....	13	....	....	....	....	....
Damage assessment and restoration revolving fund (gross)		BA	–1	....	....	....	....	....	....
		O	....	13	....	....	....	....	....
Total, offsetting collections			–2	–2	–2	–2	–2	–2	–2
Total Damage assessment and restoration revolving fund (net)		BA	–3	–2	–2	–2	–2	–2	–2
		O	–2	11	–2	–2	–2	–2	–2
Credit Accounts:									
Fisheries finance, program account:									
Outlays	376	O	....	1	....	....	....	....	....
Federal ship financing fund, fishing vessels liquidating account:									
Appropriation, permanent	376	BA	22	....	....	....	....	....	....
Spending authority from offsetting collections		BA	6	....	....	....	....	....	....
Outlays		O	23	16	....	....	....	....	....
Federal ship financing fund, fishing vessels liquidating account (gross)		BA	28	....	....	....	....	....	....
		O	23	16	....	....	....	....	....
Total, offsetting collections			–6	....	....	....	....	....	....
Total Federal ship financing fund, fishing vessels liquidating account (net)		BA	22	....	....	....	....	....	....
		O	17	16	....	....	....	....	....
Total Federal funds National Oceanic and Atmospheric Administration		BA	1,957	1,972	2,050	2,251	2,124	2,061	2,003
		O	2,045	1,975	2,043	2,102	2,172	2,070	2,081

Patent and Trademark Office

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	376	BA	82	61	27	....	....	....	....
Spending authority from offsetting collections		BA	549	602	629	701	762	839	900
Outlays		O	581	569	608	689	730	790	854
Salaries and expenses (gross)		BA	631	663	656	701	762	839	900
		O	581	569	608	689	730	790	854
Total, offsetting collections			–549	–602	–629	–701	–762	–839	–900
Total Salaries and expenses (net)		BA	82	61	27	....	....	....	....
		O	32	–33	–21	–12	–32	–49	–46

Technology Administration

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	376	BA	8	10	9	9	9	9	9
Spending authority from offsetting collections		BA	7	5	5	5	5	5	5
Outlays		O	9	20	14	14	14	14	14
Salaries and expenses (gross)		BA	15	15	14	14	14	14	14
		O	9	20	14	14	14	14	14
Total, offsetting collections			–7	–5	–5	–5	–5	–5	–5
Total Salaries and expenses (net)		BA	8	10	9	9	9	9	9
		O	2	15	9	9	9	9	9

DEPARTMENT OF COMMERCE—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
National Technical Information Service									
Federal funds									
Public Enterprise Funds:									
NTIS revolving fund:									
Spending authority from offsetting collections	376	BA	**42**	**80**	**85**	**90**	**95**	**100**	**105**
Outlays		O	42	82	85	90	95	100	105
NTIS revolving fund (gross)		BA	**42**	**80**	**85**	**90**	**95**	**100**	**105**
		O	42	82	85	90	95	100	105
Total, offsetting collections			–42	–80	–85	–90	–95	–100	–105
Total NTIS revolving fund (net)		BA	....	....	....	....	....	....	....
		O	....	2	....	....	....	....	....
National Institute of Standards and Technology									
Federal funds									
General and Special Funds:									
Scientific and technical research and services:									
Appropriation, current	376	BA	**258**	**268**	**276**	**279**	**284**	**288**	**294**
Outlays		O	247	279	278	279	283	287	293
Industrial technology services:									
Appropriation, current	376	BA	**301**	**320**	**399**	**437**	**448**	**516**	**596**
Outlays		O	241	316	332	367	405	438	477
Construction of research facilities:									
Appropriation, current	376	BA	**–15**	**–16**	**17**	**17**	**17**	**18**	**18**
Outlays		O	27	30	30	28	24	22	19
Intragovernmental Funds:									
Working capital fund:									
Appropriation, current	376	BA	**1**	....	**1**	**2**	**2**	**2**	**2**
Spending authority from offsetting collections		BA	**101**	**115**	**104**	**104**	**104**	**104**	**104**
Outlays		O	160	156	118	106	106	106	106
Working capital fund (gross)		BA	**102**	**115**	**105**	**106**	**106**	**106**	**106**
		O	160	156	118	106	106	106	106
Total, offsetting collections			–101	–115	–104	–104	–104	–104	–104
Total Working capital fund (net)		BA	**1**	....	**1**	**2**	**2**	**2**	**2**
		O	59	41	14	2	2	2	2
Total Federal funds National Institute of Standards and Technology		BA	**545**	**572**	**693**	**735**	**751**	**824**	**910**
		O	574	666	654	676	714	749	791
National Telecommunications and Information Administration									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	376	BA	**19**	**16**	**18**	**18**	**18**	**18**	**18**
Spending authority from offsetting collections		BA	**7**	**14**	**16**	**16**	**16**	**16**	**16**
Outlays		O	25	39	33	34	34	34	34
Salaries and expenses (gross)		BA	**26**	**30**	**34**	**34**	**34**	**34**	**34**
		O	25	39	33	34	34	34	34
Adjustment to orders on hand from Federal sources		BA	**–1**	....	....	....	....	....	....
Total, offsetting collections			–6	–14	–16	–16	–16	–16	–16
Total Salaries and expenses (net)		BA	**19**	**16**	**18**	**18**	**18**	**18**	**18**
		O	19	25	17	18	18	18	18
Public broadcasting facilities, planning and construction:									
Appropriation, current	503	BA	**16**	**15**	....	....	....	....	....
Outlays		O	25	25	19	9	4	....	....
Information infrastructure grants:									
Appropriation, current	503	BA	**22**	**21**	**36**	**36**	**39**	**39**	**41**

DEPARTMENT OF COMMERCE—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Outlays		O	24	31	28	32	34	38	39
Total Federal funds National Telecommunications and Information Administration		BA	**57**	**52**	**54**	**54**	**57**	**57**	**59**
		O	68	81	64	59	56	56	57
Total Federal funds Science and Technology		BA	**2,649**	**2,667**	**2,833**	**3,049**	**2,941**	**2,951**	**2,981**
		O	2,721	2,706	2,749	2,834	2,919	2,835	2,892
Summary									
Federal funds:									
(As shown in detail above)		BA	**3,740**	**3,829**	**4,294**	**4,946**	**6,203**	**4,116**	**4,070**
		O	3,830	3,940	4,206	4,706	6,389	4,136	4,031
Deductions for offsetting receipts:									
Proprietary receipts from the public	306	BA/O	*–17*	*–17*	*–7*	*–21*	*–21*	*–21*	*–21*
	376	BA/O	*–111*	*–115*	*–119*				
						–119	*–119*	*–119*	*–119*
Total Department of Commerce		BA	**3,612**	**3,697**	**4,168**	**4,806**	**6,063**	**3,976**	**3,930**
		O	3,702	3,808	4,080	4,566	6,249	3,996	3,891

DEPARTMENT OF DEFENSE—MILITARY

(In millions of dollars)

Military Personnel

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Military personnel, Army:									
Appropriation, current	051	BA	**20,335**	**20,648**	**20,529**		**71,410**	**73,256**	**75,257**
Advance appropriation		BA				**20,963**			
Spending authority from offsetting collections		BA	**162**	**207**	**207**	**214**	**775**	**775**	**775**
Outlays		O	19,424	20,799	20,803	21,113	74,640	71,060	75,544
Military personnel, Army (gross)		BA	**20,497**	**20,855**	**20,736**	**21,177**	**72,185**	**74,031**	**76,032**
		O	19,424	20,799	20,803	21,113	74,640	71,060	75,544
Change in orders on hand from Federal sources		BA	**–23**						
Adjustment to orders on hand from Federal sources		BA	**–2**						
Total, offsetting collections			–137	–207	–207	–214	–775	–775	–775
Total Military personnel, Army (net)		BA	**20,335**	**20,648**	**20,529**	**20,963**	**71,410**	**73,256**	**75,257**
		O	19,287	20,592	20,596	20,899	73,865	70,285	74,769
Military personnel, Navy:									
Appropriation, current	051	BA	**17,099**	**16,971**	**16,510**				
Advance appropriation		BA				**16,388**			
Spending authority from offsetting collections		BA	**250**	**274**	**265**	**256**			
Outlays		O	16,814	17,219	16,761	16,617			
Military personnel, Navy (gross)		BA	**17,349**	**17,245**	**16,775**	**16,644**			
		O	16,814	17,219	16,761	16,617			
Change in orders on hand from Federal sources		BA	**–84**						
Adjustment to orders on hand from Federal sources		BA	**1**						
Total, offsetting collections			–167	–274	–265	–256			
Total Military personnel, Navy (net)		BA	**17,099**	**16,971**	**16,510**	**16,388**			
		O	16,647	16,945	16,496	16,361			
Military personnel, Marine Corps:									
Appropriation, current	051	BA	**5,779**	**6,062**	**6,152**				
Advance appropriation		BA				**6,330**			
Spending authority from offsetting collections		BA	**19**	**29**	**30**	**31**			

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	5,581	6,126	6,160	6,342			
Military personnel, Marine Corps (gross)		BA	**5,798**	**6,091**	**6,182**	**6,361**			
		O	5,581	6,126	6,160	6,342			
Change in orders on hand from Federal sources		BA	**–6**						
Total, offsetting collections			–13	–29	–30	–31			
Total Military personnel, Marine Corps (net)		BA	**5,779**	**6,062**	**6,152**	**6,330**			
		O	5,568	6,097	6,130	6,311			
Military personnel, Air Force:									
Appropriation, current	051	BA	**17,206**	**17,053**	**17,167**				
Advance appropriation		BA				**17,184**			
Spending authority from offsetting collections		BA	**192**	**243**	**237**	**236**			
Outlays		O	16,572	17,409	17,382	17,384			
Military personnel, Air Force (gross)		BA	**17,398**	**17,296**	**17,404**	**17,420**			
		O	16,572	17,409	17,382	17,384			
Change in orders on hand from Federal sources		BA	**21**						
Adjustment to orders on hand from Federal sources		BA	**19**						
Total, offsetting collections			–231	–243	–237	–236			
Total Military personnel, Air Force (net)		BA	**17,207**	**17,053**	**17,167**	**17,184**			
		O	16,341	17,166	17,145	17,148			
Reserve personnel, Army:									
Appropriation, current	051	BA	**2,129**	**2,072**	**2,024**				
				H **–20**					
Advance appropriation		BA				**2,064**			
Spending authority from offsetting collections		BA	**2**	**3**	**3**	**3**			
Outlays		O	1,957	2,129	2,003	2,051			
				H –18	*H* –1				
Reserve personnel, Army (gross)		BA	**2,131**	**2,055**	**2,027**	**2,067**			
		O	1,957	2,111	2,002	2,051			
Change in orders on hand from Federal sources		BA	**7**						
Adjustment to orders on hand from Federal sources		BA	**–8**						
Total, offsetting collections			–1	–3	–3	–3			
Total Reserve personnel, Army (net)		BA	**2,129**	**2,052**	**2,024**	**2,064**			
		O	1,956	2,108	1,999	2,048			
Reserve personnel, Navy:									
Appropriation, current	051	BA	**1,385**	**1,404**	**1,375**				
Advance appropriation		BA				**1,398**			
Spending authority from offsetting collections		BA	**3**	**6**	**1**	**1**			
Outlays		O	1,272	1,432	1,346	1,366			
Reserve personnel, Navy (gross)		BA	**1,388**	**1,410**	**1,376**	**1,399**			
		O	1,272	1,432	1,346	1,366			
Total, offsetting collections			–3	–6	–1	–1			
Total Reserve personnel, Navy (net)		BA	**1,385**	**1,404**	**1,375**	**1,398**			
		O	1,269	1,426	1,345	1,365			
Reserve personnel, Marine Corps:									
Appropriation, current	051	BA	**386**	**388**	**381**				
Advance appropriation		BA				**391**			
Outlays		O	365	388	374	383			
Reserve personnel, Marine Corps (gross)		BA	**386**	**388**	**381**	**391**			
		O	365	388	374	383			
Change in orders on hand from Federal sources		BA	**–1**						
Adjustment to orders on hand from Federal sources		BA	**1**						
Total Reserve personnel, Marine Corps (net)		BA	**386**	**388**	**381**	**391**			
		O	365	388	374	383			

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Reserve personnel, Air Force:									
Appropriation, current	051	BA	**790**	**783**	**815**	.....	.....	.....	.....
Advance appropriation		BA	.....	.....	.....	**852**	.....	.....	.....
Spending authority from offsetting collections		BA	**1**	**1**	**1**	**1**	.....	.....	.....
Outlays		O	746	769	797	835	.....	.....	.....
Reserve personnel, Air Force (gross)		BA	**791**	**784**	**816**	**853**	.....	.....	.....
		O	746	769	797	835	.....	.....	.....
Total, offsetting collections			–1	–1	–1	–1	.....	.....	.....
Total Reserve personnel, Air Force (net)		BA	**790**	**783**	**815**	**852**	.....	.....	.....
		O	745	768	796	834	.....	.....	.....
National Guard personnel, Army:									
Appropriation, current	051	BA	**3,353**	**3,263**	**3,201**	.....	.....	.....	.....
Advance appropriation		BA	.....	.....	.....	**3,184**	.....	.....	.....
Spending authority from offsetting collections		BA	**8**	**8**	**8**	**8**	.....	.....	.....
Outlays		O	3,200	3,277	3,164	3,165	.....	.....	.....
National Guard personnel, Army (gross)		BA	**3,361**	**3,271**	**3,209**	**3,192**	.....	.....	.....
		O	3,200	3,277	3,164	3,165	.....	.....	.....
Change in orders on hand from Federal sources		BA	**–4**	.....	.....	.....	.....	.....	.....
Total, offsetting collections			–4	–8	–8	–8	.....	.....	.....
Total National Guard personnel, Army (net)		BA	**3,353**	**3,263**	**3,201**	**3,184**	.....	.....	.....
		O	3,196	3,269	3,156	3,157	.....	.....	.....
National Guard personnel, Air Force:									
Appropriation, current	051	BA	**1,313**	**1,295**	**1,320**	.....	.....	.....	.....
Advance appropriation		BA	.....	.....	.....	**1,344**	.....	.....	.....
Spending authority from offsetting collections		BA	**8**	**22**	**25**	**26**	.....	.....	.....
Outlays		O	1,305	1,316	1,334	1,359	.....	.....	.....
National Guard personnel, Air Force (gross)		BA	**1,321**	**1,317**	**1,345**	**1,370**	.....	.....	.....
		O	1,305	1,316	1,334	1,359	.....	.....	.....
Change in orders on hand from Federal sources		BA	**2**	.....	.....	.....	.....	.....	.....
Total, offsetting collections			–10	–22	–25	–26	.....	.....	.....
Total National Guard personnel, Air Force (net)		BA	**1,313**	**1,295**	**1,320**	**1,344**	.....	.....	.....
		O	1,295	1,294	1,309	1,333	.....	.....	.....
Total Federal funds Military Personnel		BA	**69,776**	**69,919**	**69,474**	**70,098**	**71,410**	**73,256**	**75,257**
		O	66,669	70,053	69,346	69,839	73,865	70,285	74,769

Operation and Maintenance

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Operation and maintenance, Army:									
Appropriation, current	051	BA	**20,278**	**17,450**	**17,215**	.....	**92,137**	**93,895**	**91,918**
Appropriation, permanent		BA	.....	.....	.....	.....	**29**	**29**	**29**
Advance appropriation		BA	.....	.....	.....	**16,891**	.....	.....	.....
Spending authority from offsetting collections		BA	**5,873**	**5,717**	**5,455**	**5,374**	**19,270**	**19,270**	**19,270**
Outlays		O	24,839	23,933	22,656	22,489	110,823	112,360	111,182
Operation and maintenance, Army (gross)		BA	**26,151**	**23,167**	**22,670**	**22,265**	**111,436**	**113,194**	**111,217**
		O	24,839	23,933	22,656	22,489	110,823	112,360	111,182
Change in orders on hand from Federal sources		BA	**–71**	.....	.....	.....	.....	.....	.....
Adjustment to orders on hand from Federal sources		BA	**–73**	.....	.....	.....	.....	.....	.....
Total, offsetting collections			–5,729	–5,717	–5,455	–5,374	–19,270	–19,270	–19,270
Total Operation and maintenance, Army (net)		BA	**20,278**	**17,450**	**17,215**	**16,891**	**92,166**	**93,924**	**91,947**
		O	19,110	18,216	17,201	17,115	91,553	93,090	91,912
Operation and maintenance, Navy:									
Appropriation, current	051	BA	**21,668**	**20,520**	**21,581**	.....	.....	.....	.....
Advance appropriation		BA	.....	.....	.....	**21,518**	.....	.....	.....
Spending authority from offsetting collections		BA	**3,630**	**3,712**	**3,712**	**3,712**	.....	.....	.....

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	23,018	24,357	25,117	25,116			
Operation and maintenance, Navy (gross)		BA	**25,298**	**24,232**	**25,293**	**25,230**			
		O	23,018	24,357	25,117	25,116			
Change in orders on hand from Federal sources		BA	**306**						
Adjustment to orders on hand from Federal sources		BA	**–167**						
Total, offsetting collections			–3,769	–3,712	–3,712	–3,712			
Total Operation and maintenance, Navy (net)		BA	**21,668**	**20,520**	**21,581**	**21,518**			
		O	19,249	20,645	21,405	21,404			
Operation and maintenance, Marine Corps:									
Appropriation, current	051	BA	**2,491**	**2,294**	**2,305**				
Advance appropriation		BA				**2,404**			
Spending authority from offsetting collections		BA	**476**	**412**	**412**	**412**			
Outlays		O	2,624	2,838	2,698	2,763			
Operation and maintenance, Marine Corps (gross)		BA	**2,967**	**2,706**	**2,717**	**2,816**			
		O	2,624	2,838	2,698	2,763			
Change in orders on hand from Federal sources		BA	**–57**						
Adjustment to orders on hand from Federal sources		BA	**–10**						
Total, offsetting collections			–409	–412	–412	–412			
Total Operation and maintenance, Marine Corps (net)		BA	**2,491**	**2,294**	**2,305**	**2,404**			
		O	2,215	2,426	2,286	2,351			
Operation and maintenance, Air Force:									
Appropriation, current	051	BA	**19,228**	**17,084**	**18,911**				
Advance appropriation		BA				**18,628**			
Spending authority from offsetting collections		BA	**2,838**	**2,853**	**2,852**	**2,891**			
Outlays		O	21,725	20,423	21,202	21,362			
Operation and maintenance, Air Force (gross)		BA	**22,066**	**19,937**	**21,763**	**21,519**			
		O	21,725	20,423	21,202	21,362			
Change in orders on hand from Federal sources		BA	**–166**						
Adjustment to orders on hand from Federal sources		BA	**–22**						
Total, offsetting collections			–2,651	–2,853	–2,852	–2,891			
Total Operation and maintenance, Air Force (net)		BA	**19,227**	**17,084**	**18,911**	**18,628**			
		O	19,074	17,570	18,350	18,471			
Operation and maintenance, Defense-wide:									
Appropriation, current	051	BA	**10,267**	**10,080**	**10,404**				
				H **–10**					
Advance appropriation		BA				**10,543**			
Spending authority from offsetting collections		BA	**634**	**819**	**817**	**817**			
Outlays		O	10,549	11,034	11,138	11,316			
				H –7	H –2				
Operation and maintenance, Defense-wide (gross)		BA	**10,901**	**10,889**	**11,221**	**11,360**			
		O	10,549	11,027	11,136	11,316			
Change in orders on hand from Federal sources		BA	**310**						
Adjustment to orders on hand from Federal sources		BA	**–313**						
Total, offsetting collections			–631	–819	–817	–817			
Total Operation and maintenance, Defense-wide (net)		BA	**10,267**	**10,070**	**10,404**	**10,543**			
		O	9,918	10,208	10,319	10,499			
Office of the Inspector General:									
Appropriation, current	051	BA	**139**	**139**	**138**				
Advance appropriation		BA				**135**			
Outlays		O	136	133	132	132			
Total Office of the Inspector General		BA	**139**	**139**	**138**	**135**			
		O	136	133	132	132			
Operation and maintenance, Army Reserve:									
Appropriation, current	051	BA	**1,118**	**1,118**	**1,193**				
Advance appropriation		BA				**1,210**			
Spending authority from offsetting collections		BA	**28**	**49**	**54**	**55**			

DEPARTMENT OF DEFENSE—MILITARY—Continued
(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	1,111	1,205	1,205	1,239	....	....	....
Operation and maintenance, Army Reserve (gross)		BA	**1,146**	**1,167**	**1,247**	**1,265**	....	....	....
		O	1,111	1,205	1,205	1,239	....	....	....
Adjustment to orders on hand from Federal sources		BA	**–1**	....	....	....	....	....	....
Total, offsetting collections			–28	–49	–54	–55	....	....	....
Total Operation and maintenance, Army Reserve (net)		BA	**1,117**	**1,118**	**1,193**	**1,210**	....	....	....
		O	1,083	1,156	1,151	1,184	....	....	....
Operation and maintenance, Navy Reserve:									
Appropriation, current	051	BA	**840**	**885**	**835**	....	....	....	....
Advance appropriation		BA	....	....	....	**858**	....	....	....
Spending authority from offsetting collections		BA	**32**	**20**	**20**	**20**	....	....	....
Outlays		O	826	877	847	849	....	....	....
Operation and maintenance, Navy Reserve (gross)		BA	**872**	**905**	**855**	**878**	....	....	....
		O	826	877	847	849	....	....	....
Change in orders on hand from Federal sources		BA	**–1**	....	....	....	....	....	....
Total, offsetting collections			–31	–20	–20	–20	....	....	....
Total Operation and maintenance, Navy Reserve (net)		BA	**840**	**885**	**835**	**858**	....	....	....
		O	795	857	827	829	....	....	....
Operation and maintenance, Marine Corps Reserve:									
Appropriation, current	051	BA	**103**	**109**	**110**	....	....	....	....
Advance appropriation		BA	....	....	....	**115**	....	....	....
Spending authority from offsetting collections		BA	**10**	**2**	**2**	**2**	....	....	....
Outlays		O	95	114	113	116	....	....	....
Operation and maintenance, Marine Corps Reserve (gross)		BA	**113**	**111**	**112**	**117**	....	....	....
		O	95	114	113	116	....	....	....
Change in orders on hand from Federal sources		BA	**–4**	....	....	....	....	....	....
Adjustment to orders on hand from Federal sources		BA	**1**	....	....	....	....	....	....
Total, offsetting collections			–7	–2	–2	–2	....	....	....
Total Operation and maintenance, Marine Corps Reserve (net)		BA	**103**	**109**	**110**	**115**	....	....	....
		O	88	112	111	114	....	....	....
Operation and maintenance, Air Force Reserve:									
Appropriation, current	051	BA	**1,517**	**1,495**	**1,624**	....	....	....	....
Advance appropriation		BA	....	....	....	**1,631**	....	....	....
Spending authority from offsetting collections		BA	**66**	**27**	**28**	**28**	....	....	....
Outlays		O	1,533	1,509	1,605	1,629	....	....	....
Operation and maintenance, Air Force Reserve (gross)		BA	**1,583**	**1,522**	**1,652**	**1,659**	....	....	....
		O	1,533	1,509	1,605	1,629	....	....	....
Change in orders on hand from Federal sources		BA	**–31**	....	....	....	....	....	....
Adjustment to orders on hand from Federal sources		BA	**–3**	....	....	....	....	....	....
Total, offsetting collections			–33	–27	–28	–28	....	....	....
Total Operation and maintenance, Air Force Reserve (net)		BA	**1,516**	**1,495**	**1,624**	**1,631**	....	....	....
		O	1,500	1,482	1,577	1,601	....	....	....
Operation and maintenance, Army National Guard:									
Appropriation, current	051	BA	**2,448**	**2,252**	**2,259**	....	....	....	....
Advance appropriation		BA	....	....	....	**2,367**	....	....	....
Spending authority from offsetting collections		BA	**153**	**150**	**150**	**150**	....	....	....
Outlays		O	2,413	2,456	2,395	2,451	....	....	....
Operation and maintenance, Army National Guard (gross)		BA	**2,601**	**2,402**	**2,409**	**2,517**	....	....	....
		O	2,413	2,456	2,395	2,451	....	....	....
Change in orders on hand from Federal sources		BA	**1**	....	....	....	....	....	....
Adjustment to orders on hand from Federal sources		BA	**–10**	....	....	....	....	....	....
Total, offsetting collections			–144	–150	–150	–150	....	....	....
Total Operation and maintenance, Army National Guard (net)		BA	**2,448**	**2,252**	**2,259**	**2,367**	....	....	....
		O	2,269	2,306	2,245	2,301	....	....	....

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Operation and maintenance, Air National Guard:									
Appropriation, current	051	BA	2,774	2,713	2,991	....	....	....	....
Advance appropriation		BA	....	....	....	2,982	....	....	....
Spending authority from offsetting collections		BA	155	108	107	109	....	....	....
Outlays		O	2,874	2,838	3,008	3,043	....	....	....
Operation and maintenance, Air National Guard (gross)		BA	2,929	2,821	3,098	3,091	....	....	....
		O	2,874	2,838	3,008	3,043	....	....	....
Change in orders on hand from Federal sources		BA	2	....	....	....	....	....	....
Total, offsetting collections			–158	–108	–107	–109	....	....	....
Total Operation and maintenance, Air National Guard (net)		BA	2,773	2,713	2,991	2,982	....	....	....
		O	2,716	2,730	2,901	2,934	....	....	....
Quality of Life Enhancements, Defense:									
Appropriation, current	051	BA	....	599	....	....	....	....	....
Outlays		O	....	96	300	120	....	....	....
Overseas contingency operations transfer account:									
Appropriation, current	051	BA	....	1,139	1,468	....	....	....	....
				[A]2,006					
Outlays		O	....	849	1,320	330	....	....	....
				[A]1,495	[A]399	[A]66			
Total Overseas contingency operations transfer account		BA	....	3,145	1,468	....	....	....	....
		O	....	2,344	1,719	396	....	....	....
OPLAN 34A–35 P.O.W. Payments:									
Appropriation, current	051	BA		[A]20					
Outlays		O		[A]5	[A]5	[A]5			
United States Courts of Appeals for the armed forces:									
Appropriation, current	051	BA	7	6	7	....	....	....	....
Advance appropriation		BA	....	....	....	7	....	....	....
Outlays		O	5	7	7	7	....	....	....
Total United States Courts of Appeals for the armed forces		BA	7	6	7	7	....	....	....
		O	5	7	7	7	....	....	....
Drug interdiction and counter-drug activities, Defense:									
Appropriation, current	051	BA	....	807	653	....	....	....	....
Advance appropriation		BA	....	....	....	652	....	....	....
Outlays		O	....	278	574	608	....	....	....
Total Drug interdiction and counter-drug activities, Defense		BA	....	807	653	652	....	....	....
		O	....	278	574	608	....	....	....
Support for international sporting competitions, Defense:									
Appropriation, current	051	BA	27	....	....	....	....	....	....
Reappropriation		BA	....	12	....	....	....	....	....
Outlays		O	17	5	3	1	....	....	....
Total Support for international sporting competitions, Defense		BA	27	12	....	....	....	....	....
		O	17	5	3	1	....	....	....
Foreign currency fluctuations, Defense:									
Reappropriation	051	BA	46	....	....	....	....	....	....
Real property maintenance, Defense:									
Outlays	051	O	102	44	34	....	....	....	....
Disaster relief:									
Appropriation, current	051	BA	–11	....	....	....	....	....	....
Outlays		O	2	1	....	....	....	....	....
Defense health program:									
Appropriation, current	051	BA	10,180	10,212	10,041	....	....	....	....
Advance appropriation		BA	....	....	....	9,743	....	....	....
Spending authority from offsetting collections		BA	4,408	5,700	5,700	5,700	....	....	....
Outlays		O	14,328	16,205	15,614	15,473	....	....	....
Defense health program (gross)		BA	14,588	15,912	15,741	15,443	....	....	....
		O	14,328	16,205	15,614	15,473	....	....	....
Change in orders on hand from Federal sources		BA	14	....	....	....	....	....	....
Adjustment to orders on hand from Federal sources		BA	45	....	....	....	....	....	....

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Total, offsetting collections			–4,467	–5,700	–5,700	–5,700	....	....	....
Total Defense health program (net)		BA	**10,180**	**10,212**	**10,041**	**9,743**	....	....	....
		O	9,861	10,505	9,914	9,773	....	....	....
Environmental restoration, Defense:									
Appropriation, current	051	BA	**1**	**1,313**	**1,264**	....	....	....	....
Advance appropriation		BA	....	....	....	**1,288**	....	....	....
Outlays		O	....	290	869	1,141	....	....	....
Total Environmental restoration, Defense		BA	**1**	**1,313**	**1,264**	**1,288**	....	....	....
		O	....	290	869	1,141	....	....	....
Overseas humanitarian, disaster and civil aid:									
Appropriation, current	051	BA	**45**	**49**	**80**	....	....	....	....
Advance appropriation		BA	....	....	....	**51**	....	....	....
Outlays		O	46	69	58	65	....	....	....
Total Overseas humanitarian, disaster and civil aid		BA	**45**	**49**	**80**	**51**	....	....	....
		O	46	69	58	65	....	....	....
Defense reinvestment for economic growth:									
Outlays	051	O	5	70	....	....	....	....	....
Former Soviet Union threat reduction account:									
Appropriation, current	051	BA	**295**	**328**	**382**	....	....	....	....
Advance appropriation		BA	....	....	....	**345**	....	....	....
Outlays		O	276	388	365	369	....	....	....
Total Former Soviet Union threat reduction account		BA	**295**	**328**	**382**	**345**	....	....	....
		O	276	388	365	369	....	....	....
Defense Against Weapons of Mass Destruction:									
Appropriation, current	051	BA	....	**90**	....	....	....	....	....
Outlays		O	....	3	31	31	....	....	....
Payment to kaho'olawe:									
Appropriation, current	051	BA	**25**	**10**	**10**	....	....	....	....
Outlays		O	32	10	10	....	....	....	....
Emergency response fund:									
Outlays	051	O	107	–6	....	....	....	....	....
Restoration of the Rocky Mountain Arsenal:									
Appropriation, permanent	051	BA	**14**	**8**	**5**	**5**	**5**	**5**	**5**
Outlays		O	5	8	5	5	5	5	5
Disposal and lease of DOD real property:									
Appropriation, current	051	BA	**41**	**58**	**64**	....	....	....	....
Advance appropriation		BA	....	....	....	**36**	....	....	....
Outlays		O	27	39	50	53	....	....	....
Total Disposal and lease of DOD real property		BA	**41**	**58**	**64**	**36**	....	....	....
		O	27	39	50	53	....	....	....
Overseas military facility investment recovery:									
Appropriation, current	051	BA	....	**26**	**30**	....	....	....	....
Advance appropriation		BA	....	....	....	**25**	....	....	....
Outlays		O	6	33	32	32	....	....	....
Total Overseas military facility investment recovery		BA	....	**26**	**30**	**25**	....	....	....
		O	6	33	32	32	....	....	....
Burdensharing and other cooperative activities:									
Appropriation, permanent	051	BA	**92**	**92**	**92**	....	....	....	....
Advance appropriation		BA	....	....	....	**92**	....	....	....
Outlays		O	92	92	92	92	....	....	....
Total Burdensharing and other cooperative activities		BA	**92**	**92**	**92**	**92**	....	....	....
		O	92	92	92	92	....	....	....
Kaho' Olawe Island Conveyance, Remediation, and Environmental Restoration Fund:									
Appropriation, permanent	051	BA	**25**	**10**	**10**	....	....	....	....
Outlays		O	23	21	6	8	....	....	....
Total Federal funds Operation and Maintenance		BA	**93,654**	**92,914**	**93,672**	**91,526**	**92,171**	**93,929**	**91,952**
		O	88,759	92,143	92,579	91,641	91,558	93,095	91,917

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Procurement									
Federal funds									
General and Special Funds:									
Aircraft procurement, Army:									
Appropriation, current	051	BA	1,540	1,346	1,162		56,996	60,661	68,335
Advance appropriation		BA				1,241			
Spending authority from offsetting collections		BA	10	16	14	14	1,150	1,150	1,150
Outlays		O	1,445	1,302	1,329	1,231	48,765	52,790	56,548
Aircraft procurement, Army (gross)		BA	1,550	1,362	1,176	1,255	58,146	61,811	69,485
		O	1,445	1,302	1,329	1,231	48,765	52,790	56,548
Total, offsetting collections			–10	–16	–14	–14	–1,150	–1,150	–1,150
Total Aircraft procurement, Army (net)		BA	1,540	1,346	1,162	1,241	56,996	60,661	68,335
		O	1,435	1,286	1,315	1,217	47,615	51,640	55,398
Missile procurement, Army:									
Appropriation, current	051	BA	839	1,038	1,178				
Advance appropriation		BA				1,541			
Spending authority from offsetting collections		BA	67	30	180	164			
Outlays		O	1,026	1,047	1,118	1,285			
Missile procurement, Army (gross)		BA	906	1,068	1,358	1,705			
		O	1,026	1,047	1,118	1,285			
Change in orders on hand from Federal sources		BA	43						
Adjustment to orders on hand from Federal sources		BA	–3						
Total, offsetting collections			–107	–30	–180	–164			
Total Missile procurement, Army (net)		BA	839	1,038	1,178	1,541			
		O	919	1,017	938	1,121			
Procurement of weapons and tracked combat vehicles, Army:									
Appropriation, current	051	BA	1,487	1,468	1,066				
Advance appropriation		BA				1,475			
Spending authority from offsetting collections		BA	21	179	146	128			
Outlays		O	1,255	1,543	1,479	1,357			
Procurement of weapons and tracked combat vehicles, Army (gross)		BA	1,508	1,647	1,212	1,603			
		O	1,255	1,543	1,479	1,357			
Change in orders on hand from Federal sources		BA	25						
Adjustment to orders on hand from Federal sources		BA	–3						
Total, offsetting collections			–44	–179	–146	–128			
Total Procurement of weapons and tracked combat vehicles, Army (net)		BA	1,486	1,468	1,066	1,475			
		O	1,211	1,364	1,333	1,229			
Procurement of ammunition, Army:									
Appropriation, current	051	BA	1,047	1,122	891				
Advance appropriation		BA				976			
Spending authority from offsetting collections		BA	7	73	61	63			
Outlays		O	881	1,282	1,015	1,035			
Procurement of ammunition, Army (gross)		BA	1,054	1,195	952	1,039			
		O	881	1,282	1,015	1,035			
Change in orders on hand from Federal sources		BA	–1						
Total, offsetting collections			–6	–73	–61	–63			
Total Procurement of ammunition, Army (net)		BA	1,047	1,122	891	976			
		O	875	1,209	954	972			
Other procurement, Army:									
Appropriation, current	051	BA	2,676	3,177	2,455				
Advance appropriation		BA				3,140			
Spending authority from offsetting collections		BA	73	190	75	72			
Outlays		O	2,962	2,927	2,846	2,773			
Other procurement, Army (gross)		BA	2,749	3,367	2,530	3,212			
		O	2,962	2,927	2,846	2,773			
Change in orders on hand from Federal sources		BA	49						

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Adjustment to orders on hand from Federal sources		BA	**–1**						
Total, offsetting collections			–121	–190	–75	–72			
Total Other procurement, Army (net)		BA	**2,676**	**3,177**	**2,455**	**3,140**			
		O	2,841	2,737	2,771	2,701			
Aircraft procurement, Navy:									
Appropriation, current	051	BA	**4,420**	**6,859**	**6,086**				
Advance appropriation		BA				**7,669**			
Spending authority from offsetting collections		BA	**2**	**7**	**7**	**7**			
Outlays		O	5,034	5,051	5,427	6,313			
Aircraft procurement, Navy (gross)		BA	**4,422**	**6,866**	**6,093**	**7,676**			
		O	5,034	5,051	5,427	6,313			
Change in orders on hand from Federal sources		BA	**–2**						
Total, offsetting collections				–7	–7	–7			
Total Aircraft procurement, Navy (net)		BA	**4,420**	**6,859**	**6,086**	**7,669**			
		O	5,034	5,044	5,420	6,306			
Weapons procurement, Navy:									
Appropriation, current	051	BA	**1,464**	**1,358**	**1,136**				
Advance appropriation		BA				**1,436**			
Spending authority from offsetting collections		BA	**–15**	**75**	**75**	**75**			
Outlays		O	2,653	2,141	1,690	1,517			
Weapons procurement, Navy (gross)		BA	**1,449**	**1,433**	**1,211**	**1,511**			
		O	2,653	2,141	1,690	1,517			
Change in orders on hand from Federal sources		BA	**43**						
Adjustment to orders on hand from Federal sources		BA	**3**						
Total, offsetting collections			–31	–75	–75	–75			
Total Weapons procurement, Navy (net)		BA	**1,464**	**1,358**	**1,136**	**1,436**			
		O	2,622	2,066	1,615	1,442			
Procurement of ammunition, Navy and Marine Corps:									
Appropriation, current	051	BA	**396**	**269**	**337**				
Advance appropriation		BA				**503**			
Spending authority from offsetting collections		BA	**2**	**10**	**10**	**10**			
Outlays		O	192	305	333	415			
Procurement of ammunition, Navy and Marine Corps (gross)		BA	**398**	**279**	**347**	**513**			
		O	192	305	333	415			
Total, offsetting collections			–2	–10	–10	–10			
Total Procurement of ammunition, Navy and Marine Corps (net)		BA	**396**	**269**	**337**	**503**			
		O	190	295	323	405			
Shipbuilding and conversion, Navy:									
Appropriation, current	051	BA	**6,577**	**5,492**	**7,438**				
Advance appropriation		BA				**5,958**			
Outlays		O	7,819	7,012	6,692	6,443			
Shipbuilding and conversion, Navy (gross)		BA	**6,577**	**5,492**	**7,438**	**5,958**			
		O	7,819	7,012	6,692	6,443			
Change in orders on hand from Federal sources		BA	**473**						
Total, offsetting collections			–473						
Total Shipbuilding and conversion, Navy (net)		BA	**6,577**	**5,492**	**7,438**	**5,958**			
		O	7,346	7,012	6,692	6,443			
Other procurement, Navy:									
Appropriation, current	051	BA	**2,399**	**2,882**	**2,825**				
Advance appropriation		BA				**4,186**			
Spending authority from offsetting collections		BA	**70**	**42**	**42**	**42**			
Outlays		O	3,629	2,904	2,791	3,132			
Other procurement, Navy (gross)		BA	**2,469**	**2,924**	**2,867**	**4,228**			
		O	3,629	2,904	2,791	3,132			

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Change in orders on hand from Federal sources		BA	**–55**						
Adjustment to orders on hand from Federal sources		BA	**21**						
Total, offsetting collections			–36	–42	–42	–42			
Total Other procurement, Navy (net)		BA	**2,399**	**2,882**	**2,825**	**4,186**			
		O	3,593	2,862	2,749	3,090			
Procurement, Marine Corps:									
Appropriation, current	051	BA	**442**	**580**	**374**				
Advance appropriation		BA				**696**			
Spending authority from offsetting collections		BA	**3**	**10**	**9**	**9**			
Outlays		O	462	590	528	517			
Procurement, Marine Corps (gross)		BA	**445**	**590**	**383**	**705**			
		O	462	590	528	517			
Adjustment to orders on hand from Federal sources		BA	**5**						
Total, offsetting collections			–8	–10	–9	–9			
Total Procurement, Marine Corps (net)		BA	**442**	**580**	**374**	**696**			
		O	454	580	519	508			
Aircraft procurement, Air Force:									
Appropriation, current	051	BA	**7,055**	**6,473**	**5,818**				
Advance appropriation		BA				**8,080**			
Spending authority from offsetting collections		BA	**49**	**108**	**90**	**90**			
Outlays		O	7,920	7,094	6,586	6,884			
Aircraft procurement, Air Force (gross)		BA	**7,104**	**6,581**	**5,908**	**8,170**			
		O	7,920	7,094	6,586	6,884			
Change in orders on hand from Federal sources		BA	**6**						
Adjustment to orders on hand from Federal sources		BA	**3**						
Total, offsetting collections			–58	–108	–90	–90			
Total Aircraft procurement, Air Force (net)		BA	**7,055**	**6,473**	**5,818**	**8,080**			
		O	7,862	6,986	6,496	6,794			
Missile procurement, Air Force:									
Appropriation, current	051	BA	**2,293**	**2,217**	**2,558**				
Advance appropriation		BA				**2,892**			
Spending authority from offsetting collections		BA	**29**	**112**	**75**	**75**			
Outlays		O	3,282	3,301	2,769	2,685			
Missile procurement, Air Force (gross)		BA	**2,322**	**2,329**	**2,633**	**2,967**			
		O	3,282	3,301	2,769	2,685			
Change in orders on hand from Federal sources		BA	**21**						
Adjustment to orders on hand from Federal sources		BA	**–2**						
Total, offsetting collections			–47	–112	–75	–75			
Total Missile procurement, Air Force (net)		BA	**2,294**	**2,217**	**2,558**	**2,892**			
		O	3,235	3,189	2,694	2,610			
Procurement of ammunition, Air Force:									
Appropriation, current	051	BA	**334**	**316**	**404**				
Advance appropriation		BA				**457**			
Spending authority from offsetting collections		BA	**6**	**2**	**2**	**2**			
Outlays		O	174	225	290	356			
Procurement of ammunition, Air Force (gross)		BA	**340**	**318**	**406**	**459**			
		O	174	225	290	356			
Change in orders on hand from Federal sources		BA	**1**						
Total, offsetting collections			–7	–2	–2	–2			
Total Procurement of ammunition, Air Force (net)		BA	**334**	**316**	**404**	**457**			
		O	167	223	288	354			
Other procurement, Air Force:									
Appropriation, current	051	BA	**5,877**	**6,000**	**6,561**				
Advance appropriation		BA				**6,755**			
Spending authority from offsetting collections		BA	**119**	**300**	**300**	**300**			

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	7,455	6,535	6,128	6,474			
Other procurement, Air Force (gross)		BA	**5,996**	**6,300**	**6,861**	**7,055**			
		O	7,455	6,535	6,128	6,474			
Change in orders on hand from Federal sources		BA	**134**						
Adjustment to orders on hand from Federal sources		BA	**1**						
Total, offsetting collections			–254	–300	–300	–300			
Total Other procurement, Air Force (net)		BA	**5,877**	**6,000**	**6,561**	**6,755**			
		O	7,201	6,235	5,828	6,174			
Procurement, Defense-wide:									
Appropriation, current	051	BA	**2,157**	**2,063**	**1,695**				
Advance appropriation		BA				**2,616**			
Spending authority from offsetting collections		BA	**60**	**103**	**79**	**90**			
Outlays		O	2,088	2,118	1,937	2,201			
Procurement, Defense-wide (gross)		BA	**2,217**	**2,166**	**1,774**	**2,706**			
		O	2,088	2,118	1,937	2,201			
Change in orders on hand from Federal sources		BA	**44**						
Adjustment to orders on hand from Federal sources		BA	**–35**						
Total, offsetting collections			–69	–103	–79	–90			
Total Procurement, Defense-wide (net)		BA	**2,157**	**2,063**	**1,695**	**2,616**			
		O	2,019	2,015	1,858	2,111			
National guard and reserve equipment:									
Appropriation, current	051	BA	**767**	**779**					
				[H] **–42**					
Outlays		O	1,363	798	644	391			
				[H] –7	[H] –15	[H] –10			
Total National guard and reserve equipment		BA	**767**	**737**					
		O	1,363	791	629	381			
Defense production act purchases:									
Appropriation, current	051	BA	**–8**						
Outlays		O	47	35	16	7			
Chemical agents and munitions destruction, Army:									
Appropriation, current	051	BA	**656**	**758**	**621**				
Advance appropriation		BA				**1,094**			
Spending authority from offsetting collections		BA		**8**	**10**	**10**			
Outlays		O	500	637	713	791			
Chemical agents and munitions destruction, Army (gross)		BA	**656**	**766**	**631**	**1,104**			
		O	500	637	713	791			
Total, offsetting collections			–1	–8	–10	–10			
Total Chemical agents and munitions destruction, Army (net)		BA	**655**	**758**	**621**	**1,094**			
		O	499	629	703	781			
Credit Accounts:									
Defense export loan guarantee program account:									
Appropriation, current	051	BA		**1**	**1**		**1**	**1**	**1**
Advance appropriation		BA				**1**			
Outlays		O			1	1	1	1	1
Limitations on guaranteed commitments				(15,000)	(15,000)	(15,000)	(250)	(250)	(250)
Total Defense export loan guarantee program account		BA		**1**	**1**	**1**	**1**	**1**	**1**
		O			1	1	1	1	1
Total Federal funds Procurement		BA	**42,417**	**44,156**	**42,606**	**50,716**	**56,997**	**60,662**	**68,336**
		O	48,913	45,575	43,142	44,647	47,616	51,641	55,399

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Research, Development, Test, and Evaluation

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Research, development, test, and evaluation, Army									
(Department of Defense-Military):									
(Appropriation, current)	051	BA	4,699	4,931	4,511		33,403	32,897	34,249
(Advance appropriation)		BA				4,497			
(Spending authority from offsetting collections)		BA	1,555	1,351	1,439	1,383	3,985	3,985	3,985
(Outlays)		O	6,310	6,420	6,080	5,893	37,945	37,143	37,537
Research, development, test, and evaluation, Army (gross)		BA	6,254	6,282	5,950	5,880	37,388	36,882	38,234
		O	6,310	6,420	6,080	5,893	37,945	37,143	37,537
(Change in orders on hand from Federal sources)		BA	–93						
(Adjustment to orders on hand from Federal sources)		BA	–10						
Total, offsetting collections			–1,451	–1,351	–1,439	–1,383	–3,985	–3,985	–3,985
Total (Department of Defense-Military) (net)		BA	4,700	4,931	4,511	4,497	33,403	32,897	34,249
		O	4,859	5,069	4,641	4,510	33,960	33,158	33,552
(Health research and training):									
(Outlays)	552	O	66	12					
Total Research, development, test, and evaluation, Army		BA	4,700	4,931	4,511	4,497	33,403	32,897	34,249
		O	4,925	5,081	4,641	4,510	33,960	33,158	33,552
Research, development, test, and evaluation, Navy:									
Appropriation, current	051	BA	8,443	7,851	7,611				
Advance appropriation		BA				7,756			
Spending authority from offsetting collections		BA	124	122	125	125			
Outlays		O	9,501	7,913	7,363	7,717			
Research, development, test, and evaluation, Navy (gross)		BA	8,567	7,973	7,736	7,881			
		O	9,501	7,913	7,363	7,717			
Change in orders on hand from Federal sources		BA	–19						
Adjustment to orders on hand from Federal sources		BA	–9						
Total, offsetting collections			–97	–122	–125	–125			
Total Research, development, test, and evaluation, Navy (net)		BA	8,442	7,851	7,611	7,756			
		O	9,404	7,791	7,238	7,592			
Research, development, test, and evaluation, Air Force:									
Appropriation, current	051	BA	12,427	14,069	14,451				
Advance appropriation		BA				13,800			
Spending authority from offsetting collections		BA	1,730	2,050	2,050	2,050			
Outlays		O	14,499	15,524	15,422	15,936			
Research, development, test, and evaluation, Air Force (gross)		BA	14,157	16,119	16,501	15,850			
		O	14,499	15,524	15,422	15,936			
Change in orders on hand from Federal sources		BA	–234						
Adjustment to orders on hand from Federal sources		BA	–54						
Total, offsetting collections			–1,443	–2,050	–2,050	–2,050			
Total Research, development, test, and evaluation, Air Force (net)		BA	12,426	14,069	14,451	13,800			
		O	13,056	13,474	13,372	13,886			
Research, development, test, and evaluation, Defense-wide:									
Appropriation, current	051	BA	9,133	9,438	9,070				
Advance appropriation		BA				8,689			
Spending authority from offsetting collections		BA	244	363	356	379			
Outlays		O	9,100	9,776	9,454	9,255			
Research, development, test, and evaluation, Defense-wide (gross)		BA	9,377	9,801	9,426	9,068			
		O	9,100	9,776	9,454	9,255			
Change in orders on hand from Federal sources		BA	–42						
Adjustment to orders on hand from Federal sources		BA	–3						
Total, offsetting collections			–199	–363	–356	–379			
Total Research, development, test, and evaluation, Defense-wide (net)		BA	9,133	9,438	9,070	8,689			
		O	8,901	9,413	9,098	8,876			

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Developmental test and evaluation, Defense:									
Appropriation, current	051	BA	247	276	268	....	....	....	....
Advance appropriation		BA	....	....	....	279	....	....	....
Spending authority from offsetting collections		BA	19	48	48	48	....	....	....
Outlays		O	267	300	320	313	....	....	....
Developmental test and evaluation, Defense (gross)		BA	266	324	316	327	....	....	....
		O	267	300	320	313	....	....	....
Change in orders on hand from Federal sources		BA	–8	....	....	....	....	....	....
Total, offsetting collections			–11	–48	–48	–48	....	....	....
Total Developmental test and evaluation, Defense (net)		BA	247	276	268	279	....	....	....
		O	256	252	272	265	....	....	....
Operational test and evaluation, Defense:									
Appropriation, current	051	BA	23	24	23	....	....	....	....
Advance appropriation		BA	....	....	....	23	....	....	....
Outlays		O	18	35	24	23	....	....	....
Total Operational test and evaluation, Defense		BA	23	24	23	23	....	....	....
		O	18	35	24	23	....	....	....
Total Federal funds Research, Development, Test, and Evaluation		BA	34,971	36,589	35,934	35,044	33,403	32,897	34,249
		O	36,560	36,046	34,645	35,152	33,960	33,158	33,552

Military Construction

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Military construction, Army:									
Appropriation, current	051	BA	622	564	595	....	4,267	4,211	3,370
Advance appropriation		BA	....	....	....	697	....	....	....
Spending authority from offsetting collections		BA	2,761	2,700	2,700	2,700	3,065	3,065	3,065
Outlays		O	3,031	3,394	3,292	3,316	7,577	7,323	6,925
Military construction, Army (gross)		BA	3,383	3,264	3,295	3,397	7,332	7,276	6,435
		O	3,031	3,394	3,292	3,316	7,577	7,323	6,925
Change in orders on hand from Federal sources		BA	–341	....	....	....	....	....	....
Adjustment to orders on hand from Federal sources		BA	–25	....	....	....	....	....	....
Total, offsetting collections			–2,395	–2,700	–2,700	–2,700	–3,065	–3,065	–3,065
Total Military construction, Army (net)		BA	622	564	595	697	4,267	4,211	3,370
		O	636	694	592	616	4,512	4,258	3,860
Military construction, Navy:									
Appropriation, current	051	BA	546	696	540	....	....	....	....
Advance appropriation		BA	....	....	....	475	....	....	....
Spending authority from offsetting collections		BA	583	381	376	354	....	....	....
Outlays		O	904	958	947	928	....	....	....
Military construction, Navy (gross)		BA	1,129	1,077	916	829	....	....	....
		O	904	958	947	928	....	....	....
Change in orders on hand from Federal sources		BA	–165	....	....	....	....	....	....
Adjustment to orders on hand from Federal sources		BA	–3	....	....	....	....	....	....
Total, offsetting collections			–415	–381	–376	–354	....	....	....
Total Military construction, Navy (net)		BA	546	696	540	475	....	....	....
		O	489	577	571	574	....	....	....
Military construction, Air Force:									
Appropriation, current	051	BA	572	752	496	....	....	....	....
Advance appropriation		BA	....	....	....	465	....	....	....
Outlays		O	889	650	618	571	....	....	....
Military construction, Air Force (gross)		BA	572	752	496	465	....	....	....
		O	889	650	618	571	....	....	....
Change in orders on hand from Federal sources		BA	1	....	....	....	....	....	....

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Adjustment to orders on hand from Federal sources		BA	**–1**						
Total Military construction, Air Force (net)		BA	**572**	**752**	**496**	**465**			
		O	889	650	618	571			
Military construction, Defense-wide:									
Appropriation, current	051	BA	**596**	**756**	**674**				
Advance appropriation		BA				**709**			
Outlays		O	622	563	626	670			
Total Military construction, Defense-wide		BA	**596**	**756**	**674**	**709**			
		O	622	563	626	670			
North Atlantic Treaty Organization Security Investment Program:									
Appropriation, current	051	BA	**198**	**172**	**176**				
Advance appropriation		BA				**189**			
Spending authority from offsetting collections		BA	**10**	**11**	**11**	**11**			
Outlays		O	201	51	134	181			
North Atlantic Treaty Organization Security Investment Program (gross)		BA	**208**	**183**	**187**	**200**			
		O	201	51	134	181			
Change in orders on hand from Federal sources		BA	**4**						
Total, offsetting collections			–14	–11	–11	–11			
Total North Atlantic Treaty Organization Security Investment Program (net)		BA	**198**	**172**	**176**	**189**			
		O	187	40	123	170			
Military construction, Army National Guard:									
Appropriation, current	051	BA	**137**	**78**	**45**				
Advance appropriation		BA				**34**			
Outlays		O	257	217	158	104			
Total Military construction, Army National Guard		BA	**137**	**78**	**45**	**34**			
		O	257	217	158	104			
Military construction, Air National Guard:									
Appropriation, current	051	BA	**165**	**190**	**60**				
Advance appropriation		BA				**32**			
Outlays		O	278	214	195	107			
Total Military construction, Air National Guard		BA	**165**	**190**	**60**	**32**			
		O	278	214	195	107			
Military construction, Army Reserve:									
Appropriation, current	051	BA	**73**	**56**	**39**				
Advance appropriation		BA				**66**			
Outlays		O	106	82	66	60			
Total Military construction, Army Reserve		BA	**73**	**56**	**39**	**66**			
		O	106	82	66	60			
Military construction, Naval Reserve:									
Appropriation, current	051	BA	**19**	**38**	**14**				
Advance appropriation		BA				**15**			
Outlays		O	37	26	27	23			
Total Military construction, Naval Reserve		BA	**19**	**38**	**14**	**15**			
		O	37	26	27	23			
Military construction, Air Force Reserve:									
Appropriation, current	051	BA	**36**	**53**	**15**				
Advance appropriation		BA				**12**			
Outlays		O	61	45	42	29			
Total Military construction, Air Force Reserve		BA	**36**	**53**	**15**	**12**			
		O	61	45	42	29			
Base realignment and closure account:									
Appropriation, current	051	BA	**3,892**	**2,507**	**2,061**				
Advance appropriation		BA				**1,551**			
Spending authority from offsetting collections		BA	**6**	**174**					

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	3,126	3,634	2,575	2,247			
Base realignment and closure account (gross)		BA	**3,898**	**2,681**	**2,061**	**1,551**			
		O	3,126	3,634	2,575	2,247			
Change in orders on hand from Federal sources		BA	**–1**						
Total, offsetting collections			–5	–174					
Total Base realignment and closure account (net)		BA	**3,892**	**2,507**	**2,061**	**1,551**			
		O	3,121	3,460	2,575	2,247			
Foreign currency fluctuations, construction:									
Reappropriation	051	BA	**35**						
Total Federal funds Military Construction		BA	**6,891**	**5,862**	**4,715**	**4,245**	**4,267**	**4,211**	**3,370**
		O	6,683	6,568	5,593	5,171	4,512	4,258	3,860

Family Housing

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Family housing, Army:									
Appropriation, current	051	BA	**1,430**	**1,371**	**1,292**		**3,941**	**3,985**	**3,913**
Advance appropriation		BA				**1,256**			
Spending authority from offsetting collections		BA	**15**	**21**	**17**	**17**	**135**	**135**	**135**
Outlays		O	1,328	1,576	1,300	1,272	4,020	4,057	4,015
Family housing, Army (gross)		BA	**1,445**	**1,392**	**1,309**	**1,273**	**4,076**	**4,120**	**4,048**
		O	1,328	1,576	1,300	1,272	4,020	4,057	4,015
Change in orders on hand from Federal sources		BA	**1**						
Total, offsetting collections			–16	–21	–17	–17	–135	–135	–135
Total Family housing, Army (net)		BA	**1,430**	**1,371**	**1,292**	**1,256**	**3,941**	**3,985**	**3,913**
		O	1,312	1,555	1,283	1,255	3,885	3,922	3,880
Family housing, Navy and Marine Corps:									
Appropriation, current	051	BA	**1,573**	**1,515**	**1,255**				
Advance appropriation		BA				**1,272**			
Spending authority from offsetting collections		BA	**14**	**21**	**21**	**21**			
Outlays		O	1,386	1,628	1,488	1,373			
Family housing, Navy and Marine Corps (gross)		BA	**1,587**	**1,536**	**1,276**	**1,293**			
		O	1,386	1,628	1,488	1,373			
Adjustment to orders on hand from Federal sources		BA	**5**						
Total, offsetting collections			–19	–21	–21	–21			
Total Family housing, Navy and Marine Corps (net)		BA	**1,573**	**1,515**	**1,255**	**1,272**			
		O	1,367	1,607	1,467	1,352			
Family housing, Air Force:									
Appropriation, current	051	BA	**1,124**	**1,135**	**1,083**				
Advance appropriation		BA				**1,093**			
Spending authority from offsetting collections		BA	**10**	**11**	**10**	**10**			
Outlays		O	1,117	1,060	1,079	1,092			
Family housing, Air Force (gross)		BA	**1,134**	**1,146**	**1,093**	**1,103**			
		O	1,117	1,060	1,079	1,092			
Change in orders on hand from Federal sources		BA	**2**						
Total, offsetting collections			–12	–11	–10	–10			
Total Family housing, Air Force (net)		BA	**1,124**	**1,135**	**1,083**	**1,093**			
		O	1,105	1,049	1,069	1,082			
Family housing, Defense-wide:									
Appropriation, current	051	BA	**34**	**35**	**38**				
Advance appropriation		BA				**35**			
Spending authority from offsetting collections		BA	**1**	**1**	**1**	**1**			

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	15	41	34	36	....	....	....
Family housing, Defense-wide (gross)		BA	**35**	**36**	**39**	**36**	....	....	....
		O	15	41	34	36	....	....	....
Adjustment to orders on hand from Federal sources		BA	**–1**	....	....	....	....	....	....
Total, offsetting collections			–1	–1	–1	–1	....	....	....
Total Family housing, Defense-wide (net)		BA	**33**	**35**	**38**	**35**	....	....	....
		O	14	40	33	35	....	....	....
Public Enterprise Funds:									
Homeowners assistance fund, Defense:									
Appropriation, current	051	BA	**76**	**36**	....	....	....	....	....
Authority to borrow, permanent		BA	**1**	....	....	....	....	....	....
Advance appropriation		BA	....	....	....	**40**	....	....	....
Spending authority from offsetting collections		BA	**86**	**127**	**78**	**86**	....	....	....
Outlays		O	117	169	139	124	....	....	....
Homeowners assistance fund, Defense (gross)		BA	**163**	**163**	**78**	**126**	....	....	....
		O	117	169	139	124	....	....	....
Change in orders on hand from Federal sources		BA	**2**	**–49**	....	....	....	....	....
Total, offsetting collections			–88	–78	–78	–86	....	....	....
Total Homeowners assistance fund, Defense (net)		BA	**77**	**36**	....	**40**	....	....	....
		O	29	91	61	38	....	....	....
Credit Accounts:									
Department of Defense, Family Housing Improvement Fund:									
Appropriation, current	051	BA	**22**	**25**	....	....	....	....	....
Advance appropriation		BA	....	....	....	**180**	....	....	....
Outlays		O	1	10	15	119	....	....	....
Total Department of Defense, Family Housing Improvement Fund		BA	**22**	**25**	....	**180**	....	....	....
		O	1	10	15	119	....	....	....
Department of Defense, Military Unaccompanied Housing Improvement Fund:									
Appropriation, current	051	BA	....	**5**	....	....	....	....	....
Total Federal funds Family Housing		BA	**4,259**	**4,122**	**3,668**	**3,876**	**3,941**	**3,985**	**3,913**
		O	3,828	4,352	3,928	3,881	3,885	3,922	3,880

Revolving and Management Funds

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
Public Enterprise Funds:									
National defense stockpile transaction fund:									
Appropriation, current	051	BA	**–150**	**–150**	**–550**	....	**1,313**	**1,347**	**1,355**
Spending authority from offsetting collections		BA	**375**	**415**	**475**	**350**	**72,980**	**72,980**	**72,980**
Outlays		O	65	170	–15	400	73,746	73,665	71,967
National defense stockpile transaction fund (gross)		BA	**225**	**265**	**–75**	**350**	**74,293**	**74,327**	**74,335**
		O	65	170	–15	400	73,746	73,665	71,967
Change in orders on hand from Federal sources		BA	**–38**	**–95**	**60**	**50**	....	....	....
Total, offsetting collections			–337	–320	–535	–400	–72,980	–72,980	–72,980
Total National defense stockpile transaction fund (net)		BA	**–150**	**–150**	**–550**	....	**1,313**	**1,347**	**1,355**
		O	–272	–150	–550	....	766	685	–1,013
William Langer jewel bearing plant revolving fund:									
Spending authority from offsetting collections	051	BA	**4**	....	....	....	....	....	....
Outlays		O	4	....	....	....	....	....	....
William Langer jewel bearing plant revolving fund (gross)		BA	**4**	....	....	....	....	....	....
		O	4	....	....	....	....	....	....
Change in orders on hand from Federal sources		BA	**1**	**1**	....	....	....	....	....
Adjustment to orders on hand from Federal sources		BA	....	**–1**	....	....	....	....	....

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Total, offsetting collections			–5						
Total William Langer jewel bearing plant revolving fund (net)		BA							
		O	–1						
Reserve mobilization income insurance fund:									
Appropriation, current	051	BA		**[A] 72**					
Spending authority from offsetting collections		BA		**7**	**8**	**10**	**10**	**10**	**10**
Outlays		O		7	8	10	10	10	10
				[A] 72					
Reserve mobilization income insurance fund (gross)		BA		**79**	**8**	**10**	**10**	**10**	**10**
		O		79	8	10	10	10	10
Total, offsetting collections				–7	–8	–10	–10	–10	–10
Total Reserve mobilization income insurance fund (net)		BA		**72**					
		O		72					
Intragovernmental Funds:									
Pentagon reservation maintenance revolving fund:									
Spending authority from offsetting collections	051	BA	**242**	**192**	**258**	**249**	**249**	**249**	**249**
Outlays		O	240	192	258	249	249	249	249
Pentagon reservation maintenance revolving fund (gross)		BA	**242**	**192**	**258**	**249**	**249**	**249**	**249**
		O	240	192	258	249	249	249	249
Change in orders on hand from Federal sources		BA	**–8**						
Total, offsetting collections			–234	–192	–258	–249	–249	–249	–249
Total Pentagon reservation maintenance revolving fund (net)		BA							
		O	6						
National defense sealift fund:									
Appropriation, current	051	BA	**1,024**	**1,427**	**1,191**	**690**			
Spending authority from offsetting collections		BA	**742**	**741**	**741**	**741**			
Outlays		O	1,674	2,896	1,533	1,667			
National defense sealift fund (gross)		BA	**1,766**	**2,168**	**1,932**	**1,431**			
		O	1,674	2,896	1,533	1,667			
Change in orders on hand from Federal sources		BA	**–512**	**1,200**					
Total, offsetting collections			–230	–1,941	–741	–741			
Total National defense sealift fund (net)		BA	**1,024**	**1,427**	**1,191**	**690**			
		O	1,444	955	792	926			
Defense working capital funds:									
Appropriation, current	051	BA	**879**	**921**	**33**				
Contract authority, permanent		BA	**1,308**						
Advance appropriation		BA				**31**			
Spending authority from offsetting collections		BA	**70,686**	**72,829**	**67,703**	**66,000**			
Outlays		O	74,672	73,543	67,207	65,294			
Defense working capital funds (gross)		BA	**72,873**	**73,750**	**67,736**	**66,031**			
		O	74,672	73,543	67,207	65,294			
Change in orders on hand from Federal sources		BA	**2,800**	**–1,015**	**151**	**581**			
Total, offsetting collections			–73,486	–71,814	–67,854	–66,581			
Total Defense working capital funds (net)		BA	**2,187**	**921**	**33**	**31**			
		O	1,186	1,729	–647	–1,287			
Buildings maintenance fund:									
Spending authority from offsetting collections	051	BA	**30**	**26**	**28**	**27**	**27**	**27**	**27**
Outlays		O	11	26	28	27	27	27	27
Buildings maintenance fund (gross)		BA	**30**	**26**	**28**	**27**	**27**	**27**	**27**
		O	11	26	28	27	27	27	27
Change in orders on hand from Federal sources		BA	**–3**						

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Total, offsetting collections			–27	–26	–28	–27	–27	–27	–27
Total Buildings maintenance fund (net)		BA	....	....	....	....	....	....	....
		O	–16	....	....	....	....	....	....
Military commissary fund, Defense:									
Appropriation, current	051	BA	....	....	**939**	....	....	....	....
Contract authority, permanent		BA	....	....	**54**	**48**	**28**	**28**	**28**
Advance appropriation		BA	....	....	....	**939**	....	....	....
Spending authority from offsetting collections		BA	....	....	**5,595**	**5,602**	....	....	....
Outlays		O	....	....	6,380	6,502	....	....	....
Military commissary fund, Defense (gross)		BA	....	....	**6,588**	**6,589**	**28**	**28**	**28**
		O	....	....	6,380	6,502	....	....	....
Total, offsetting collections			....	....	–5,595	–5,602	....	....	....
Total Military commissary fund, Defense (net)		BA	....	....	**993**	**987**	**28**	**28**	**28**
		O	....	....	785	900	....	....	....
Navy management fund:									
Spending authority from offsetting collections	051	BA	**478**	....	....	....	....	....	....
Outlays		O	478	–2	....	....	....	....	....
Navy management fund (gross)		BA	**478**	....	....	....	....	....	....
		O	478	–2	....	....	....	....	....
Change in orders on hand from Federal sources		BA	**–63**	**7**	....	....	....	....	....
Adjustment to orders on hand from Federal sources		BA	....	**–9**	....	....	....	....	....
Total, offsetting collections			–415	2	....	....	....	....	....
Total Navy management fund (net)		BA	....	....	....	....	....	....	....
		O	63	....	....	....	....	....	....
Army conventional ammunition working capital fund:									
Spending authority from offsetting collections	051	BA	**811**	**647**	**809**	....	....	....	....
Outlays		O	1,066	1,029	1,012	177	....	....	....
Army conventional ammunition working capital fund (gross)		BA	**811**	**647**	**809**	....	....	....	....
		O	1,066	1,029	1,012	177	....	....	....
Change in orders on hand from Federal sources		BA	**159**	**382**	**203**	**177**	....	....	....
Total, offsetting collections			–970	–1,029	–1,012	–177	....	....	....
Total Army conventional ammunition working capital fund (net)		BA	....	....	....	....	....	....	....
		O	96	....	....	....	....	....	....
Total Federal funds Revolving and Management Funds		BA	**3,061**	**2,270**	**1,667**	**1,708**	**1,341**	**1,375**	**1,383**
		O	2,506	2,606	380	539	766	685	–1,013

Allowances

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Other legislation:									
Appropriation, current	051	BA							[B] **–200**
							[J] **85**	[J] **85**	[J] **85**
Advance appropriation		BA				[J] **85**			
Outlays		O							[B] –200
						[J] 81	[J] –168	[J] –39	[J] 18
Total Other legislation		BA	....	....	....	**85**	**85**	**85**	**–115**
		O	....	....	....	81	–168	–39	–182
General transfer authority outlay allowance:									
Outlays	051	O	....	280	220	100	....	....	....
DOD-wide savings proposals:									
Appropriation, current	051	BA		[A] **–4,800**					
Outlays		O		[A] –2,282	[A] –1,315	[A] –815			
Total Federal funds Allowances		BA	....	**–4,800**	....	**85**	**85**	**85**	**–115**
		O	....	–2,002	–1,095	–634	–168	–39	–182

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Trust Funds									
Trust funds									
Voluntary separation incentive fund:									
Appropriation, permanent	051	BA	**266**	**209**	**158**	**156**	**156**	**155**	**155**
Outlays		O	148	167	171	174	174	174	174
Other DOD trust funds:									
Appropriation, permanent	051	BA	**26**	**24**	**25**	**25**	**25**	**25**	**25**
Outlays		O	24	24	24	24	24	24	23
National security education trust fund:									
Appropriation, current	051	BA	**8**	**5**	**2**		**15**	**15**	**15**
Advance appropriation		BA				**8**			
Outlays		O	6	6	3	6	12	15	15
Total National security education trust fund		BA	**8**	**5**	**2**	**8**	**15**	**15**	**15**
		O	6	6	3	6	12	15	15
Foreign national employees separation pay:									
Appropriation, permanent	051	BA	**24**	**37**	**37**	**37**	**37**	**37**	**37**
Outlays		O	88	37	37	37	37	37	37
Department of the Navy trust revolving funds:									
Spending authority from offsetting collections	051	BA	**12**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	13	6	6	6	5	5	6
Department of the Navy trust revolving funds (gross)		BA	**12**	**6**	**6**	**6**	**6**	**6**	**6**
		O	13	6	6	6	5	5	6
Change in orders on hand from Federal sources		BA	**2**						
Adjustment to orders on hand from Federal sources		BA	**–1**						
Total, offsetting collections			–13	–6	–6	–6	–6	–6	–6
Total Department of the Navy trust revolving funds (net)		BA							
		O					–1	–1	
Department of the Air Force trust revolving funds:									
Spending authority from offsetting collections	051	BA	**10**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	10	5	5	5	5	5	5
Department of the Air Force trust revolving funds (gross)		BA	**10**	**5**	**5**	**5**	**5**	**5**	**5**
		O	10	5	5	5	5	5	5
Total, offsetting collections			–10	–5	–5	–5	–5	–5	–5
Total Department of the Air Force trust revolving funds (net)		BA							
		O							
Surcharge collections, sales of commissary stores, defense:									
Spending authority from offsetting collections	051	BA	**284**	**276**					
Outlays		O	313	303					
Surcharge collections, sales of commissary stores, defense (gross)		BA	**284**	**276**					
		O	313	303					
Change in orders on hand from Federal sources		BA	**13**	**1**					
Total, offsetting collections			–297	–277					
Total Surcharge collections, sales of commissary stores, defense (net)		BA							
		O	16	26					
Total Trust funds Trust Funds		BA	**324**	**275**	**222**	**226**	**233**	**232**	**232**
		O	282	260	235	241	246	249	249
Summary									
Federal funds:									
(As shown in detail above)		BA	**255,029**	**251,032**	**251,736**	**257,298**	**263,615**	**270,400**	**278,345**
		O	253,918	255,341	248,518	250,236	255,994	257,005	262,182
Deductions for offsetting receipts:									
Intrafund transactions	051	BA/O	*–25*	*–10*	*–10*				
Proprietary receipts from the public	051	BA/O	*–617*	*–1,094*	*–1,095*	*–1,057*	*–929*	*–929*	*–929*

DEPARTMENT OF DEFENSE—MILITARY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Offsetting governmental receipts	051	BA/O	*–14*	*–8*	*–5*	*–5*	*–5*	*–5*	*–5*
Total Federal funds		BA	**254,373**	**249,920**	**250,626**	**256,236**	**262,681**	**269,466**	**277,411**
		O	253,262	254,229	247,408	249,174	255,060	256,071	261,248
Trust funds:									
(As shown in detail above)		BA	**324**	**275**	**222**	**226**	**233**	**232**	**232**
		O	282	260	235	241	246	249	249
Interfund transactions	051	BA/O	*–291*	*–205*	*–151*	*–147*	*–147*	*–147*	*–147*
Total Department of Defense—Military		BA	**254,406**	**249,990**	**250,697**	**256,315**	**262,767**	**269,551**	**277,496**
		O	253,253	254,284	247,492	249,268	255,159	256,173	261,350

DEPARTMENT OF DEFENSE—CIVIL

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Cemeterial Expenses, Army									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	705	BA	**13**	**13**	**12**	**10**	**9**	**10**	**12**
Outlays		O	13	10	12	11	9	10	11
Corps of Engineers—Civil									
Federal funds									
General and Special Funds:									
General investigations:									
Appropriation, current	301	BA	**122**	**154**	**150**	**150**	**150**	**150**	**150**
Spending authority from offsetting collections		BA	**2**	**3**	**2**	**2**	**2**	**2**	**2**
Outlays		O	158	147	154	152	152	152	152
General investigations (gross)		BA	**124**	**157**	**152**	**152**	**152**	**152**	**152**
		O	158	147	154	152	152	152	152
Total, offsetting collections			–2	–3	–2	–2	–2	–2	–2
Total General investigations (net)		BA	**122**	**154**	**150**	**150**	**150**	**150**	**150**
		O	156	144	152	150	150	150	150
Construction, general:									
Appropriation, current	301	BA	**744**	**1,003**	**1,323**	**766**	**881**	**880**	**953**
				[A]–50					
Advance appropriation		BA	....	....	....	**281**	**182**	**79**	**21**
Spending authority from offsetting collections		BA	**340**	**350**	**350**	**350**	**350**	**350**	**350**
Outlays		O	1,532	1,367	1,353	1,375	1,395	1,364	1,334
				[A]–30	[A]–20				
Construction, general (gross)		BA	**1,084**	**1,303**	**1,673**	**1,397**	**1,413**	**1,309**	**1,324**
		O	1,532	1,337	1,333	1,375	1,395	1,364	1,334
Change in orders on hand from Federal sources		BA	**100**	....	....	....	....	....	....
Adjustment to orders on hand from Federal sources		BA	**31**	....	....	....	....	....	....
Total, offsetting collections			–471	–350	–350	–350	–350	–350	–350
Total Construction, general (net)		BA	**744**	**953**	**1,323**	**1,047**	**1,063**	**959**	**974**
		O	1,061	987	983	1,025	1,045	1,014	984
Operation and maintenance, general (Water resources):									
(Appropriation, current)	301	BA	**1,227**	**1,168**	**1,098**	**1,051**	**1,061**	**1,081**	**1,085**
(Spending authority from offsetting collections)		BA	**506**	**769**	**501**	**479**	**484**	**493**	**495**

DEPARTMENT OF DEFENSE—CIVIL—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
(Outlays)		O	1,740	1,947	1,617	1,542	1,543	1,569	1,579
Operation and maintenance, general (gross)		BA	**1,733**	**1,937**	**1,599**	**1,530**	**1,545**	**1,574**	**1,580**
		O	1,740	1,947	1,617	1,542	1,543	1,569	1,579
Total, offsetting collections			–506	–769	–501	–479	–484	–493	–495
Total (Water resources) (net)		BA	**1,227**	**1,168**	**1,098**	**1,051**	**1,061**	**1,081**	**1,085**
		O	1,234	1,178	1,116	1,063	1,059	1,076	1,084
(Recreational resources):									
(Appropriation, current)	303	BA	**22**	**29**	**30**	**30**	**30**	**30**	**30**
(Outlays)		O	22	29	30	30	30	30	30
Total Operation and maintenance, general		BA	**1,249**	**1,197**	**1,128**	**1,081**	**1,091**	**1,111**	**1,115**
		O	1,256	1,207	1,146	1,093	1,089	1,106	1,114
Regulatory program:									
Appropriation, current	301	BA	**101**	**101**	**112**	**112**	**112**	**112**	**112**
Outlays		O	100	104	111	112	112	112	112
Flood control and coastal emergencies:									
Appropriation, current	301	BA	**145**	**10**	**14**	**14**	**14**	**14**	**14**
Spending authority from offsetting collections		BA	**146**	**45**	**45**	**45**	**45**	**45**	**45**
Outlays		O	131	201	57	59	59	59	59
Flood control and coastal emergencies (gross)		BA	**291**	**55**	**59**	**59**	**59**	**59**	**59**
		O	131	201	57	59	59	59	59
Change in orders on hand from Federal sources		BA	**–76**						
Adjustment to orders on hand from Federal sources		BA	**–19**						
Total, offsetting collections			–51	–45	–45	–45	–45	–45	–45
Total Flood control and coastal emergencies (net)		BA	**145**	**10**	**14**	**14**	**14**	**14**	**14**
		O	80	156	12	14	14	14	14
General expenses:									
Appropriation, current	301	BA	**152**	**149**	**148**	**148**	**148**	**148**	**148**
Outlays		O	150	172	148	148	148	148	148
Flood control, Mississippi River and tributaries:									
Appropriation, current	301	BA	**307**	**310**	**266**	**265**	**268**	**263**	**273**
Spending authority from offsetting collections		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	326	289	278	267	268	265	272
Flood control, Mississippi River and tributaries (gross)		BA	**308**	**311**	**267**	**266**	**269**	**264**	**274**
		O	326	289	278	267	268	265	272
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total Flood control, Mississippi River and tributaries (net)		BA	**307**	**310**	**266**	**265**	**268**	**263**	**273**
		O	325	288	277	266	267	264	271
Permanent appropriations									
(Water resources):									
(Appropriation, permanent)	301	BA	**7**	**7**	**7**	**7**	**7**	**7**	**7**
(Outlays)		O	3	7	7	7	7	7	7
(General purpose fiscal assistance):									
(Appropriation, permanent)	806	BA	**6**	**6**	**6**	**6**	**6**	**6**	**6**
(Outlays)		O	6	6	6	6	6	6	6
Total Permanent appropriations		BA	**13**	**13**	**13**	**13**	**13**	**13**	**13**
		O	9	13	13	13	13	13	13
Intragovernmental Funds:									
Revolving fund:									
Spending authority from offsetting collections	301	BA	**2,428**	**2,580**	**2,642**	**2,500**	**2,600**	**2,600**	**2,600**
Outlays		O	2,381	2,605	2,683	2,551	2,600	2,600	2,600
Revolving fund (gross)		BA	**2,428**	**2,580**	**2,642**	**2,500**	**2,600**	**2,600**	**2,600**
		O	2,381	2,605	2,683	2,551	2,600	2,600	2,600

DEPARTMENT OF DEFENSE—CIVIL—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Total, offsetting collections			–2,428	–2,580	–2,642	–2,500	–2,600	–2,600	–2,600
Total Revolving fund (net)		BA							
		O	–47	25	41	51			
Trust funds									
Inland waterways trust fund:									
Appropriation, current	301	BA	**59**	**79**	**70**	**50**	**53**	**64**	**66**
Outlays		O	87	83	72	54	53	62	66
Rivers and harbors contributed funds:									
Appropriation, permanent	301	BA	**142**	**166**	**161**	**161**	**161**	**161**	**161**
Outlays		O	173	166	161	161	161	161	161
Harbor maintenance trust fund:									
Appropriation, current	301	BA	**482**	**519**	**490**	**468**	**473**	**482**	**484**
Outlays		O	482	519	490	468	473	482	484
Coastal wetlands restoration trust fund:									
Appropriation, permanent	301	BA	**38**	**45**	**47**				
Outlays		O	13	32	32		47	47	47
Oil spill research:									
Appropriation, current	301	BA	**1**						
Outlays		O	1						
Summary									
Federal funds:									
(As shown in detail above)		BA	**2,833**	**2,887**	**3,154**	**2,830**	**2,859**	**2,770**	**2,799**
		O	3,090	3,096	2,883	2,872	2,838	2,821	2,806
Deductions for offsetting receipts:									
Proprietary receipts from the public	301	BA/O	*–8*	*–6*	*–7*	*–7*	*–8*	*–8*	*–8*
	303	BA/O	*–34*	*–29*	*–30*	*–30*	*–30*	*–30*	*–30*
Offsetting governmental receipts	301	BA/O			[J] *–7*	[J] *–14*	[J] *–14*	[J] *–14*	[J] *–14*
Total Federal funds		BA	**2,791**	**2,852**	**3,110**	**2,779**	**2,807**	**2,718**	**2,747**
		O	3,048	3,061	2,839	2,821	2,786	2,769	2,754
Trust funds:									
(As shown in detail above)		BA	**722**	**809**	**768**	**679**	**687**	**707**	**711**
		O	756	800	755	683	734	752	758
Deductions for offsetting receipts:									
Proprietary receipts from the public	301	BA/O	*–177*	*–135*	*–135*	*–135*	*–135*	*–135*	*–135*
Total Trust funds		BA	**545**	**674**	**633**	**544**	**552**	**572**	**576**
		O	579	665	620	548	599	617	623
Total Corps of Engineers—Civil		BA	**3,336**	**3,526**	**3,743**	**3,323**	**3,359**	**3,290**	**3,323**
		O	3,627	3,726	3,459	3,369	3,385	3,386	3,377

Military Retirement

Account			1996 actual	1997	1998	1999	2000	2001	2002
Federal funds									
General and Special Funds:									
Payment to military retirement fund:									
Appropriation, permanent	054	BA	**10,699**	**15,151**	**15,833**	**16,545**	**17,290**	**18,068**	**18,881**
Outlays		O	10,699	15,151	15,833	16,545	17,290	18,068	18,881
Trust funds									
Military retirement fund:									
Appropriation, permanent	602	BA	**28,991**	**30,195**	**31,345**	**32,485**	**33,577**	**34,616**	**35,644**
Outlays		O	28,831	30,105	31,251	32,389	33,477	34,512	35,537
Summary									
Federal funds:									
(As shown in detail above)		BA	**10,699**	**15,151**	**15,833**	**16,545**	**17,290**	**18,068**	**18,881**
		O	10,699	15,151	15,833	16,545	17,290	18,068	18,881
Trust funds:									
(As shown in detail above)		BA	**28,991**	**30,195**	**31,345**	**32,485**	**33,577**	**34,616**	**35,644**
		O	28,831	30,105	31,251	32,389	33,477	34,512	35,537

DEPARTMENT OF DEFENSE—CIVIL—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Interfund transactions	054	BA/O	*–10,699*	*–15,151*	*–15,833*	*–16,545*	*–17,290*	*–18,068*	*–18,881*
Total Military Retirement		BA	**28,991**	**30,195**	**31,345**	**32,485**	**33,577**	**34,616**	**35,644**
		O	28,831	30,105	31,251	32,389	33,477	34,512	35,537
Education Benefits									
Trust funds									
Education benefits fund:									
Appropriation, permanent	702	BA	**156**	**183**	**180**	**179**	**182**	**187**	**192**
Outlays		O	171	169	180	179	182	187	192
Summary									
Trust funds:									
(As shown in detail above)		BA	**156**	**183**	**180**	**179**	**182**	**187**	**192**
		O	171	169	180	179	182	187	192
Interfund transactions	702	BA/O	*–151*	*–188*	*–157*	*–162*	*–167*	*–167*	*–167*
Total Education Benefits		BA	**5**	**–5**	**23**	**17**	**15**	**20**	**25**
		O	20	–19	23	17	15	20	25
Armed Services Retirement Home									
Armed Forces Retirement Home									
Trust funds									
Armed forces retirement home:									
Appropriation, current	602	BA	**56**	**56**	**80**	**73**	**56**	**56**	**56**
Outlays		O	56	61	65	71	72	58	56
Soldiers' and airmen's home revolving fund:									
Spending authority from offsetting collections	705	BA	**4**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	4	6	6	5	5	5	5
Soldiers' and airmen's home revolving fund (gross)		BA	**4**	**5**	**5**	**5**	**5**	**5**	**5**
		O	4	6	6	5	5	5	5
Total, offsetting collections			–4	–5	–5	–5	–5	–5	–5
Total Soldiers' and airmen's home revolving fund (net)		BA	....	....	....	....	....	....	....
		O	....	1	1	....	....	....	....
Summary									
Trust funds:									
(As shown in detail above)		BA	**56**	**56**	**80**	**73**	**56**	**56**	**56**
		O	56	62	66	71	72	58	56
Deductions for offsetting receipts:									
Proprietary receipts from the public	602	BA/O	*–9*	*–11*	*–13*	*–17*	*–21*	*–21*	*–21*
Total Armed Forces Retirement Home		BA	**47**	**45**	**67**	**56**	**35**	**35**	**35**
		O	47	51	53	54	51	37	35
Forest and Wildlife Conservation, Military Reservations									
Federal funds									
General and Special Funds:									
Wildlife conservation:									
Appropriation, permanent	303	BA	**2**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	2	3	3	3	3	3	3
Summary									
Federal funds:									
(As shown in detail above)		BA	**2**	**3**	**3**	**3**	**3**	**3**	**3**
		O	2	3	3	3	3	3	3

DEPARTMENT OF DEFENSE—CIVIL—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Deductions for offsetting receipts:									
Proprietary receipts from the public	303	BA/O	*–4*	*–3*	*–3*	*–3*	*–3*	*–3*	*–3*
Total Forest and Wildlife Conservation, Military Reservations		BA	**–2**						
		O	–2						
Summary									
Federal funds:									
(As shown in detail above)		BA	**13,547**	**18,054**	**19,002**	**19,388**	**20,161**	**20,851**	**21,695**
		O	13,804	18,260	18,731	19,431	20,140	20,902	21,701
Deductions for offsetting receipts:									
Proprietary receipts from the public	301	BA/O	*–8*	*–6*	*–7*	*–7*	*–8*	*–8*	*–8*
	303	BA/O	*–38*	*–32*	*–33*	*–33*	*–33*	*–33*	*–33*
Offsetting governmental receipts	301	BA/O			*–7*	*–14*	*–14*	*–14*	*–14*
Total Federal funds		BA	**13,501**	**18,016**	**18,955**	**19,334**	**20,106**	**20,796**	**21,640**
		O	13,758	18,222	18,684	19,377	20,085	20,847	21,646
Trust funds:									
(As shown in detail above)		BA	**29,925**	**31,243**	**32,373**	**33,416**	**34,502**	**35,566**	**36,603**
		O	29,814	31,136	32,252	33,322	34,465	35,509	36,543
Deductions for offsetting receipts:									
Proprietary receipts from the public	301	BA/O	*–177*	*–135*	*–135*	*–135*	*–135*	*–135*	*–135*
	602	BA/O	*–9*	*–11*	*–13*	*–17*	*–21*	*–21*	*–21*
Total Trust funds		BA	**29,739**	**31,097**	**32,225**	**33,264**	**34,346**	**35,410**	**36,447**
		O	29,628	30,990	32,104	33,170	34,309	35,353	36,387
Interfund transactions	054	BA/O	*–10,699*	*–15,151*	*–15,833*	*–16,545*	*–17,290*	*–18,068*	*–18,881*
	702	BA/O	*–151*	*–188*	*–157*	*–162*	*–167*	*–167*	*–167*
Total Department of Defense—Civil		BA	**32,390**	**33,774**	**35,190**	**35,891**	**36,995**	**37,971**	**39,039**
		O	32,536	33,873	34,798	35,840	36,937	37,965	38,985

DEPARTMENT OF EDUCATION

(In millions of dollars)

Office of Elementary and Secondary Education

Federal funds

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
General and Special Funds:									
Education Reform:									
Appropriation, current	501	BA	**530**	**691**	**1,245**	**1,261**	**1,208**	**1,045**	**687**
Outlays		O	271	691	730	1,249	1,255	1,199	1,036
Education for the disadvantaged:									
Appropriation, current	501	BA	**5,896**	**6,400**	**6,779**	**6,989**	**7,204**	**7,425**	**7,652**
Appropriation, permanent		BA		**–8**					
Advance appropriation		BA		**1,298**	**1,298**	**1,298**	**1,298**	**1,298**	**1,298**
Spending authority from offsetting collections		BA	**15**						
Outlays		O	7,034	7,235	7,476	8,169	8,318	8,481	8,702
Education for the disadvantaged (gross)		BA	**5,911**	**7,690**	**8,077**	**8,287**	**8,502**	**8,723**	**8,950**
		O	7,034	7,235	7,476	8,169	8,318	8,481	8,702
Total, offsetting collections			–15						
Total Education for the disadvantaged (net)		BA	**5,896**	**7,690**	**8,077**	**8,287**	**8,502**	**8,723**	**8,950**
		O	7,019	7,235	7,476	8,169	8,318	8,481	8,702
Impact aid:									
Appropriation, current	501	BA	**693**	**730**	**658**	**680**	**697**	**710**	**718**
Outlays		O	952	901	701	688	689	710	727
School construction:									
Appropriation, current	501	BA			[B] **5,000**				
Outlays		O			[B] 1,250	[B] 1,250	[B] 1,250	[B] 1,250	
School improvement programs:									
Appropriation, current	501	BA	**1,218**	**1,426**	**1,299**	**1,333**	**1,368**	**1,403**	**1,440**

DEPARTMENT OF EDUCATION—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	1,246	1,516	1,396	1,407	1,353	1,365	1,400
America Reads Challenge:									
Appropriation, current	501	BA			[B] **260**	[B] **290**	[B] **335**	[B] **380**	[B] **460**
Outlays		O			[B] 31	[B] 212	[B] 284	[B] 331	[B] 380
Chicago litigation settlement:									
Outlays	501	O	1	4	4	....	....	....	....
Indian education:									
Appropriation, current	501	BA	**52**	**61**	**63**	**64**	**66**	**68**	**69**
Outlays		O	77	67	61	63	64	66	68
Total Federal funds Office of Elementary and Secondary Education		BA	**8,389**	**10,598**	**16,602**	**11,915**	**12,176**	**12,329**	**12,324**
		O	9,566	10,414	11,649	13,038	13,213	13,402	12,313

Office of Bilingual Education and Minority Languages Affairs

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Bilingual and immigrant education:									
Appropriation, current	501	BA	**178**	**262**	**354**	**363**	**373**	**382**	**392**
Outlays		O	185	225	276	341	361	372	381

Office of Special Education and Rehabilitative Services

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Special education:									
Appropriation, current	501	BA	**3,245**	**4,036**	....	....	....	....	....
					[J] **4,210**	[J] **4,319**	[J] **4,432**	[J] **4,547**	[J] **4,665**
Outlays		O	3,222	3,426	3,332	1,312	202	....	....
					[J] 421	[J] 2,958	[J] 4,087	[J] 4,404	[J] 4,519
Total Special education		BA	**3,245**	**4,036**	**4,210**	**4,319**	**4,432**	**4,547**	**4,665**
		O	3,222	3,426	3,753	4,270	4,289	4,404	4,519
Rehabilitation services and disability research:									
Appropriation, current	506	BA	**2,456**	**2,509**	**36**	**30**	**21**	**14**	**8**
					[J] **2,547**	[J] **2,616**	[J] **2,684**	[J] **2,755**	[J] **2,830**
Spending authority from offsetting collections		BA	**2**	....	....	....	....	....	....
Outlays		O	2,413	2,702	665	150	23	16	10
					[J] 1,961	[J] 2,498	[J] 2,666	[J] 2,736	[J] 2,810
Rehabilitation services and disability research (gross)		BA	**2,458**	**2,509**	**2,583**	**2,646**	**2,705**	**2,769**	**2,838**
		O	2,413	2,702	2,626	2,648	2,689	2,752	2,820
Total, offsetting collections			–2	....	....	....	....	....	....
Total Rehabilitation services and disability research (net)		BA	**2,456**	**2,509**	**2,583**	**2,646**	**2,705**	**2,769**	**2,838**
		O	2,411	2,702	2,626	2,648	2,689	2,752	2,820
American printing house for the blind:									
Appropriation, current	501	BA	**7**	**7**	**7**	**7**	**7**	**7**	**7**
Outlays		O	5	9	7	7	7	7	7
National technical institute for the deaf:									
Appropriation, current	502	BA	**42**	**43**	**43**	**44**	**45**	**46**	**48**
Outlays		O	42	40	43	44	45	46	48
Gallaudet University:									
Appropriation, current	502	BA	**78**	**79**	**79**	**81**	**83**	**86**	**88**
Outlays		O	79	76	79	81	83	86	88
Total Federal funds Office of Special Education and Rehabilitative Services		BA	**5,828**	**6,674**	**6,922**	**7,097**	**7,272**	**7,455**	**7,646**
		O	5,759	6,253	6,508	7,050	7,113	7,295	7,482

Office of Vocational and Adult Education

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Vocational and adult education:									
Appropriation, current	501	BA	**1,340**	**1,487**	**1,566**	**1,607**	**1,649**	**1,692**	**1,736**
Appropriation, permanent		BA	**7**	**7**	**7**	**7**	**7**	**7**	**7**
					[B] **–7**	[B] **–7**	[B] **–7**	[B] **–7**	[B] **–7**

DEPARTMENT OF EDUCATION—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	1,348	1,598	1,494	1,561	1,609	1,652	1,695
					[B] –1	[B] –7	[B] –7	[B] –7	[B] –7
Total Vocational and adult education		BA	**1,347**	**1,494**	**1,566**	**1,607**	**1,649**	**1,692**	**1,736**
		O	1,348	1,598	1,493	1,554	1,602	1,645	1,688

Office of Postsecondary Education

Federal funds

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
General and Special Funds:									
Student financial assistance:									
Appropriation, current	502	BA	**6,258**	**7,560**	**9,263**	**8,752**	**8,972**	**9,193**	**9,422**
						[J] **752**	[J] **780**	[J] **812**	[J] **842**
Outlays		O	6,862	7,599	8,165	9,283	8,887	9,009	9,231
						[J] 150	[J] 742	[J] 781	[J] 809
Total Student financial assistance		BA	**6,258**	**7,560**	**9,263**	**9,504**	**9,752**	**10,005**	**10,264**
		O	6,862	7,599	8,165	9,433	9,629	9,790	10,040
Higher education:									
Appropriation, current	502	BA	**837**	**879**	**903**	**926**	**949**	**972**	**995**
					[J] **132**	[J] **141**	[J] **145**	[J] **148**	[J] **150**
Outlays		O	846	880	881	901	923	946	968
					[J] 16	[J] 107	[J] 137	[J] 144	[J] 148
Total Higher education		BA	**837**	**879**	**1,035**	**1,067**	**1,094**	**1,120**	**1,145**
		O	846	880	897	1,008	1,060	1,090	1,116
Howard University:									
Appropriation, current	502	BA	**182**	**196**	**196**	**201**	**206**	**212**	**217**
Outlays		O	194	192	196	201	206	212	217
Credit Accounts:									
Federal direct student loan program, program account:									
Appropriation, permanent	502	BA	**680**	**600**	**1,395**	**1,523**	**1,388**	**1,285**	**1,357**
					[B] **–112**	[B] **199**	[B] **227**	[B] **244**	[B] **261**
Spending authority from offsetting collections		BA	....	**304**	....	....	....	....	....
Outlays		O	595	716	1,126	1,353	1,342	1,242	1,262
					[B] –56	[B] 70	[B] 170	[B] 199	[B] 221
Limitation on mandatory administrative expenses			(436)	(491)	(750)	(668)	(764)	(866)	(965)
					[B] (–218)	[B] (–58)	[B] (–59)	[B] (–60)	[B] (–61)
Federal direct student loan program, program account (gross)		BA	**680**	**904**	**1,283**	**1,722**	**1,615**	**1,529**	**1,618**
		O	595	716	1,070	1,423	1,512	1,441	1,483
Total, offsetting collections			....	–304	....	....	....	....	....
Total Federal direct student loan program, program account (net)		BA	**680**	**600**	**1,283**	**1,722**	**1,615**	**1,529**	**1,618**
		O	595	412	1,070	1,423	1,512	1,441	1,483
Federal family education loan program account:									
Appropriation, current	502	BA	**30**	**46**	**48**	**49**	**50**	**52**	**53**
Appropriation, permanent		BA	**3,546**	**471**	**2,539**	**2,343**	**2,348**	**2,463**	**2,605**
				[B] **–340**	[B] **–461**	[B] **–227**	[B] **–232**	[B] **–251**	[B] **–277**
Spending authority from offsetting collections		BA	**448**	**2,754**	....	....	....	....	....
				[B] **340**					
Outlays		O	3,496	3,117	2,395	2,242	2,180	2,247	2,369
					[B] –263	[B] –291	[B] –210	[B] –222	[B] –244
Federal family education loan program account (gross)		BA	**4,024**	**3,271**	**2,126**	**2,165**	**2,166**	**2,264**	**2,381**
		O	3,496	3,117	2,132	1,951	1,970	2,025	2,125
Total, offsetting collections			–448	–2,754	....	....	....	....	....
				[B] –340					
Total Federal family education loan program account (net)		BA	**3,576**	**177**	**2,126**	**2,165**	**2,166**	**2,264**	**2,381**
		O	3,048	23	2,132	1,951	1,970	2,025	2,125
Federal family education loan liquidating account:									
Appropriation, permanent	502	BA	**1,153**	....	....	....	....	....	....
Spending authority from offsetting collections		BA	**1,619**	**1,608**	**1,554**	**1,318**	**1,102**	**980**	**864**

DEPARTMENT OF EDUCATION—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	2,234	1,614	1,140	777	544	385	281
Federal family education loan liquidating account (gross)		BA	**2,772**	**1,608**	**1,554**	**1,318**	**1,102**	**980**	**864**
		O	2,234	1,614	1,140	777	544	385	281
Total, offsetting collections			–1,619	–1,608	–1,554	–1,318	–1,102	–980	–864
Total Federal family education loan liquidating account (net)		BA	**1,153**						
		O	615	6	–414	–541	–558	–595	–583
College housing and academic facilities loans, program account:									
Appropriation, current	502	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	2	2	2	2	3	2	1
College housing and academic facilities loans liquidating account:									
Appropriation, permanent	502	BA	**6**	**3**	**3**	**3**	**3**	**3**	**3**
Spending authority from offsetting collections		BA	**30**	**26**	**24**	**25**	**21**	**19**	**19**
Outlays		O	30	30	27	30	24	23	21
College housing and academic facilities loans liquidating account (gross)		BA	**36**	**29**	**27**	**28**	**24**	**22**	**22**
		O	30	30	27	30	24	23	21
Total, offsetting collections			–76	–59	–59	–57	–53	–51	–48
Total College housing and academic facilities loans liquidating account (net)		BA	**–40**	**–30**	**–32**	**–29**	**–29**	**–29**	**–26**
		O	–46	–29	–32	–27	–29	–28	–27
Total Federal funds Office of Postsecondary Education		BA	**12,647**	**9,383**	**13,872**	**14,631**	**14,805**	**15,102**	**15,600**
		O	12,116	9,085	12,016	13,450	13,793	13,937	14,372

Office of Educational Research and Improvement

Federal funds

General and Special Funds:

Account			1996 actual	1997	1998	1999	2000	2001	2002
Education research, statistics, and improvement (Research and general education aids):									
(Appropriation, current)	503	BA	**351**	**598**	**511**	**519**	**528**	**541**	**527**
(Spending authority from offsetting collections)		BA	**2**						
(Outlays)		O	313	412	551	526	522	530	538
Education research, statistics, and improvement (gross)		BA	**353**	**598**	**511**	**519**	**528**	**541**	**527**
		O	313	412	551	526	522	530	538
Total, offsetting collections			–2						
Total (Research and general education aids) (net)		BA	**351**	**598**	**511**	**519**	**528**	**541**	**527**
		O	311	412	551	526	522	530	538
Total Education research, statistics, and improvement		BA	**351**	**598**	**511**	**519**	**528**	**541**	**527**
		O	311	412	551	526	522	530	538

Departmental Management

Federal funds

General and Special Funds:

Account			1996 actual	1997	1998	1999	2000	2001	2002
Program administration:									
Appropriation, current	503	BA	**327**	**326**	**341**	**350**	**359**	**369**	**380**
Spending authority from offsetting collections		BA	**6**	**8**	**8**	**8**	**8**	**8**	**9**
Outlays		O	406	330	348	354	363	374	385
Program administration (gross)		BA	**333**	**334**	**349**	**358**	**367**	**377**	**389**
		O	406	330	348	354	363	374	385
Total, offsetting collections			–6	–8	–8	–8	–8	–8	–9
Total Program administration (net)		BA	**327**	**326**	**341**	**350**	**359**	**369**	**380**
		O	400	322	340	346	355	366	376
Office for Civil Rights:									
Appropriation, current	751	BA	**55**	**55**	**62**	**63**	**65**	**67**	**69**
Outlays		O	72	57	60	63	65	66	69
Office of the Inspector General:									
Appropriation, current	751	BA	**29**	**30**	**32**	**33**	**34**	**35**	**36**

DEPARTMENT OF EDUCATION—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	31	31	31	32	34	35	36
Headquarters Renovation:									
Appropriation, current	503	BA	**7**						
Outlays		O		5	2				
Total Federal funds Departmental Management		BA	**418**	**411**	**435**	**446**	**458**	**471**	**485**
		O	503	415	433	441	454	467	481
Summary									
Federal funds:									
(As shown in detail above)		BA	**29,158**	**29,420**	**40,262**	**36,578**	**37,261**	**37,972**	**38,710**
		O	29,788	28,402	32,926	36,400	37,058	37,648	37,255
Deductions for offsetting receipts:									
Proprietary receipts from the public	502	BA/O	*–61*	*–62*	*–61*	*–60*	*–58*	*–58*	*–58*
					–731	*–127*	*–186*	*–186*	*–1,271*
Total Department of Education		BA	**29,097**	**29,358**	**39,470**	**36,391**	**37,017**	**37,728**	**37,381**
		O	29,727	28,340	32,134	36,213	36,814	37,404	35,926

DEPARTMENT OF ENERGY

(In millions of dollars)

Atomic Energy Defense Activities

Federal funds

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
General and Special Funds:									
Weapons activities:									
Appropriation, current	053	BA	**3,455**	**3,911**	**3,576**		**3,400**	**3,362**	**3,321**
Advance appropriation		BA				**3,497**			
Spending authority from offsetting collections		BA	**936**	**1,400**	**1,400**	**1,400**	**1,400**	**1,400**	**1,400**
Outlays		O	4,809	5,420	5,060	4,913	4,819	4,770	4,729
Weapons activities (gross)		BA	**4,391**	**5,311**	**4,976**	**4,897**	**4,800**	**4,762**	**4,721**
		O	4,809	5,420	5,060	4,913	4,819	4,770	4,729
Total, offsetting collections			–936	–1,400	–1,400	–1,400	–1,400	–1,400	–1,400
Total Weapons activities (net)		BA	**3,455**	**3,911**	**3,576**	**3,497**	**3,400**	**3,362**	**3,321**
		O	3,873	4,020	3,660	3,513	3,419	3,370	3,329
Defense environmental restoration and waste management:									
Appropriation, current	053	BA	**5,545**	**5,619**	**5,052**		**4,778**	**4,674**	**4,533**
Advance appropriation		BA				**4,647**			
Spending authority from offsetting collections		BA	**18**	**8**					
Outlays		O	6,148	6,082	4,962	4,920	4,762	4,720	4,723
Defense environmental restoration and waste management (gross)		BA	**5,563**	**5,627**	**5,052**	**4,647**	**4,778**	**4,674**	**4,533**
		O	6,148	6,082	4,962	4,920	4,762	4,720	4,723
Total, offsetting collections			–18	–8					
Total Defense environmental restoration and waste management (net)		BA	**5,545**	**5,619**	**5,052**	**4,647**	**4,778**	**4,674**	**4,533**
		O	6,130	6,074	4,962	4,920	4,762	4,720	4,723
Defense environmental management privatization:									
Appropriation, current	053	BA			**1,006**		**600**	**600**	
Advance appropriation		BA				**800**			
Outlays		O				30	64	100	142
Total Defense environmental management privatization		BA			**1,006**	**800**	**600**	**600**	
		O				30	64	100	142
Other Defense Activities:									
Appropriation, current	053	BA	**1,430**	**1,606**	**1,606**		**1,601**	**1,600**	**1,567**
Advance appropriation		BA				**1,604**			

DEPARTMENT OF ENERGY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	1,473	1,671	1,606	1,604	1,602	1,600	1,574
Total Other Defense Activities		BA	**1,430**	**1,606**	**1,606**	**1,604**	**1,601**	**1,600**	**1,567**
		O	1,473	1,671	1,606	1,604	1,602	1,600	1,574
Defense nuclear waste disposal:									
Appropriation, current	053	BA	**248**	**200**	**190**		**190**	**190**	**190**
Advance appropriation		BA				**190**			
Outlays		O	151	182	195	233	232	190	190
Total Defense nuclear waste disposal		BA	**248**	**200**	**190**	**190**	**190**	**190**	**190**
		O	151	182	195	233	232	190	190
Defense asset acquisition:									
Appropriation, current	053	BA			**2,167**		**576**	**418**	**899**
Advance appropriation		BA				**1,067**			
Outlays		O			477	798	881	802	810
Total Defense asset acquisition		BA			**2,167**	**1,067**	**576**	**418**	**899**
		O			477	798	881	802	810
Total Federal funds Atomic Energy Defense Activities		BA	**10,678**	**11,336**	**13,597**	**11,805**	**11,145**	**10,844**	**10,510**
		O	11,627	11,947	10,900	11,098	10,960	10,782	10,768

Energy Programs

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
General science and research activities:									
Appropriation, current	251	BA	**966**	**996**	**876**	**881**	**876**	**876**	**876**
Advance appropriation		BA				**65**	**70**	**70**	**70**
Outlays		O	1,054	989	905	929	946	946	946
Total General science and research activities		BA	**966**	**996**	**876**	**946**	**946**	**946**	**946**
		O	1,054	989	905	929	946	946	946
Science assets acquisition:									
Appropriation, current	251	BA			**127**	**50**	**50**	**50**	**50**
Outlays		O			83	72	52	50	50
Energy supply, R&D activities:									
Appropriation, current	271	BA	**2,758**	**2,711**	**2,999**	**2,893**	**2,886**	**2,761**	**2,687**
Spending authority from offsetting collections		BA	**917**	**1,498**	**1,350**	**1,350**	**1,350**	**1,350**	**1,350**
Outlays		O	4,032	4,323	4,198	4,258	4,256	4,181	4,096
Energy supply, R&D activities (gross)		BA	**3,675**	**4,209**	**4,349**	**4,243**	**4,236**	**4,111**	**4,037**
		O	4,032	4,323	4,198	4,258	4,256	4,181	4,096
Total, offsetting collections			–917	–1,498	–1,350	–1,350	–1,350	–1,350	–1,350
Total Energy supply, R&D activities (net)		BA	**2,758**	**2,711**	**2,999**	**2,893**	**2,886**	**2,761**	**2,687**
		O	3,115	2,825	2,848	2,908	2,906	2,831	2,746
Energy assets acquisition:									
Appropriation, current	271	BA			**89**	**50**	**50**	**50**	**50**
Outlays		O			31	51	55	53	50
Uranium supply and enrichment activities:									
Appropriation, current	271	BA	**64**	**1**					
Spending authority from offsetting collections		BA		**42**					
Outlays		O	122	125	18				
Uranium supply and enrichment activities (gross)		BA	**64**	**43**					
		O	122	125	18				
Total, offsetting collections				–42					
Total Uranium supply and enrichment activities (net)		BA	**64**	**1**					
		O	122	83	18				
Fossil energy research and development:									
Appropriation, current	271	BA	**415**	**365**	**346**	**321**	**321**	**321**	**321**
Outlays		O	471	394	367	339	326	321	321

DEPARTMENT OF ENERGY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Naval petroleum and oil shale reserves:									
Appropriation, current	271	BA	**148**	**144**	**117**	**48**	**48**	**48**	**48**
Outlays		O	170	154	134	117	69	48	48
Energy conservation:									
Appropriation, current	272	BA	**533**	**550**	**688**	**691**	**688**	**690**	**689**
Spending authority from offsetting collections		BA	**20**	**20**	**20**	**20**	**20**	**20**	**20**
Outlays		O	644	585	609	688	710	709	709
Energy conservation (gross)		BA	**553**	**570**	**708**	**711**	**708**	**710**	**709**
		O	644	585	609	688	710	709	709
Total, offsetting collections			–20	–20	–20	–20	–20	–20	–20
Total Energy conservation (net)		BA	**533**	**550**	**688**	**691**	**688**	**690**	**689**
		O	624	565	589	668	690	689	689
Strategic petroleum reserve:									
Appropriation, current	274	BA	**284**	**220**	**209**	**209**	**209**	**209**	**209**
Outlays		O	236	246	221	210	209	209	209
SPR petroleum account:									
Appropriation, current	274	BA	**–187**						
Outlays		O		5	5	5	5	5	5
Energy information administration:									
Appropriation, current	276	BA	**72**	**66**	**63**	**63**	**63**	**63**	**63**
Outlays		O	76	70	65	64	63	63	63
Emergency preparedness:									
Outlays	274	O	2						
Economic regulation:									
Appropriation, current	276	BA	**6**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	8	5	3	3	3	3	3
Federal Energy Regulatory Commission:									
Spending authority from offsetting collections	276	BA	**131**	**146**	**168**	**174**	**180**	**186**	**193**
Outlays		O	169	147	165	173	179	185	192
Federal Energy Regulatory Commission (gross)		BA	**131**	**146**	**168**	**174**	**180**	**186**	**193**
		O	169	147	165	173	179	185	192
Total, offsetting collections			–131	–146	–168	–174	–180	–186	–193
Total Federal Energy Regulatory Commission (net)		BA							
		O	38	1	–3	–1	–1	–1	–1
Clean coal technology:									
Appropriation, current	271	BA	**–3**	**–123**	**–286**				
Advance appropriation		BA	**150**	**138**		**183**			
Outlays		O	248	244	257	183	160	113	55
Total Clean coal technology		BA	**147**	**15**	**–286**	**183**			
		O	248	244	257	183	160	113	55
Alternative fuels production:									
Appropriation, current	271	BA		**–3**					
Alternative fuels production (gross)		BA		**–3**					
Total, offsetting collections			–2	–1	–2	–2	–2	–2	–2
Payments to States under Federal Power Act:									
Appropriation, permanent	806	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	2	3	3	3	3	3	3
Nuclear waste disposal fund:									
Appropriation, current	271	BA	**151**	**182**	**190**	**190**	**190**	**190**	**190**
Outlays		O	195	166	186	190	190	190	190
Uranium enrichment decontamination and decommissioning fund:									
Appropriation, current	271	BA	**279**	**200**	**249**	**220**	**190**	**190**	**190**
Outlays		O	317	216	236	224	195	190	190
Public Enterprise Funds:									
Isotope production and distribution program fund:									
Spending authority from offsetting collections	271	BA	**42**	**24**	**34**	**23**	**23**	**23**	**23**

DEPARTMENT OF ENERGY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	37	24	34	23	23	23	23
Isotope production and distribution program fund (gross)		BA	**42**	**24**	**34**	**23**	**23**	**23**	**23**
		O	37	24	34	23	23	23	23
Total, offsetting collections			–42	–24	–34	–23	–23	–23	–23
Total Isotope production and distribution program fund (net)		BA							
		O	–5						
Trust funds									
Advances for cooperative work:									
Outlays	271	O	6						
Total Federal funds Energy Programs		BA	**5,637**	**5,452**	**5,671**	**5,868**	**5,645**	**5,522**	**5,447**
		O	6,671	5,965	5,946	5,963	5,869	5,711	5,565
Total Trust funds Energy Programs		O	**6**						
Power Marketing Administration									
Federal funds									
General and Special Funds:									
Operation and maintenance, Alaska Power Administration:									
Appropriation, current	271	BA	**10**	**4**	**1**				
Outlays		O	4	5	2				
Operation and maintenance, Southeastern Power Administration:									
Appropriation, current	271	BA	**20**	**16**	**16**	**15**	**15**	**15**	**15**
Spending authority from offsetting collections		BA			**20**				
Outlays		O	23	17	36	15	15	15	15
Operation and maintenance, Southeastern Power Administration (gross)		BA	**20**	**16**	**36**	**15**	**15**	**15**	**15**
		O	23	17	36	15	15	15	15
Total, offsetting collections					–20				
Total Operation and maintenance, Southeastern Power Administration (net)		BA	**20**	**16**	**16**	**15**	**15**	**15**	**15**
		O	23	17	16	15	15	15	15
Operation and maintenance, Southwestern Power Administration:									
Appropriation, current	271	BA	**30**	**25**	**27**	**26**	**26**	**26**	**26**
Spending authority from offsetting collections		BA	**3**	**4**	**5**	**4**	**4**	**4**	**4**
Outlays		O	33	30	32	30	30	30	30
Operation and maintenance, Southwestern Power Administration (gross)		BA	**33**	**29**	**32**	**30**	**30**	**30**	**30**
		O	33	30	32	30	30	30	30
Total, offsetting collections			–3	–4	–5	–4	–4	–4	–4
Total Operation and maintenance, Southwestern Power Administration (net)		BA	**30**	**25**	**27**	**26**	**26**	**26**	**26**
		O	30	26	27	26	26	26	26
Construction, rehabilitation, operation and maintenance, Western Area Power Administration:									
Appropriation, current	271	BA	**255**	**197**	**208**	**210**	**200**	**188**	**170**
Spending authority from offsetting collections		BA	**51**	**136**	**147**	**147**	**147**	**147**	**147**
Outlays		O	300	366	349	356	353	342	327
Construction, rehabilitation, operation and maintenance, Western Area Power Administration (gross)		BA	**306**	**333**	**355**	**357**	**347**	**335**	**317**
		O	300	366	349	356	353	342	327
Total, offsetting collections			–51	–136	–147	–147	–147	–147	–147
Total Construction, rehabilitation, operation and maintenance, Western Area Power Administration (net)		BA	**255**	**197**	**208**	**210**	**200**	**188**	**170**
		O	249	230	202	209	206	195	180
Falcon and Amistad operating and maintenance fund:									
Appropriation, current	271	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1

DEPARTMENT OF ENERGY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Public Enterprise Funds:									
Bonneville Power Administration fund:									
Authority to borrow, permanent	271	BA	74	191	187	161	183	226	222
Spending authority from offsetting collections		BA	3,080	2,075	3,052	3,183	3,245	3,245	3,223
Outlays		O	3,207	2,246	3,214	3,341	3,422	3,463	3,445
Bonneville Power Administration fund (gross)		BA	3,154	2,266	3,239	3,344	3,428	3,471	3,445
		O	3,207	2,246	3,214	3,341	3,422	3,463	3,445
Total, offsetting collections			–3,348	–2,280	–3,280	–3,347	–3,409	–3,406	–3,492
Total Bonneville Power Administration fund (net)		BA	–194	–14	–41	–3	19	65	–47
		O	–141	–34	–66	–6	13	57	–47
Colorado river basins power marketing fund, Western Area Power Administration:									
Spending authority from offsetting collections	271	BA	123	120	125	126	126	126	126
Outlays		O	145	120	125	126	126	126	126
Colorado river basins power marketing fund, Western Area Power Administration (gross)		BA	123	120	125	126	126	126	126
		O	145	120	125	126	126	126	126
Total, offsetting collections			–123	–130	–141	–137	–137	–137	–137
Total Colorado river basins power marketing fund, Western Area Power Administration (net)		BA	....	–10	–16	–11	–11	–11	–11
		O	22	–10	–16	–11	–11	–11	–11
Total Federal funds Power Marketing Administration		BA	122	219	196	238	250	284	154
		O	188	235	166	234	250	283	164

Departmental Administration

Federal funds

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
General and Special Funds:									
Departmental administration:									
Appropriation, current	276	BA	261	90	101	95	95	95	95
Spending authority from offsetting collections		BA	105	125	131	131	131	131	131
Outlays		O	375	276	230	227	226	226	226
Departmental administration (gross)		BA	366	215	232	226	226	226	226
		O	375	276	230	227	226	226	226
Total, offsetting collections			–105	–125	–131	–131	–131	–131	–131
Total Departmental administration (net)		BA	261	90	101	95	95	95	95
		O	270	151	99	96	95	95	95
Office of the Inspector General:									
Appropriation, current	276	BA	25	24	29	29	29	29	29
Outlays		O	28	25	27	29	29	29	29
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	276	BA	....	93	95	95	95	95	95
Outlays		O	....	89	95	95	95	95	95
Working capital fund (gross)		BA	....	93	95	95	95	95	95
		O	....	89	95	95	95	95	95
Total, offsetting collections			....	–93	–95	–95	–95	–95	–95
Total Working capital fund (net)		BA	....	....	....	....	....	....	....
		O	....	–4	....	....	....	....	....
Total Federal funds Departmental Administration		BA	286	114	130	124	124	124	124
		O	298	172	126	125	124	124	124

Summary

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Federal funds:									
(As shown in detail above)		BA	16,723	17,121	19,594	18,035	17,164	16,774	16,235
		O	18,784	18,319	17,138	17,420	17,203	16,900	16,621

DEPARTMENT OF ENERGY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Deductions for offsetting receipts:									
Intrafund transactions	271	BA/O	*–350*	*–377*	*–388*	*–398*	*–410*	*–421*	*–435*
	908	BA/O	*–228*	*–365*	*–434*	*–513*	*–598*	*–690*	*–790*
Proprietary receipts from the public	053	BA/O	*–5*	*–25*	*–15*	*–15*	*–15*	*–15*	*–15*
	271	BA/O	*–1,855*	*–1,878*	*–1,717*	*–1,526*	*–1,512*	*–1,581*	*–2,362*
						–10	*2*	*2*	*2*
	274	BA/O	*–97*	*–220*	....	....	....	....	....
						–14	*–37*	*–67*	*–1,228*
	276	BA/O	*–2*	....	....	....	....	....	.
Offsetting governmental receipts	276	BA/O	*–50*	*–31*	*–22*	*–22*	*–23*	*–24*	*–24*
Total Federal funds		BA	**14,136**	**14,225**	**17,018**	**15,537**	**14,571**	**13,978**	**11,383**
		O	16,197	15,423	14,562	14,922	14,610	14,104	11,769
Trust funds:									
(As shown in detail above)		O	6	....	....	....	....	....	....
Total Department of Energy		BA	**14,136**	**14,225**	**17,018**	**15,537**	**14,571**	**13,978**	**11,383**
		O	16,203	15,423	14,562	14,922	14,610	14,104	11,769

DEPARTMENT OF HEALTH AND HUMAN SERVICES

(In millions of dollars)

Health Programs

Public Health Service

Food and Drug Administration

Federal funds

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	554	BA	**877**	**888**	**820**	**805**	**790**	**775**	**760**
					[B] **237**	[B] **252**	[B] **267**	[B] **282**	[B] **297**
Spending authority from offsetting collections		BA	**109**	**114**	**13**	**13**	**13**	**13**	**13**
Outlays		O	975	1,032	865	824	808	792	777
					[B] 237	[B] 252	[B] 267	[B] 282	[B] 297
Salaries and expenses (gross)		BA	**986**	**1,002**	**1,070**	**1,070**	**1,070**	**1,070**	**1,070**
		O	975	1,032	1,102	1,076	1,075	1,074	1,074
Total, offsetting collections			–109	–114	–13	–13	–13	–13	–13
Total Salaries and expenses (net)		BA	**877**	**888**	**1,057**	**1,057**	**1,057**	**1,057**	**1,057**
		O	866	918	1,089	1,063	1,062	1,061	1,061
Public Enterprise Funds:									
Revolving fund for certification and other services:									
Spending authority from offsetting collections	554	BA	**5**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	4	5	5	5	5	5	5
Revolving fund for certification and other services (gross)		BA	**5**	**5**	**5**	**5**	**5**	**5**	**5**
		O	4	5	5	5	5	5	5
Total, offsetting collections			–5	–5	–5	–5	–5	–5	–5
Total Revolving fund for certification and other services (net)		BA	....	....	....	....	....	....	....
		O	–1	....	....	....	....	....	....
Total Federal funds Food and Drug Administration		BA	**877**	**888**	**1,057**	**1,057**	**1,057**	**1,057**	**1,057**
		O	865	918	1,089	1,063	1,062	1,061	1,061

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Health Resources and Services Administration									
Federal funds									
General and Special Funds:									
Health Resources and Services									
(Health care services):									
(Appropriation, current)	551	BA	**2,819**	**3,113**	**3,136**	**3,128**	**3,117**	**3,105**	**3,092**
(Appropriation, permanent)		BA	....	....	**50**	**50**	**50**	**50**	**50**
(Spending authority from offsetting collections)		BA	**127**	**57**	**59**	**59**	**59**	**59**	**59**
(Outlays)		O	3,664	3,024	3,171	3,223	3,230	3,223	3,190
(Limitation on loan guarantee committments)			....	(80)	....	....	....	....	....
Health Resources and Services (gross)		BA	**2,946**	**3,170**	**3,245**	**3,237**	**3,226**	**3,214**	**3,201**
		O	3,664	3,024	3,171	3,223	3,230	3,223	3,190
Total, offsetting collections			–127	–57	–59	–59	–59	–59	–59
Total (Health care services) (net)		BA	**2,819**	**3,113**	**3,186**	**3,178**	**3,167**	**3,155**	**3,142**
		O	3,537	2,967	3,112	3,164	3,171	3,164	3,131
(Health research and training):									
(Appropriation, current)	552	BA	**258**	**292**	**130**	**123**	**120**	**117**	**115**
(Spending authority from offsetting collections)		BA	**14**	**17**	**17**	**17**	**17**	**17**	**17**
(Outlays)		O	302	302	242	158	146	136	134
Health Resources and Services (gross)		BA	**3,091**	**3,422**	**3,333**	**3,318**	**3,304**	**3,289**	**3,274**
		O	3,839	3,269	3,354	3,322	3,317	3,300	3,265
Total, offsetting collections			–14	–17	–17	–17	–17	–17	–17
Total (Health research and training) (net)		BA	**258**	**292**	**130**	**123**	**120**	**117**	**115**
		O	288	285	225	141	129	119	117
Total Health Resources and Services		BA	**3,077**	**3,405**	**3,316**	**3,301**	**3,287**	**3,272**	**3,257**
		O	3,825	3,252	3,337	3,305	3,300	3,283	3,248
Vaccine injury compensation:									
Appropriation, current	551	BA	**110**	**110**	....	....	....	....	....
Outlays		O	76	68	68	16	....	....	....
Public Enterprise Funds:									
Health loan funds									
(Health care services):									
(Appropriation, current)	551	BA	**8**	**7**	**6**	**1**	**1**	**1**	....
(Spending authority from offsetting collections)		BA	**8**	**8**	**8**	**8**	**7**	**7**	**7**
(Outlays)		O	7	8	6	6	4	4	4
Health loan funds (gross)		BA	**16**	**15**	**14**	**9**	**8**	**8**	**7**
		O	7	8	6	6	4	4	4
Total, offsetting collections			–8	–8	–8	–8	–7	–7	–7
Total (Health care services) (net)		BA	**8**	**7**	**6**	**1**	**1**	**1**	....
		O	–1	....	–2	–2	–3	–3	–3
Total Health loan funds		BA	**8**	**7**	**6**	**1**	**1**	**1**	....
		O	–1	....	–2	–2	–3	–3	–3
Credit Accounts:									
Health professions graduate student loan insurance program account:									
Appropriation, current	552	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Appropriation, permanent		BA	**1**	....	**2**	**1**	**1**	**1**	**1**
Outlays		O	3	5	5	3	3	3	3
Limitation on loan guarantee committments			(210)	(140)	(85)	....	....	....	....
Total Health professions graduate student loan insurance program account		BA	**4**	**3**	**5**	**4**	**4**	**4**	**4**
		O	3	5	5	3	3	3	3
Health professions graduate student loan insurance fund liquidating account:									
Appropriation, permanent	552	BA	**13**	**38**	**30**	**28**	**27**	**25**	**21**
Spending authority from offsetting collections		BA	**20**	**20**	**21**	**21**	**20**	**19**	**18**

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	40	78	51	49	47	44	39
Health professions graduate student loan insurance fund liquidating account (gross)		BA	**33**	**58**	**51**	**49**	**47**	**44**	**39**
		O	40	78	51	49	47	44	39
Total, offsetting collections			–20	–20	–21	–21	–20	–19	–18
Total Health professions graduate student loan insurance fund liquidating account (net)		BA	**13**	**38**	**30**	**28**	**27**	**25**	**21**
		O	20	58	30	28	27	25	21
Trust funds									
Vaccine injury compensation program trust fund:									
Appropriation, current	551	BA	**38**	**59**	**51**	**51**	**51**	**51**	**51**
Outlays		O	37	61	51	51	51	51	51
Total Federal funds Health Resources and Services Administration		BA	**3,212**	**3,563**	**3,357**	**3,334**	**3,319**	**3,302**	**3,282**
		O	3,923	3,383	3,438	3,350	3,327	3,308	3,269
Total Trust funds Health Resources and Services Administration		BA	**38**	**59**	**51**	**51**	**51**	**51**	**51**
		O	37	61	51	51	51	51	51
Indian Health Services									
Federal funds									
General and Special Funds:									
Indian Health Services:									
Appropriation, current	551	BA	**1,745**	**1,806**	**1,835**	**1,845**	**1,855**	**1,865**	**1,875**
Spending authority from offsetting collections		BA	**267**	**283**	**285**	**285**	**285**	**285**	**285**
Outlays		O	2,012	2,114	2,109	2,127	2,137	2,147	2,157
Indian Health Services (gross)		BA	**2,012**	**2,089**	**2,120**	**2,130**	**2,140**	**2,150**	**2,160**
		O	2,012	2,114	2,109	2,127	2,137	2,147	2,157
Total, offsetting collections			–267	–283	–285	–285	–285	–285	–285
Total Indian Health Services (net)		BA	**1,745**	**1,806**	**1,835**	**1,845**	**1,855**	**1,865**	**1,875**
		O	1,745	1,831	1,824	1,842	1,852	1,862	1,872
Indian health facilities:									
Appropriation, current	551	BA	**239**	**248**	**287**	**248**	**256**	**287**	**287**
Appropriation, permanent		BA	**4**	**5**	**5**	**5**	**5**	**5**	**5**
Advance appropriation		BA	....	....	....	**39**	**31**	....	....
Spending authority from offsetting collections		BA	**11**	**11**	**11**	**11**	**11**	**11**	**11**
Outlays		O	297	302	283	296	300	301	303
Indian health facilities (gross)		BA	**254**	**264**	**303**	**303**	**303**	**303**	**303**
		O	297	302	283	296	300	301	303
Total, offsetting collections			–11	–11	–11	–11	–11	–11	–11
Total Indian health facilities (net)		BA	**243**	**253**	**292**	**292**	**292**	**292**	**292**
		O	286	291	272	285	289	290	292
Total Federal funds Indian Health Services		BA	**1,988**	**2,059**	**2,127**	**2,137**	**2,147**	**2,157**	**2,167**
		O	2,031	2,122	2,096	2,127	2,141	2,152	2,164
Centers for Disease Control and Prevention									
Federal funds									
General and Special Funds:									
Disease control, research, and training (Health care services):									
(Appropriation, current)	551	BA	**1,947**	**2,091**	**2,117**	**2,069**	**2,054**	**2,039**	**2,024**
(Spending authority from offsetting collections)		BA	**88**	**84**	**84**	**84**	**84**	**84**	**84**
(Outlays)		O	2,096	2,134	2,160	2,170	2,158	2,139	2,123
Disease control, research, and training (gross)		BA	**2,035**	**2,175**	**2,201**	**2,153**	**2,138**	**2,123**	**2,108**
		O	2,096	2,134	2,160	2,170	2,158	2,139	2,123

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Total, offsetting collections			–88	–84	–84	–84	–84	–84	–84
Total (Health care services) (net)		BA	**1,947**	**2,091**	**2,117**	**2,069**	**2,054**	**2,039**	**2,024**
		O	2,008	2,050	2,076	2,086	2,074	2,055	2,039
(Health research and training):									
(Appropriation, current)	552	BA	**166**	**211**	**199**	**198**	**198**	**198**	**198**
(Appropriation, permanent)		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
(Spending authority from offsetting collections)		BA	**46**	**50**	**50**	**50**	**50**	**50**	**50**
(Outlays)		O	205	190	246	257	250	249	249
Disease control, research, and training (gross)		BA	**2,160**	**2,353**	**2,367**	**2,318**	**2,303**	**2,288**	**2,273**
		O	2,213	2,240	2,322	2,343	2,324	2,304	2,288
Total, offsetting collections			–46	–50	–50	–50	–50	–50	–50
Total (Health research and training) (net)		BA	**167**	**212**	**200**	**199**	**199**	**199**	**199**
		O	159	140	196	207	200	199	199
Total Disease control, research, and training		BA	**2,114**	**2,303**	**2,317**	**2,268**	**2,253**	**2,238**	**2,223**
		O	2,167	2,190	2,272	2,293	2,274	2,254	2,238
Total Federal funds Centers for Disease Control and Prevention		BA	**2,114**	**2,303**	**2,317**	**2,268**	**2,253**	**2,238**	**2,223**
		O	2,167	2,190	2,272	2,293	2,274	2,254	2,238

National Institutes of Health

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
National Institutes of Health:									
Appropriation, current	552	BA	**11,928**	**12,741**	**13,078**	**13,042**	**13,146**	**13,240**	**13,294**
Appropriation, permanent		BA	**7**	**12**	**15**	**8**	**8**	**8**	**8**
Advance appropriation		BA	....	....	....	**90**	**40**	....	....
Spending authority from offsetting collections		BA	**350**	**360**	**404**	**404**	**404**	**404**	**404**
Outlays		O	10,467	12,518	13,205	13,488	13,581	13,617	13,664
National Institutes of Health (gross)		BA	**12,285**	**13,113**	**13,497**	**13,544**	**13,598**	**13,652**	**13,706**
		O	10,467	12,518	13,205	13,488	13,581	13,617	13,664
Change in orders on hand from Federal sources		BA	**–100**	....	....	....	....	....	....
Total, offsetting collections			–250	–360	–404	–404	–404	–404	–404
Total National Institutes of Health (net)		BA	**11,935**	**12,753**	**13,093**	**13,140**	**13,194**	**13,248**	**13,302**
		O	10,217	12,158	12,801	13,084	13,177	13,213	13,260

Substance Abuse and Mental Health Services Administration

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Substance abuse and mental health services									
(Health care services):									
(Appropriation, current)	551	BA	**1,885**	**2,134**	**2,156**	**2,141**	**2,126**	**2,111**	**2,096**
(Advance appropriation)		BA	....	**50**	**50**	....	....	....	....
(Spending authority from offsetting collections)		BA	**20**	**20**	**20**	**20**	**20**	**20**	**20**
(Outlays)		O	2,104	1,925	2,109	2,160	2,154	2,140	2,125
Substance abuse and mental health services (gross)		BA	**1,905**	**2,204**	**2,226**	**2,161**	**2,146**	**2,131**	**2,116**
		O	2,104	1,925	2,109	2,160	2,154	2,140	2,125
Total, offsetting collections			–20	–20	–20	–20	–20	–20	–20
Total (Health care services) (net)		BA	**1,885**	**2,184**	**2,206**	**2,141**	**2,126**	**2,111**	**2,096**
		O	2,084	1,905	2,089	2,140	2,134	2,120	2,105
Total Substance abuse and mental health services		BA	**1,885**	**2,184**	**2,206**	**2,141**	**2,126**	**2,111**	**2,096**
		O	2,084	1,905	2,089	2,140	2,134	2,120	2,105

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Agency for Health Care Policy and Research									
Federal funds									
General and Special Funds:									
Health care policy and research:									
Appropriation, current	552	BA	**65**	**96**	**87**	**83**	**79**	**75**	**71**
Spending authority from offsetting collections		BA	**69**	**57**	**71**	**71**	**71**	**71**	**71**
Outlays		O	150	152	159	159	155	151	147
Health care policy and research (gross)		BA	**134**	**153**	**158**	**154**	**150**	**146**	**142**
		O	150	152	159	159	155	151	147
Total, offsetting collections			–69	–57	–71	–71	–71	–71	–71
Total Health care policy and research (net)		BA	**65**	**96**	**87**	**83**	**79**	**75**	**71**
		O	81	95	88	88	84	80	76
Total Federal funds Public Health Service		BA	**22,076**	**23,846**	**24,244**	**24,160**	**24,175**	**24,188**	**24,198**
		O	21,368	22,771	23,873	24,145	24,199	24,188	24,173
Total Trust funds Public Health Service		BA	**38**	**59**	**51**	**51**	**51**	**51**	**51**
		O	37	61	51	51	51	51	51
Other Health Programs									
Health Care Financing Administration									
Federal funds									
General and Special Funds:									
Grants to States for Medicaid:									
Appropriation, current	551	BA	**55,094**	**75,057**	**71,530**	**83,402**	**89,685**	**96,829**	**104,378**
					[B]**1,456**	[B]**412**	[B]**–1,414**	[B]**–3,884**	[B]**–5,783**
Advance appropriation		BA	**27,048**	**26,155**	**27,989**	**27,801**	**29,895**	**32,276**	**34,793**
Outlays		O	91,990	98,503	104,384	111,203	119,580	129,105	139,171
				[B]39	[B]1,417	[B]412	[B]–1,414	[B]–3,884	[B]–5,783
Total Grants to States for Medicaid		BA	**82,142**	**101,212**	**100,975**	**111,615**	**118,166**	**125,221**	**133,388**
		O	91,990	98,542	105,801	111,615	118,166	125,221	133,388
Payments to health care trust funds:									
Appropriation, current	571	BA	**63,313**	**60,079**	**63,581**	**70,707**	**78,825**	**87,777**	**97,902**
					[J]**14,668**	[J]**13,671**	[J]**10,983**	[J]**9,803**	[J]**8,844**
Appropriation, permanent		BA	**4,059**	**4,443**	**4,659**	**4,928**	**5,320**	**5,723**	**6,159**
Outlays		O	66,325	64,420	68,240	75,635	84,145	93,500	104,061
					[J]14,668	[J]13,671	[J]10,983	[J]9,803	[J]8,844
Total Payments to health care trust funds		BA	**67,372**	**64,522**	**82,908**	**89,306**	**95,128**	**103,303**	**112,905**
		O	66,325	64,420	82,908	89,306	95,128	103,303	112,905
Program management									
(Health care services):									
(Appropriation, permanent)	551	BA			[B]**2,610**	[B]**3,294**	[B]**3,484**	[B]**3,721**	[B]**785**
(Spending authority from offsetting collections)		BA	**2,104**	**1,735**	**1,775**	**1,775**	**1,775**	**1,775**	**1,775**
(Outlays)		O	2,061	1,735	1,775	1,775	1,775	1,775	1,775
					[B]2,523	[B]3,257	[B]3,473	[B]3,709	[B]785
Program management (gross)		BA	**2,104**	**1,735**	**4,385**	**5,069**	**5,259**	**5,496**	**2,560**
		O	2,061	1,735	4,298	5,032	5,248	5,484	2,560
Total, offsetting collections			–2,104	–1,735	–1,775	–1,775	–1,775	–1,775	–1,775
Total (Health care services) (net)		BA	....	....	**2,610**	**3,294**	**3,484**	**3,721**	**785**
		O	–43	....	2,523	3,257	3,473	3,709	785
(Health research and training):									
(Spending authority from offsetting collections)	552	BA	**55**	**44**	**45**	**45**	**45**	**45**	**45**
(Outlays)		O	55	44	45	45	45	45	45
Program management (gross)		BA	**55**	**44**	**2,655**	**3,339**	**3,529**	**3,766**	**830**
		O	12	44	2,568	3,302	3,518	3,754	830

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Total, offsetting collections			–55	–44	–45	–45	–45	–45	–45
Total (Health research and training) (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....
Total Program management		BA	....	....	2,610	3,294	3,484	3,721	785
		O	–43	....	2,523	3,257	3,473	3,709	785
Public Enterprise Funds:									
Health maintenance organization loan and loan guarantee fund:									
Spending authority from offsetting collections	551	BA	4	2	2	2	1	....	....
Outlays		O	1	1	1	1	....	....	....
Health maintenance organization loan and loan guarantee fund (gross)		BA	4	2	2	2	1	....	....
		O	1	1	1	1	....	....	....
Total, offsetting collections			–4	–2	–2	–2	–1	....	....
Total Health maintenance organization loan and loan guarantee fund (net)		BA	....	....	....	....	....	....	....
		O	–3	–1	–1	–1	–1	....	....
Trust funds									
Federal hospital insurance trust fund:									
Appropriation, current	571	BA	1,169	1,114	1,209	1,207	1,194	1,193	1,194
Appropriation, permanent		BA	130,931	136,141	147,274	159,875	171,833	185,375	200,044
					[B] –19,410	[B] –25,470	[B] –33,770	[B] –38,450	[B] –44,320
Outlays		O	127,683	137,471	148,686	160,684	173,193	186,773	200,826
					[B] –19,410	[B] –25,470	[B] –33,770	[B] –38,450	[B] –44,320
Total Federal hospital insurance trust fund		BA	132,100	137,255	129,073	135,612	139,257	148,118	156,918
		O	127,683	137,471	129,276	135,214	139,423	148,323	156,506
Health care fraud and abuse control account:									
Appropriation, permanent	571	BA	....	591	676	764	864	950	1,010
Outlays		O	....	591	676	764	864	950	1,010
Federal supplementary medical insurance trust fund:									
Appropriation, current	571	BA	1,770	1,484	1,546	1,544	1,534	1,534	1,534
Appropriation, permanent		BA	67,139	74,931	82,463	91,166	100,039	109,691	120,643
					[B] 14,889	[B] 14,578	[B] 13,059	[B] 13,288	[B] 14,047
Outlays		O	68,946	76,487	84,015	92,674	101,564	111,220	122,142
					[B] 14,889	[B] 14,578	[B] 13,059	[B] 13,288	[B] 14,047
Total Federal supplementary medical insurance trust fund		BA	68,909	76,415	98,898	107,288	114,632	124,513	136,224
		O	68,946	76,487	98,904	107,252	114,623	124,508	136,189
Total Federal funds Health Care Financing Administration		BA	149,514	165,734	186,493	204,215	216,778	232,245	247,078
		O	158,269	162,961	191,231	204,177	216,766	232,233	247,078
Total Trust funds Health Care Financing Administration		BA	201,009	214,261	228,647	243,664	254,753	273,581	294,152
		O	196,629	214,549	228,856	243,230	254,910	273,781	293,705
Total Federal funds Health Programs		BA	171,590	189,580	210,737	228,375	240,953	256,433	271,276
		O	179,637	185,732	215,104	228,322	240,965	256,421	271,251
Total Trust funds Health Programs		BA	201,047	214,320	228,698	243,715	254,804	273,632	294,203
		O	196,666	214,610	228,907	243,281	254,961	273,832	293,756

Administration for Children and Families

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Temporary assistance for needy families:									
Appropriation, permanent	609	BA	111	13,658	16,756	17,049	17,079	17,083	16,815
Outlays		O	....	12,365	16,586	17,403	17,154	17,103	16,852
Contingency fund:									
Appropriation, permanent	609	BA	....	45	80	96	112	129	145
Outlays		O	....	23	96	97	112	129	145
Family support payments to States:									
Appropriation, current	609	BA	13,614	2,158	....	1,641	2,039	2,101	2,312
Advance appropriation		BA	4,400	4,800	607	....	800	800	800
Spending authority from offsetting collections		BA	....	667	437	474	481	486	518

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	16,670	7,093	3,461	3,182	3,296	3,385	3,608
Family support payments to States (gross)		BA	18,014	7,625	1,044	2,115	3,320	3,387	3,630
		O	16,670	7,093	3,461	3,182	3,296	3,385	3,608
Total, offsetting collections			....	–667	–437	–474	–481	–486	–518
Total Family support payments to States (net)		BA	18,014	6,958	607	1,641	2,839	2,901	3,112
		O	16,670	6,426	3,024	2,708	2,815	2,899	3,090
Low income home energy assistance:									
Appropriation, current	609	BA	180	1,000	....	....	....	....	....
Advance appropriation		BA	900	5	1,000	1,000	1,000	1,000	1,000
Outlays		O	1,067	1,097	996	1,000	1,000	1,000	1,000
Total Low income home energy assistance		BA	1,080	1,005	1,000	1,000	1,000	1,000	1,000
		O	1,067	1,097	996	1,000	1,000	1,000	1,000
Refugee and entrant assistance:									
Appropriation, current	609	BA	403	417	392	396	396	396	396
Reappropriation		BA	10	10	4	....	....	....	....
Outlays		O	361	429	405	399	398	397	396
Total Refugee and entrant assistance		BA	413	427	396	396	396	396	396
		O	361	429	405	399	398	397	396
Family preservation and support:									
Appropriation, current	506	BA	225	240	255	255	255	255	255
Outlays		O	126	186	227	247	253	255	255
Payments to States for the job opportunities and basic skills training program:									
Appropriation, current	504	BA	1,000	1,000	....	....	....	....	....
Outlays		O	931	324	89	10	....	....	....
State legalization impact assistance grants:									
Outlays	506	O	–2	2	....	....	....	....	....
Child care entitlement to States:									
Appropriation, permanent	609	BA	....	1,967	2,067	2,167	2,367	2,567	2,717
Reappropriation		BA	....	....	108	103	96	86	74
Outlays		O	....	1,592	1,922	2,088	2,227	2,212	2,442
Total Child care entitlement to States		BA	....	1,967	2,175	2,270	2,463	2,653	2,791
		O	....	1,592	1,922	2,088	2,227	2,212	2,442
Payments to States for the child care and development block grant:									
Appropriation, current	609	BA	935	19	63	....	....	....	....
Advance appropriation		BA	....	....	937	1,000	1,000	1,000	1,000
Outlays		O	933	959	998	998	1,000	1,000	1,000
Total Payments to States for the child care and development block grant		BA	935	19	1,000	1,000	1,000	1,000	1,000
		O	933	959	998	998	1,000	1,000	1,000
Social services block grant:									
Appropriation, current	506	BA	2,381	2,500	2,380	2,380	2,380	2,380	2,380
Outlays		O	2,484	2,694	2,621	2,611	2,607	2,453	2,380
Children and families services programs:									
Appropriation, current	506	BA	4,766	5,364	5,499	5,751	6,013	6,301	6,599
Spending authority from offsetting collections		BA	2	11	11	11	11	11	11
Outlays		O	4,752	5,078	5,403	5,622	5,851	6,115	6,408
Children and families services programs (gross)		BA	4,768	5,375	5,510	5,762	6,024	6,312	6,610
		O	4,752	5,078	5,403	5,622	5,851	6,115	6,408
Change in orders on hand from Federal sources		BA	–1	....	....	....	....	....	....
Total, offsetting collections			–1	–11	–11	–11	–11	–11	–11
Total Children and families services programs (net)		BA	4,766	5,364	5,499	5,751	6,013	6,301	6,599
		O	4,751	5,067	5,392	5,611	5,840	6,104	6,397
Violent crime reduction programs:									
Appropriation, current	754	BA	21	20	99	99	99	99	99
Outlays		O	11	17	35	82	94	99	99
Children's research and technical assistance:									
Appropriation, current	609	BA	....	–6	....	....	....	....	....
Appropriation, permanent		BA	37	38	66	65	68	69	69

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O		41	59	54	67	68	69
Total Children's research and technical assistance		BA	**37**	**32**	**66**	**65**	**68**	**69**	**69**
		O		41	59	54	67	68	69
Payments to states for foster care and adoption assistance:									
Appropriation, current	506	BA	**4,322**	**4,445**	**3,200**	**3,473**	**3,740**	**4,009**	**4,330**
						B **6**	B **12**	B **20**	B **30**
Advance appropriation		BA			**1,111**	**1,158**	**1,246**	**1,336**	**1,443**
Outlays		O	3,691	3,789	4,071	4,391	4,766	5,162	5,583
Total Payments to states for foster care and adoption assistance		BA	**4,322**	**4,445**	**4,311**	**4,637**	**4,998**	**5,365**	**5,803**
		O	3,691	3,789	4,071	4,391	4,766	5,162	5,583
Total Federal funds Administration for Children and Families		BA	**33,305**	**37,680**	**34,624**	**36,639**	**38,702**	**39,631**	**40,464**
		O	31,023	35,011	36,521	37,699	38,333	38,881	39,708
Administration on Aging									
Federal funds									
General and Special Funds:									
Aging services programs:									
Appropriation, current	506	BA	**829**	**830**	**1,278**	**1,278**	**1,278**	**1,278**	**1,278**
Outlays		O	818	851	914	1,249	1,278	1,278	1,278
Departmental Management									
Federal funds									
General and Special Funds:									
General departmental management:									
Appropriation, current	551	BA	**190**	**210**	**185**	**185**	**185**	**185**	**186**
Spending authority from offsetting collections		BA	**77**	**77**	**77**	**77**	**77**	**77**	**77**
Outlays		O	223	300	270	267	263	262	263
General departmental management (gross)		BA	**267**	**287**	**262**	**262**	**262**	**262**	**263**
		O	223	300	270	267	263	262	263
Total, offsetting collections			–77	–77	–77	–77	–77	–77	–77
Total General departmental management (net)		BA	**190**	**210**	**185**	**185**	**185**	**185**	**186**
		O	146	223	193	190	186	185	186
Program Support Center									
Federal funds									
General and Special Funds:									
Retirement pay and medical benefits for commissioned officers:									
Appropriation, current	551	BA	**167**	**179**	**191**	**202**	**214**	**226**	**238**
Outlays		O	170	180	190	202	213	225	238
Health activities funds (Health research and training):									
(Outlays)	552	O	1	1	1	1			
Total Health activities funds		O	1	1	1	1			
Intragovernmental Funds:									
HHS service and supply fund:									
Spending authority from offsetting collections	551	BA	**221**	**339**	**348**	**348**	**348**	**348**	**348**
Outlays		O	196	330	348	348	348	348	348
HHS service and supply fund (gross)		BA	**221**	**339**	**348**	**348**	**348**	**348**	**348**
		O	196	330	348	348	348	348	348
Change in orders on hand from Federal sources		BA	**–42**						
Total, offsetting collections			–179	–339	–348	–348	–348	–348	–348
Total HHS service and supply fund (net)		BA							
		O	17	–9					

DEPARTMENT OF HEALTH AND HUMAN SERVICES—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Trust funds									
Miscellaneous trust funds:									
Appropriation, permanent	551	BA	**45**	**45**	**45**	**45**	**45**	**45**	**45**
Outlays		O	53	51	48	47	46	46	45
Total Federal funds Program Support Center		BA	**167**	**179**	**191**	**202**	**214**	**226**	**238**
		O	188	172	191	203	213	225	238
Total Trust funds Program Support Center		BA	**45**	**45**	**45**	**45**	**45**	**45**	**45**
		O	53	51	48	47	46	46	45
Office of the Inspector General									
Federal funds									
General and Special Funds:									
Office of the Inspector General:									
Appropriation, current	551	BA	**58**	**33**	**32**	**32**	**32**	**32**	**32**
Spending authority from offsetting collections		BA	**31**	**13**	**12**	**12**	**12**	**12**	**12**
Outlays		O	80	50	45	44	44	44	44
Office of the Inspector General (gross)		BA	**89**	**46**	**44**	**44**	**44**	**44**	**44**
		O	80	50	45	44	44	44	44
Total, offsetting collections			–31	–13	–12	–12	–12	–12	–12
Total Office of the Inspector General (net)		BA	**58**	**33**	**32**	**32**	**32**	**32**	**32**
		O	49	37	33	32	32	32	32
Summary									
Federal funds:									
(As shown in detail above)		BA	**206,139**	**228,512**	**247,047**	**266,711**	**281,364**	**297,785**	**313,474**
		O	211,861	222,026	252,956	267,695	281,007	297,022	312,693
Deductions for offsetting receipts:									
Proprietary receipts from the public	551	BA/O	*–4*	*–5*	*–5*	*–5*	*–5*	*–5*	*–5*
	552	BA/O	*–8*	*–13*	*–16*	*–9*	*–9*	*–9*	*–9*
	609	BA/O	....	*–839*	*–1,032*	*–1,097*	*–1,106*	*–1,110*	*–1,208*
Total Federal funds		BA	**206,127**	**227,655**	**245,994**	**265,600**	**280,244**	**296,661**	**312,252**
		O	211,849	221,169	251,903	266,584	279,887	295,898	311,471
Trust funds:									
(As shown in detail above)		BA	**201,092**	**214,365**	**228,743**	**243,760**	**254,849**	**273,677**	**294,248**
		O	196,719	214,661	228,955	243,328	255,007	273,878	293,801
Deductions for offsetting receipts:									
Proprietary receipts from the public	551	BA/O	*–31*	*–31*	*–31*	*–31*	*–31*	*–31*	*–31*
	571	BA/O	*–20,038*	*–20,293*	*–21,983*	*–23,180*	*–24,150*	*–25,142*	*–26,191*
					211	*–498*	*–1,439*	*–2,658*	*–4,277*
	908	BA/O	*–5*	....	....	....	....	....	....
Total Trust funds		BA	**181,018**	**194,041**	**206,940**	**220,051**	**229,229**	**245,846**	**263,749**
		O	176,645	194,337	207,152	219,619	229,387	246,047	263,302
Interfund transactions	571	BA/O	*–68,691*	*–64,420*	*–68,240*	*–75,635*	*–84,145*	*–93,500*	*–104,061*
					–14,668	*–13,671*	*–10,983*	*–9,803*	*–8,844*
Total Department of Health and Human Services		BA	**318,454**	**357,276**	**370,026**	**396,345**	**414,345**	**439,204**	**463,096**
		O	319,803	351,086	376,147	396,897	414,146	438,642	461,868

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Public and Indian Housing Programs									
Federal funds									
General and Special Funds:									
Housing certificate fund:									
Appropriation, current	604	BA	....	**4,690**	**10,676**	**14,311**	**16,625**	**17,840**	**19,052**
Outlays		O	....	1,732	5,604	9,498	12,079	13,125	14,024
Annual contributions for assisted housing:									
Appropriation, current	604	BA	**9,819**	**–75**	....	.	.	.	.
				[H] **–250**					
					[J] **–855**	[J] **–573**	[J] **–152**		
Outlays		O	20,327	19,847	15,912	11,570	8,493	6,492	5,436
				[H] –10	[H] –25	[H] –41	[H] –34	[H] –33	[H] –33
					[J] –375	[J] –814	[J] –1,213	[J] –838	[J] –571
Total Annual contributions for assisted housing		BA	**9,819**	**–325**	**–855**	**–573**	**–152**	....	....
		O	20,327	19,837	15,512	10,715	7,246	5,621	4,832
Preserving existing housing investment:									
Appropriation, current	604	BA	....	**5,750**	....	....	....	....	....
Outlays		O	....	1,532	1,962	654	600	500	268
Public housing capital fund:									
Appropriation, current	604	BA	....	....	**2,500**	**2,520**	**2,555**	**2,590**	**2,626**
Outlays		O	....	....	13	323	961	1,549	2,046
Public housing operating fund:									
Appropriation, current	604	BA	**2,800**	....	**2,900**	**2,863**	**2,800**	**2,800**	**2,800**
Outlays		O	2,688	1,521	1,421	2,853	2,833	2,801	2,800
Drug elimination grants for low-income housing:									
Appropriation, current	604	BA	**290**	**290**	**290**	**292**	**295**	**297**	**300**
				[A] **30**					
Outlays		O	259	210	344	290	290	292	295
					[A] 3	[A] 21	[A] 6		
Total Drug elimination grants for low-income housing		BA	**290**	**320**	**290**	**292**	**295**	**297**	**300**
		O	259	210	347	311	296	292	295
Revitalization of severely distressed public housing projects (HOPE VII):									
Appropriation, current	604	BA	**480**	**550**	**524**	**485**	**400**	**400**	**400**
Outlays		O	110	283	409	579	635	514	452
Native American housing block grant:									
Appropriation, current	604	BA	....	....	**485**	**485**	**485**	**485**	**485**
Outlays		O	....	....	57	145	248	337	417
Public Enterprise Funds:									
Low-rent public housing—loans and other expenses:									
Authority to borrow, permanent	604	BA	**20**	**50**	**50**	**50**	**50**	**50**	**50**
Spending authority from offsetting collections		BA	**87**	**65**	**68**	**65**	**65**	**65**	**65**
Outlays		O	150	162	165	65	65	65	65
Low-rent public housing—loans and other expenses (gross)		BA	**107**	**115**	**118**	**115**	**115**	**115**	**115**
		O	150	162	165	65	65	65	65
Total, offsetting collections			–87	–65	–68	–65	–65	–65	–65
Total Low-rent public housing—loans and other expenses (net)		BA	**20**	**50**	**50**	**50**	**50**	**50**	**50**
		O	63	97	97	....	....	....	....
Credit Accounts:									
Indian housing loan guarantee fund program account:									
Appropriation, current	371	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	....	2	3	3	3	3	3
Limitation on loan guarantee commmitments			(37)	(37)	(37)	(37)	(37)	(37)	(37)
Total Federal funds Public and Indian Housing Programs		BA	**13,412**	**11,038**	**16,573**	**20,436**	**23,061**	**24,465**	**25,716**
		O	23,447	25,214	25,425	25,081	24,901	24,742	25,137
Community Planning and Development									
Federal funds									
General and Special Funds:									
Housing opportunities for persons with AIDS:									
Appropriation, current	604	BA	....	**196**	**204**	**204**	**204**	**204**	**204**

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	....	133	165	176	185	199	203
Community development block grants:									
Appropriation, current	451	BA	**4,650**	**4,600**	**4,600**	**4,600**	**4,100**	**4,100**	**4,100**
Outlays		O	4,545	4,837	4,641	4,845	4,633	4,438	4,216
Empowerment zones and enterprise communities:									
Appropriation, current	451	BA			[J] **100**	[J] **100**			
Outlays		O			[J] 2	[J] 36	[J] 80	[J] 59	[J] 17
Brownfields redevelopment:									
Appropriation, current	451	BA	....	....	**25**	**25**	**25**	**25**	....
Outlays		O	....	....	1	10	21	24	24
Home investment partnership program (Housing assistance):									
(Appropriation, current)	604	BA	**1,400**	**1,400**	**1,309**	**1,103**	**1,052**	**1,052**	**1,052**
(Outlays)		O	1,206	1,445	1,440	1,440	1,346	1,223	1,105
Total Home investment partnership program		BA	**1,400**	**1,400**	**1,309**	**1,103**	**1,052**	**1,052**	**1,052**
		O	1,206	1,445	1,440	1,440	1,346	1,223	1,105
Urban development action grants:									
Outlays	451	O	27	60	45	25	6	....	....
Capacity building for community development and affordable housing:									
Outlays	451	O	5	10	3	....	....	....	....
Emergency shelter grants program:									
Outlays	604	O	30	6	....	....	....	....	....
Supportive housing program:									
Appropriation, current	604	BA	....	....	**–6**	....	....	....	....
Outlays		O	148	157	144	115	72	....	....
Supplemental assistance for facilities to assist the homeless:									
Outlays	451	O	5	3	....	....	....	....	....
Shelter plus care:									
Appropriation, current	604	BA	....	....	**–4**	....	....	....	....
Outlays		O	43	50	49	49	49	49	50
Innovative homeless initiatives demonstration program:									
Outlays	604	O	20	19	17	16	6	....	....
Homeless assistance grants:									
Appropriation, current	604	BA	**823**	**823**	**823**	**823**	**823**	**823**	**823**
Outlays		O	186	285	474	771	882	1,013	912
Youthbuild program:									
Appropriation, current	604	BA	....	....	**30**	**30**	**30**	**30**	**30**
Outlays		O	41	25	15	7	11	16	20
National cities in schools community development program:									
Outlays	451	O	2	....	....	....	....	....	....
Public Enterprise Funds:									
Revolving fund (liquidating programs):									
Spending authority from offsetting collections	451	BA	**74**	**65**	**60**	**50**	**45**	**43**	**40**
Outlays		O	28	35	21	13	11	10	9
Revolving fund (liquidating programs) (gross)		BA	**74**	**65**	**60**	**50**	**45**	**43**	**40**
		O	28	35	21	13	11	10	9
Total, offsetting collections			–74	–65	–60	–50	–45	–43	–40
Total Revolving fund (liquidating programs) (net)		BA	....	....	....	....	....	....	....
		O	–46	–30	–39	–37	–34	–33	–31
Credit Accounts:									
Community development loan guarantees program account:									
Appropriation, current	451	BA	**33**	**33**	**30**	**30**	**30**	**30**	**30**
Outlays		O	1	23	35	31	30	30	30
Limitations on guaranteed loan commitments			(1,500)	(1,380)	(1,261)	(1,261)	(1,261)	(1,261)	(1,261)
Community development loan guarantees liquidating account:									
Spending authority from offsetting collections	451	BA	**50**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	6	....	....	....	....	....	....
Community development loan guarantees liquidating account (gross)		BA	**50**	**4**	**4**	**4**	**4**	**4**	**4**
		O	6	....	....	....	....	....	....

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Total, offsetting collections			–50	–4	–4	–4	–4	–4	–4
Total Community development loan guarantees liquidating account (net)		BA	...	...	...	...	...	...	...
		O	–44	–4	–4	–4	–4	–4	–4
Total Federal funds Community Planning and Development		BA	**6,906**	**7,052**	**7,111**	**6,915**	**6,264**	**6,264**	**6,239**
		O	6,169	7,019	6,988	7,480	7,283	7,014	6,542

Housing Programs

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Housing for special populations:									
Appropriation, current	604	BA	...	**1,039**	**474**	**474**	**474**	**474**	**474**
Outlays		O	...	...	15	220	303	558	446
Other assisted housing programs (Housing assistance):									
(Appropriation, current)	604	BA	...	...	**–125**	**–70**	**–45**	**–29**	**–23**
(Outlays)		O	736	727	678	676	673	673	672
Total Other assisted housing programs		BA	...	...	**–125**	**–70**	**–45**	**–29**	**–23**
		O	736	727	678	676	673	673	672
Homeownership and opportunity for people everywhere grants (HOPE grants):									
Appropriation, current	604	BA		*A* **–30**					
Outlays		O	63	86	59	38	24	14	...
				A –6	*A* –8	*A* –6	*A* –6	*A* –4	
Total Homeownership and opportunity for people everywhere grants (HOPE grants)		BA	...	**–30**	...	...	...	...	...
		O	63	80	51	32	18	10	...
Congregate services:									
Outlays	604	O	8	7	7	7	1	...	...
Housing counseling assistance:									
Appropriation, current	506	BA	...	...	**23**	**17**	**17**	**17**	**17**
Outlays		O	10	3	3	16	17	18	17
Section 8 moderate rehabilitation, single room occupancy:									
Outlays	604	O	21	55	51	51	51	51	51
Manufactured home inspection and monitoring:									
Appropriation, permanent	376	BA	**13**	**14**	**16**	**17**	**19**	**20**	**22**
Outlays		O	12	13	15	16	18	19	21
Interstate land sales:									
Appropriation, permanent	376	BA	...	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	...	1	1	1	1	1	1
Public Enterprise Funds:									
Rental housing assistance fund:									
Spending authority from offsetting collections	604	BA	**55**	**57**	**51**	**46**	**41**	**37**	**35**
Outlays		O	55	64	51	46	41	37	35
Rental housing assistance fund (gross)		BA	**55**	**57**	**51**	**46**	**41**	**37**	**35**
		O	55	64	51	46	41	37	35
Total, offsetting collections			–55	–57	–51	–46	–41	–37	–35
Total Rental housing assistance fund (net)		BA	...	...	...	...	...	...	...
		O	...	7	...	...	...	...	...
Flexible Subsidy Fund:									
Spending authority from offsetting collections	604	BA	**67**	**68**	**63**	**58**	**54**	**50**	**48**
Outlays		O	93	95	73	8	...	...	...
Flexible Subsidy Fund (gross)		BA	**67**	**68**	**63**	**58**	**54**	**50**	**48**
		O	93	95	73	8	...	...	...
Total, offsetting collections			–67	–68	–63	–58	–54	–50	–48
Total Flexible Subsidy Fund (net)		BA	...	...	...	...	...	...	...
		O	26	27	10	–50	–54	–50	–48

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Homeownership assistance fund:									
Outlays	604	O	31						
Homeownership assistance fund (gross)		O	31						
Total, offsetting collections				–4	–4	–4	–6	–6	–7
Total Homeownership assistance fund (net)		BA		**–4**	**–4**	**–4**	**–6**	**–6**	**–7**
		O	31	–4	–4	–4	–6	–6	–7
Nehemiah housing opportunity fund:									
Outlays	604	O	4	10	21				
Credit Accounts:									
FHA-mutual mortgage insurance program account:									
Appropriation, current	371	BA	**342**	**351**	**333**	**333**	**333**	**333**	**333**
Appropriation, permanent		BA	**181**						
Outlays		O	523	351	333	333	333	333	333
Limitation on direct loan activity			(200)	(200)	(200)	(200)	(200)	(200)	(200)
Limitation on guarantee commitments			(110,000)	(110,000)	(110,000)	(110,000)	(110,000)	(110,000)	(110,000)
Total FHA-mutual mortgage insurance program account		BA	**523**	**351**	**333**	**333**	**333**	**333**	**333**
		O	523	351	333	333	333	333	333
FHA-Mutual mortgage and cooperative housing insurance funds liquidating account:									
Spending authority from offsetting collections	371	BA	**6,472**	**4,027**	**1,438**	**1,370**	**1,394**	**1,449**	**1,526**
Outlays		O	3,031	1,554	918	747	642	567	484
FHA-Mutual mortgage and cooperative housing insurance funds liquidating account (gross)		BA	**6,472**	**4,027**	**1,438**	**1,370**	**1,394**	**1,449**	**1,526**
		O	3,031	1,554	918	747	642	567	484
Total, offsetting collections			–6,472	–4,027	–1,438	–1,370	–1,394	–1,449	–1,526
Total FHA-Mutual mortgage and cooperative housing insurance funds liquidating account (net)		BA							
		O	–3,441	–2,473	–520	–623	–752	–882	–1,042
FHA-General and special risk program account:									
Appropriation, current	371	BA	**888**	**302**	**303**	**278**	**278**	**278**	**278**
Reappropriation		BA	**17**						
Outlays		O	398	371	396	364	369	354	349
Limitation on direct loan activity			(120)	(120)	(120)	(120)	(120)	(120)	(120)
Limitation on loan guarantee commmitments			(17,400)	(17,400)	(17,470)	(17,470)	(17,470)	(17,470)	(17,470)
Total FHA-General and special risk program account		BA	**905**	**302**	**303**	**278**	**278**	**278**	**278**
		O	398	371	396	364	369	354	349
FHA-General and special risk insurance funds liquidating account:									
Appropriation, permanent	371	BA	**100**			**1,500**	**1,500**	**1,650**	**1,250**
					[J] **523**	[J] **899**	[J] **864**		
Authority to borrow, permanent		BA	**66**	**66**	**66**	**66**	**66**	**66**	**66**
Spending authority from offsetting collections		BA	**1,968**	**1,631**	**709**	**732**	**769**	**860**	**977**
					[J] **–26**	[J] **–95**	[J] **–142**	[J] **–244**	[J] **–386**
Outlays		O	1,096	1,306	2,205	2,163	2,289	2,444	2,716
					[J] 497	[J] 804	[J] 722	[J] –1,132	[J] –1,455
FHA-General and special risk insurance funds liquidating account (gross)		BA	**2,134**	**1,697**	**1,272**	**3,102**	**3,057**	**2,332**	**1,907**
		O	1,096	1,306	2,702	2,967	3,011	1,312	1,261
Total, offsetting collections			–1,968	–1,631	–709	–732	–769	–860	–977
					[J] 26	[J] 95	[J] 142	[J] 244	[J] 386
Total FHA-General and special risk insurance funds liquidating account (net)		BA	**166**	**66**	**589**	**2,465**	**2,430**	**1,716**	**1,316**
		O	–872	–325	2,019	2,330	2,384	696	670
Housing for the elderly or handicapped fund liquidating account:									
Spending authority from offsetting collections	371	BA	**722**	**751**	**751**	**751**	**751**	**751**	**751**
Outlays		O	540	627	439	349	298	253	214
Housing for the elderly or handicapped fund liquidating account (gross)		BA	**722**	**751**	**751**	**751**	**751**	**751**	**751**
		O	540	627	439	349	298	253	214

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Total, offsetting collections			–722	–751	–751	–751	–751	–751	–751
Total Housing for the elderly or handicapped fund liquidating account (net)		BA	....	....	....	....	....	....	....
		O	–182	–124	–312	–402	–453	–498	–537
Total Federal funds Housing Programs		BA	**1,607**	**1,739**	**1,610**	**3,511**	**3,501**	**2,804**	**2,411**
		O	–2,663	–1,274	2,764	2,967	2,903	1,277	926
Government National Mortgage Association									
Federal funds									
Credit Accounts:									
Guarantees of mortgage-backed securities loan guarantee program account:									
Appropriation, current	371	BA	**9**	**9**	**9**	**9**	**9**	**9**	**9**
Outlays		O	9	9	9	9	9	9	9
Limitations on loan guaranteed loan commitments			(130,000)	(110,000)	(130,000)	(110,000)	(110,000)	(110,000)	(110,000)
Guarantees of mortgage-backed securities liquidating account:									
Spending authority from offsetting collections	371	BA	**753**	**765**	**735**	**638**	**496**	**470**	**418**
Outlays		O	181	185	173	152	78	66	44
Guarantees of mortgage-backed securities liquidating account (gross)		BA	**753**	**765**	**735**	**638**	**496**	**470**	**418**
		O	181	185	173	152	78	66	44
Total, offsetting collections			–753	–765	–735	–638	–496	–470	–418
Total Guarantees of mortgage-backed securities liquidating account (net)		BA	....	....	....	....	....	....	....
		O	–572	–580	–562	–486	–418	–404	–374
Total Federal funds Government National Mortgage Association		BA	**9**	**9**	**9**	**9**	**9**	**9**	**9**
		O	–563	–571	–553	–477	–409	–395	–365
Policy Development and Research									
Federal funds									
General and Special Funds:									
Research and technology:									
Appropriation, current	451	BA	**34**	**34**	**39**	**32**	**32**	**32**	**32**
Outlays		O	36	32	37	36	34	32	32
Fair Housing and Equal Opportunity									
Federal funds									
General and Special Funds:									
Fair housing activities:									
Appropriation, current	751	BA	**30**	**30**	**39**	**35**	**29**	**29**	**29**
Outlays		O	32	24	27	35	35	34	30
Management and Administration									
Federal funds									
General and Special Funds:									
Salaries and expenses									
(Community development):									
(Appropriation, current)	451	BA	**123**	**123**	**125**	**114**	**104**	**104**	**104**
(Spending authority from offsetting collections)		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
(Outlays)		O	113	124	125	118	107	105	105
Salaries and expenses (gross)		BA	**124**	**124**	**126**	**115**	**105**	**105**	**105**
		O	113	124	125	118	107	105	105
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total (Community development) (net)		BA	**123**	**123**	**125**	**114**	**104**	**104**	**104**
		O	112	123	124	117	106	104	104
(Housing assistance):									
(Appropriation, current)	604	BA	**196**	**197**	**224**	**182**	**165**	**165**	**165**
(Spending authority from offsetting collections)		BA	**545**	**556**	**554**	**528**	**528**	**528**	**528**

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
(Outlays)		O	723	753	771	720	697	693	693
Salaries and expenses (gross)		BA	**864**	**876**	**903**	**824**	**797**	**797**	**797**
		O	835	876	895	837	803	797	797
Total, offsetting collections			–545	–556	–554	–528	–528	–528	–528
Total (Housing assistance) (net)		BA	**196**	**197**	**224**	**182**	**165**	**165**	**165**
		O	178	197	217	192	169	165	165
(Federal law enforcement activities):									
(Appropriation, current)	751	BA	**100**	**100**	**102**	**93**	**85**	**85**	**85**
(Outlays)		O	92	100	102	95	87	85	85
Total Salaries and expenses		BA	**419**	**420**	**451**	**389**	**354**	**354**	**354**
		O	382	420	443	404	362	354	354
Office of Inspector General:									
Appropriation, current	451	BA	**37**	**37**	**37**	**35**	**35**	**35**	**35**
Spending authority from offsetting collections		BA	**12**	**16**	**21**	**21**	**21**	**21**	**21**
Outlays		O	40	53	58	57	56	56	56
Office of Inspector General (gross)		BA	**49**	**53**	**58**	**56**	**56**	**56**	**56**
		O	40	53	58	57	56	56	56
Total, offsetting collections			–12	–16	–21	–21	–21	–21	–21
Total Office of Inspector General (net)		BA	**37**	**37**	**37**	**35**	**35**	**35**	**35**
		O	28	37	37	36	35	35	35
Office of federal housing enterprise oversight:									
Appropriation, current	371	BA	**15**	**16**	**16**	**16**	**16**	**16**	**16**
Outlays		O	14	16	16	16	16	16	16
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	451	BA	**198**	**219**	**259**	**262**	**269**	**276**	**283**
Outlays		O	185	219	259	262	269	276	283
Working capital fund (gross)		BA	**198**	**219**	**259**	**262**	**269**	**276**	**283**
		O	185	219	259	262	269	276	283
Change in orders on hand from Federal sources		BA	**–14**						
Adjustment to orders on hand from Federal sources		BA	**–1**						
Total, offsetting collections			–183	–219	–259	–262	–269	–276	–283
Total Working capital fund (net)		BA							
		O	2						
Total Federal funds Management and Administration		BA	**471**	**473**	**504**	**440**	**405**	**405**	**405**
		O	426	473	496	456	413	405	405

Summary

Account			1996 actual	1997	1998	1999	2000	2001	2002
Federal funds:									
(As shown in detail above)		BA	**22,469**	**20,375**	**25,885**	**31,378**	**33,301**	**34,008**	**34,841**
		O	26,884	30,917	35,184	35,578	35,160	33,109	32,707
Deductions for offsetting receipts:									
Proprietary receipts from the public	371	BA/O	*–1,363*	*–973*	*–1,779*	*–2,105*	*–2,182*	*–2,267*	*–2,431*
					–1,035	*–446*	*–404*	*–397*	*–395*
					–52	*–97*	*–137*	*–180*	*–228*
Offsetting governmental receipts	371	BA/O	*–13*	*–16*	*–16*	*–16*	*–16*	*–16*	*–16*
Total Department of Housing and Urban Development		BA	**21,093**	**19,386**	**23,003**	**28,714**	**30,562**	**31,148**	**31,771**
		O	25,508	29,928	32,302	32,914	32,421	30,249	29,637

DEPARTMENT OF THE INTERIOR

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Land and Minerals Management									
Bureau of Land Management									
Federal funds									
General and Special Funds:									
Management of lands and resources:									
Appropriation, current	302	BA	567	572	587	613	631	651	669
Spending authority from offsetting collections		BA	52	54	56	56	56	56	56
					[B] 1				
Outlays		O	571	703	649	665	684	704	722
Management of lands and resources (gross)		BA	619	626	644	669	687	707	725
		O	571	703	649	665	684	704	722
Change in orders on hand from Federal sources		BA	–12						
Total, offsetting collections			–40	–54	–56	–56	–56	–56	–56
					[B] –1	[B] –32	[B] –33	[B] –34	[B] –35
Total Management of lands and resources (net)		BA	567	572	587	581	598	617	634
		O	531	649	592	577	595	614	631
Construction:									
Appropriation, current	302	BA	8	4	3	3	3	3	3
Outlays		O	14	10	9	4	3	3	3
Payments in lieu of taxes:									
Appropriation, current	806	BA	114	114	102	102	102	102	102
Outlays		O	113	114	102	102	102	102	102
Oregon and California grant lands:									
Appropriation, current	302	BA	132	101	101	106	109	113	116
Outlays		O	87	152	101	104	108	112	115
Wildland fire management:									
Appropriation, current	302	BA	287	252	280	280	280	280	280
Spending authority from offsetting collections		BA	4	5	5	5	5	5	5
Outlays		O	269	276	276	285	285	285	285
Wildland fire management (gross)		BA	291	257	285	285	285	285	285
		O	269	276	276	285	285	285	285
Change in orders on hand from Federal sources		BA	–2						
Total, offsetting collections			–2	–5	–5	–5	–5	–5	–5
Total Wildland fire management (net)		BA	287	252	280	280	280	280	280
		O	267	271	271	280	280	280	280
Central hazardous materials fund:									
Appropriation, current	304	BA	10	12	15	15	15	15	15
Outlays		O	7	9	12	15	23	24	23
Land acquisition:									
Appropriation, current	302	BA	14	10	10	10	10	10	10
Outlays		O	8	14	20	11	10	10	10
Range improvements:									
Appropriation, current	302	BA	9	8	8	8	8	8	8
Outlays		O	8	11	10	9	8	8	8
Service charges, deposits, and forfeitures:									
Appropriation, current	302	BA	9	8	8	8	8	8	8
Outlays		O	8	13	8	8	8	8	8
Abandoned hardrock mine reclamation fund:									
Appropriation, current	302	BA					[J] 42	[J] 63	[J] 35
Outlays		O					[J] 15	[J] 36	[J] 39
Permanent operating funds:									
Appropriation, permanent	302	BA	10	62	16	16	16	16	16
							[B] 3	[B] 3	[B] 3
Outlays		O	5	35	34	26	20	20	20
							[B] 3	[B] 3	[B] 3
Total Permanent operating funds		BA	10	62	16	16	19	19	19
		O	5	35	34	26	23	23	23
Miscellaneous permanent payment accounts (Water resources):									
(Appropriation, permanent)	301	BA	79	184	73	73	73	73	73

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
(Outlays)		O	78	184	73	73	73	73	73
Total Miscellaneous permanent payment accounts		BA	79	184	73	73	73	73	73
		O	78	184	73	73	73	73	73
Public Enterprise Funds:									
Helium fund:									
Spending authority from offsetting collections	306	BA	25	27	20	18	18	18	18
Outlays		O	15	18	15	6	6	4	4
Helium fund (gross)		BA	25	27	20	18	18	18	18
		O	15	18	15	6	6	4	4
Total, offsetting collections			–25	–27	–20	–18	–18	–18	–18
Total Helium fund (net)		BA							
		O	–10	–9	–5	–12	–12	–14	–14
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	302	BA	17	16	16	16	16	16	16
Outlays		O	17	16	16	16	16	16	16
Working capital fund (gross)		BA	17	16	16	16	16	16	16
		O	17	16	16	16	16	16	16
Total, offsetting collections			–17	–16	–16	–16	–16	–16	–16
Total Working capital fund (net)		BA							
		O							
Trust funds									
Miscellaneous trust funds:									
Appropriation, current	302	BA	8	8	8	8	9	9	9
Appropriation, permanent		BA		1	1	1	1	1	1
Outlays		O	8	10	13	12	10	10	10
Total Miscellaneous trust funds		BA	8	9	9	9	10	10	10
		O	8	10	13	12	10	10	10
Total Federal funds Bureau of Land Management		BA	1,239	1,327	1,203	1,202	1,267	1,311	1,303
		O	1,116	1,453	1,227	1,197	1,236	1,279	1,301
Total Trust funds Bureau of Land Management		BA	8	9	9	9	10	10	10
		O	8	10	13	12	10	10	10

Minerals Management Service

Federal funds

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
General and Special Funds:									
Royalty and Offshore minerals:									
Appropriation, current	302	BA	182	157	158	161	161	161	161
Spending authority from offsetting collections		BA	16	41	41	41	41	41	41
Outlays		O	195	197	199	201	202	202	202
Royalty and Offshore minerals (gross)		BA	198	198	199	202	202	202	202
		O	195	197	199	201	202	202	202
Total, offsetting collections			–16	–41	–41	–41	–41	–41	–41
Total Royalty and Offshore minerals (net)		BA	182	157	158	161	161	161	161
		O	179	156	158	160	161	161	161
Mineral leasing and associated payments:									
Appropriation, permanent	806	BA	454	546	581	590	606	622	645
Outlays		O	454	546	581	590	606	622	645
National forests fund, payment to States:									
Appropriation, permanent	302	BA	3	3	3	3	3	3	3
Outlays		O	3	3	3	3	3	3	3
Leases of lands acquired for flood control, navigation, and allied purposes:									
Appropriation, permanent	302	BA	1	1	1	1	1	1	1
Outlays		O	1	1	1	1	1	1	1

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Trust funds									
Oil spill research:									
Appropriation, current	302	BA	**6**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	6	6	6	6	6	6	6
Total Federal funds Minerals Management Service		BA	**640**	**707**	**743**	**755**	**771**	**787**	**810**
		O	637	706	743	754	771	787	810
Total Trust funds Minerals Management Service		BA	**6**	**6**	**6**	**6**	**6**	**6**	**6**
		O	6	6	6	6	6	6	6
Office of Surface Mining Reclamation and Enforcement									
Federal funds									
General and Special Funds:									
Regulation and technology:									
Appropriation, current	302	BA	**96**	**95**	**94**	**94**	**94**	**94**	**94**
Spending authority from offsetting collections		BA	**2**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	95	96	96	95	95	95	95
Regulation and technology (gross)		BA	**98**	**96**	**95**	**95**	**95**	**95**	**95**
		O	95	96	96	95	95	95	95
Total, offsetting collections			–2	–1	–1	–1	–1	–1	–1
Total Regulation and technology (net)		BA	**96**	**95**	**94**	**94**	**94**	**94**	**94**
		O	93	95	95	94	94	94	94
Abandoned mine reclamation fund									
(Conservation and land management):									
(Appropriation, current)	302	BA	**174**	**177**	**177**	**177**	**177**	**177**	**177**
(Outlays)		O	174	184	190	177	177	177	177
(Health care services):									
(Appropriation, permanent)	551	BA	**47**	**31**	**56**	**70**	**70**	**70**	**70**
(Outlays)		O	47	31	56	70	70	70	70
Total Abandoned mine reclamation fund		BA	**221**	**208**	**233**	**247**	**247**	**247**	**247**
		O	221	215	246	247	247	247	247
Total Federal funds Office of Surface Mining Reclamation and Enforcement		BA	**317**	**303**	**327**	**341**	**341**	**341**	**341**
		O	314	310	341	341	341	341	341
Total Federal funds Land and Minerals Management		BA	**2,196**	**2,337**	**2,273**	**2,298**	**2,379**	**2,439**	**2,454**
		O	2,067	2,469	2,311	2,292	2,348	2,407	2,452
Total Trust funds Land and Minerals Management		BA	**14**	**15**	**15**	**15**	**16**	**16**	**16**
		O	14	16	19	18	16	16	16
Water and Science									
Bureau of Reclamation									
Federal funds									
General and Special Funds:									
Water and Related Resources:									
Appropriation, current	301	BA	**598**	**600**	**586**	**552**	**545**	**563**	**564**
Advance appropriation		BA	....	....	....	**11**	**9**	....	**1**
Spending authority from offsetting collections		BA	**90**	**186**	**152**	**152**	**152**	**152**	**152**
Outlays		O	643	893	728	718	717	717	717
Water and Related Resources (gross)		BA	**688**	**786**	**738**	**715**	**706**	**715**	**717**
		O	643	893	728	718	717	717	717
Total, offsetting collections			–90	–186	–152	–152	–152	–152	–152
Total Water and Related Resources (net)		BA	**598**	**600**	**586**	**563**	**554**	**563**	**565**
		O	553	707	576	566	565	565	565
California Bay-Delta ecosystem restoration:									
Appropriation, current	301	BA	....	....	**143**	**143**	**143**	....	....
Outlays		O	....	....	50	143	143	93	....

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Policy and Administration:									
Appropriation, current	301	BA	**48**	**46**	**48**	**48**	**48**	**48**	**48**
Outlays		O	49	48	48	48	48	48	48
Central Valley Project Restoration fund:									
Appropriation, current	301	BA	**47**	**38**	**39**	**39**	**39**	**39**	**39**
Outlays		O	30	77	39	39	39	39	39
Colorado River dam fund, Boulder Canyon project:									
Appropriation, current	301	BA	**–4**	**–4**					
Appropriation, permanent		BA	**39**	**43**	**41**	**44**	**46**	**41**	**45**
Outlays		O	40	40	40	43	45	43	43
Total Colorado River dam fund, Boulder Canyon project		BA	**35**	**39**	**41**	**44**	**46**	**41**	**45**
		O	40	40	40	43	45	43	43
Public Enterprise Funds:									
Lower Colorado River Basin development fund:									
Appropriation, current	301	BA	**82**	**59**	**61**	**61**	**61**	**61**	**61**
Appropriation, permanent		BA	**12**	**11**	**10**	**11**	**12**	**12**	**13**
Spending authority from offsetting collections		BA	**102**	**172**	**159**	**158**	**159**	**159**	**159**
Outlays		O	243	228	223	221	223	223	224
Lower Colorado River Basin development fund (gross)		BA	**196**	**242**	**230**	**230**	**232**	**232**	**233**
		O	243	228	223	221	223	223	224
Total, offsetting collections			–119	–222	–183	–182	–183	–188	–188
Total Lower Colorado River Basin development fund (net)		BA	**77**	**20**	**47**	**48**	**49**	**44**	**45**
		O	124	6	40	39	40	35	36
Upper Colorado River Basin fund:									
Appropriation, current	301	BA	**25**	**20**	**19**	**19**	**19**	**19**	**19**
Appropriation, permanent		BA	**2**	**2**	**2**	**1**			
Spending authority from offsetting collections		BA	**40**	**34**	**143**	**42**	**42**	**46**	**64**
Outlays		O	58	75	40	75	57	58	55
Upper Colorado River Basin fund (gross)		BA	**67**	**56**	**164**	**62**	**61**	**65**	**83**
		O	58	75	40	75	57	58	55
Total, offsetting collections			–40	–34	–143	–42	–42	–46	–64
Total Upper Colorado River Basin fund (net)		BA	**27**	**22**	**21**	**20**	**19**	**19**	**19**
		O	18	41	–103	33	15	12	–9
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	301	BA	**307**	**311**	**314**	**314**	**314**	**314**	**314**
Outlays		O	305	311	314	314	314	314	314
Working capital fund (gross)		BA	**307**	**311**	**314**	**314**	**314**	**314**	**314**
		O	305	311	314	314	314	314	314
Total, offsetting collections			–307	–311	–314	–314	–314	–314	–314
Total Working capital fund (net)		BA							
		O	–2						
Credit Accounts:									
Bureau of reclamation loan program account:									
Appropriation, current	301	BA	**12**	**13**	**10**	**10**	**10**	**10**	**10**
Appropriation, permanent		BA		**2**					
Outlays		O	13	21	11	10	10	10	10
Limitations on direct loan activity			(37)	(37)	(31)	(31)	(31)	(31)	(31)
Total Bureau of reclamation loan program account		BA	**12**	**15**	**10**	**10**	**10**	**10**	**10**
		O	13	21	11	10	10	10	10
Bureau of reclamation loan liquidating account:									
Total, offsetting collections	301			–3	–3	–3	–3	–4	–4
Trust funds									
Reclamation trust funds:									
Appropriation, permanent	301	BA	**24**	**34**	**15**	**28**	**44**	**22**	**8**

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	8	56	19	25	40	26	11
Total Federal funds Bureau of Reclamation		BA	**844**	**777**	**932**	**912**	**905**	**760**	**767**
		O	825	937	698	918	902	841	728
Total Trust funds Bureau of Reclamation		BA	**24**	**34**	**15**	**28**	**44**	**22**	**8**
		O	8	56	19	25	40	26	11
Central Utah Project									
Federal funds									
General and Special Funds:									
Central Utah Project Completion Account:									
Appropriation, current	301	BA	**25**	**32**	**29**	**29**	**29**	**29**	**29**
Outlays		O	25	33	29	29	29	29	29
Utah reclamation mitigation and conservation account:									
Appropriation, current	301	BA	**19**	**12**	**12**	**12**	**12**	**12**	**12**
Outlays		O	6	36	12	12	12	12	12
Total Federal funds Central Utah Project		BA	**44**	**44**	**41**	**41**	**41**	**41**	**41**
		O	31	69	41	41	41	41	41
United States Geological Survey									
Federal funds									
General and Special Funds:									
Surveys, investigations and research									
(Recreational resources):									
(Appropriation, current)	303	BA	**137**	**138**	**145**	**145**	**145**	**145**	**145**
(Spending authority from offsetting collections)		BA	**30**	**33**	**33**	**33**	**33**	**33**	**33**
(Outlays)		O	168	170	180	178	178	178	178
Surveys, investigations and research (gross)		BA	**167**	**171**	**178**	**178**	**178**	**178**	**178**
		O	168	170	180	178	178	178	178
(Change in orders on hand from Federal sources)		BA	**–2**	**–1**	....	....	....	....	....
Total, offsetting collections			–28	–32	–33	–33	–33	–33	–33
Total (Recreational resources) (net)		BA	**137**	**138**	**145**	**145**	**145**	**145**	**145**
		O	140	138	147	145	145	145	145
(Other natural resources):									
(Appropriation, current)	306	BA	**594**	**601**	**600**	**600**	**600**	**598**	**598**
(Spending authority from offsetting collections)		BA	**259**	**297**	**294**	**294**	**294**	**294**	**294**
(Outlays)		O	814	919	894	894	894	892	892
Surveys, investigations and research (gross)		BA	**990**	**1,036**	**1,039**	**1,039**	**1,039**	**1,037**	**1,037**
		O	954	1,057	1,041	1,039	1,039	1,037	1,037
(Change in orders on hand from Federal sources)		BA	**–1**	**–1**	**–1**	**–1**	**–1**	**–1**	**–1**
Total, offsetting collections			–258	–296	–293	–293	–293	–293	–293
Total (Other natural resources) (net)		BA	**594**	**601**	**600**	**600**	**600**	**598**	**598**
		O	556	623	601	601	601	599	599
Total Surveys, investigations and research		BA	**731**	**739**	**745**	**745**	**745**	**743**	**743**
		O	696	761	748	746	746	744	744
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	306	BA	**69**	**51**	**52**	**55**	**54**	**55**	**57**
Outlays		O	45	47	53	59	54	58	58
Working capital fund (gross)		BA	**69**	**51**	**52**	**55**	**54**	**55**	**57**
		O	45	47	53	59	54	58	58
Change in orders on hand from Federal sources		BA	**–14**	**1**	**1**	....	....	....	....
Total, offsetting collections			–55	–52	–53	–55	–54	–55	–57
Total Working capital fund (net)		BA	....	....	....	....	....	....	....
		O	–10	–5	....	4	....	3	1

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Trust funds									
Donations and contributed funds:									
Outlays	303	O	1	1					
Total Federal funds United States Geological Survey		BA	**731**	**739**	**745**	**745**	**745**	**743**	**743**
		O	686	756	748	750	746	747	745
Total Trust funds United States Geological Survey		O	**1**	**1**					
Bureau of Mines									
Federal funds									
General and Special Funds:									
Mines and minerals:									
Appropriation, current	306	BA	**60**						
Outlays		O	77	28					
Trust funds									
Contributed funds:									
Outlays	306	O	3						
Total Federal funds Water and Science		BA	**1,679**	**1,560**	**1,718**	**1,698**	**1,691**	**1,544**	**1,551**
		O	1,619	1,790	1,487	1,709	1,689	1,629	1,514
Total Trust funds Water and Science		BA	**24**	**34**	**15**	**28**	**44**	**22**	**8**
		O	12	57	19	25	40	26	11
Fish and Wildlife and Parks									
United States Fish and Wildlife Service									
Federal funds									
General and Special Funds:									
Resource management:									
Appropriation, current	303	BA	**507**	**525**	**562**	**579**	**595**	**612**	**630**
Spending authority from offsetting collections		BA	**73**	**72**	**72**	**72**	**72**	**72**	**72**
Outlays		O	569	593	627	647	664	681	698
Resource management (gross)		BA	**580**	**597**	**634**	**651**	**667**	**684**	**702**
		O	569	593	627	647	664	681	698
Change in orders on hand from Federal sources		BA	**8**						
Adjustment to orders on hand from Federal sources		BA	**–5**						
Total, offsetting collections			–76	–72	–72	–72	–72	–72	–72
Total Resource management (net)		BA	**507**	**525**	**562**	**579**	**595**	**612**	**630**
		O	493	521	555	575	592	609	626
Construction:									
Appropriation, current	303	BA	**75**	**43**	**36**	**36**	**36**	**36**	**36**
Spending authority from offsetting collections		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	104	62	52	40	38	38	38
Construction (gross)		BA	**77**	**45**	**38**	**38**	**38**	**38**	**38**
		O	104	62	52	40	38	38	38
Change in orders on hand from Federal sources		BA	**2**						
Total, offsetting collections			–4	–2	–2	–2	–2	–2	–2
Total Construction (net)		BA	**75**	**43**	**36**	**36**	**36**	**36**	**36**
		O	100	60	50	38	36	36	36
Natural resource damage assessment fund:									
Appropriation, current	303	BA	**4**	**4**	**5**	**5**	**5**	**5**	**5**
Appropriation, permanent		BA	**36**	**22**	**10**	**9**	**9**	**9**	**8**
Outlays		O	41	30	18	15	14	14	13
Total Natural resource damage assessment fund		BA	**40**	**26**	**15**	**14**	**14**	**14**	**13**
		O	41	30	18	15	14	14	13
Rewards and operations:									
Appropriation, current	303	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	1	1	1	1	1	1	1
Land acquisition:									
Appropriation, current	303	BA	40	44	45	45	45	45	45
Outlays		O	37	45	44	45	45	45	45
Wildlife conservation and appreciation fund:									
Appropriation, current	303	BA	2	2	2	2	2	2	2
Outlays		O	1	2	2	2	2	2	2
Migratory bird conservation account:									
Appropriation, permanent	303	BA	40	40	40	40	41	41	41
Outlays		O	45	40	40	40	41	41	41
North American wetlands conservation fund:									
Appropriation, current	303	BA	7	10	15	15	15	15	15
Spending authority from offsetting collections		BA	8	10	10	9	9	9	9
Outlays		O	14	18	25	25	24	24	24
North American wetlands conservation fund (gross)		BA	15	20	25	24	24	24	24
		O	14	18	25	25	24	24	24
Total, offsetting collections			–8	–10	–10	–9	–9	–9	–9
Total North American wetlands conservation fund (net)		BA	7	10	15	15	15	15	15
		O	6	8	15	16	15	15	15
Cooperative endangered species conservation fund:									
Appropriation, current	303	BA	8	14	14	14	14	14	14
Appropriation, permanent		BA	27	28	29	30	30	31	32
Outlays		O	36	37	40	44	44	45	46
Total Cooperative endangered species conservation fund		BA	35	42	43	44	44	45	46
		O	36	37	40	44	44	45	46
National wildlife refuge fund:									
Appropriation, current	806	BA	11	11	10	10	10	10	10
Appropriation, permanent		BA	9	7	7	7	8	8	8
Outlays		O	17	19	17	17	17	18	18
Total National wildlife refuge fund		BA	20	18	17	17	18	18	18
		O	17	19	17	17	17	18	18
Recreational fee demonstration program:									
Appropriation, permanent	303	BA	....	1	1	1	....	....	....
							[B] 1	[B] 1	[B] 1
Outlays		O	....	1	1	1	....	....	....
							[B] 1	[B] 1	[B] 1
Total Recreational fee demonstration program		BA	....	1	1	1	1	1	1
		O	....	1	1	1	1	1	1
Operation and maintenance of quarters:									
Appropriation, permanent	303	BA	2	2	2	2	2	2	2
Outlays		O	2	2	2	2	2	2	2
Miscellaneous permanent appropriations:									
Appropriation, permanent	303	BA	240	203	210	221	230	239	250
Outlays		O	219	225	230	218	213	222	232
	Trust funds								
Sport fish restoration:									
Appropriation, permanent	303	BA	236	326	305	324	326	330	336
Outlays		O	219	259	288	304	321	323	330
Contributed funds:									
Appropriation, permanent	303	BA	3	2	2	2	2	2	2
Outlays		O	2	3	2	2	2	2	2
African elephant conservation fund:									
Appropriation, permanent	303	BA	1	1	1	1	1	1	1
Outlays		O	1	1	1	1	1	1	1
Total Federal funds United States Fish and Wildlife Service		BA	1,009	957	989	1,017	1,044	1,071	1,100
		O	998	991	1,015	1,014	1,023	1,051	1,078
Total Trust funds United States Fish and Wildlife Service		BA	240	329	308	327	329	333	339
		O	222	263	291	307	324	326	333

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
National Park Service									
Federal funds									
General and Special Funds:									
Operation of the national park system:									
Appropriation, current	303	BA	**1,082**	**1,155**	**1,220**	**1,230**	**1,265**	**1,300**	**1,337**
Spending authority from offsetting collections		BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	1,099	1,109	1,208	1,232	1,260	1,295	1,332
Operation of the national park system (gross)		BA	**1,086**	**1,159**	**1,224**	**1,234**	**1,269**	**1,304**	**1,341**
		O	1,099	1,109	1,208	1,232	1,260	1,295	1,332
Total, offsetting collections			–4	–4	–4	–4	–4	–4	–4
Total Operation of the national park system (net)		BA	**1,082**	**1,155**	**1,220**	**1,230**	**1,265**	**1,300**	**1,337**
		O	1,095	1,105	1,204	1,228	1,256	1,291	1,328
National recreation and preservation:									
Appropriation, current	303	BA	**38**	**38**	**42**	**42**	**42**	**42**	**42**
Outlays		O	38	50	42	43	42	42	42
Construction:									
Appropriation, current	303	BA	**191**	**170**	**150**	**107**	**120**	**135**	**124**
Advance appropriation		BA	...	...	...	**48**	**35**	**20**	**31**
Spending authority from offsetting collections		BA	**81**	**81**	**81**	**81**	**81**	**81**	**81**
Outlays		O	311	264	252	244	241	237	236
Construction (gross)		BA	**272**	**251**	**231**	**236**	**236**	**236**	**236**
		O	311	264	252	244	241	237	236
Total, offsetting collections			–81	–81	–81	–81	–81	–81	–81
Total Construction (net)		BA	**191**	**170**	**150**	**155**	**155**	**155**	**155**
		O	230	183	171	163	160	156	155
Urban park and recreation fund:									
Outlays	303	O	4	4	2	...	...	...	...
Concessions improvement accounts:									
Appropriation, permanent	303	BA	**25**	**21**	**23**	**25**	**27**	**28**	**30**
Outlays		O	12	21	23	25	27	28	30
Land acquisition and State assistance:									
Appropriation, current	303	BA	**44**	**54**	**71**	**58**	**59**	**61**	**63**
Contract authority, current		BA	**–30**	**–30**	**–30**	**–30**	**–30**	**–30**	**–30**
Contract authority, permanent		BA	**30**	**30**	**30**	**30**	**30**	**30**	**30**
Outlays		O	64	88	77	64	55	61	62
Total Land acquisition and State assistance		BA	**44**	**54**	**71**	**58**	**59**	**61**	**63**
		O	64	88	77	64	55	61	62
Everglades restoration fund:									
Appropriation, current	302	BA	...	...	**100**	...	...	...	...
Appropriation, permanent		BA			[B] **35**	[B] **35**	[B] **35**	[B] **35**	[B] **35**
Advance appropriation		BA	...	...	...	**100**	**100**	**100**	...
Outlays		O	...	...	50	90	100	100	50
					[B] 17	[B] 31	[B] 35	[B] 35	[B] 35
Total Everglades restoration fund		BA	...	...	**135**	**135**	**135**	**135**	**35**
		O	...	...	67	121	135	135	85
Historic preservation fund:									
Appropriation, current	303	BA	**36**	**37**	**46**	**45**	**41**	**41**	**41**
Outlays		O	41	45	44	44	43	42	41
National park renewal fund:									
Appropriation, permanent	303	BA	...	**43**	**48**	**51**	...	...	...
							[B] **48**	[B] **50**	[B] **57**
Outlays		O	...	43	48	51	...	...	...
							[B] 48	[B] 50	[B] 57
Total National park renewal fund		BA	...	**43**	**48**	**51**	**48**	**50**	**57**
		O	...	43	48	51	48	50	57
Operation and maintenance of quarters:									
Appropriation, permanent	303	BA	**13**	**15**	**15**	**16**	**16**	**17**	**17**
Outlays		O	12	15	15	16	16	17	17

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Fee collection support, national park system:									
Appropriation, permanent	303	BA	**11**	**20**	**21**	**22**	**13**	**14**	**14**
							[B] **9**	[B] **9**	[B] **10**
Outlays		O	11	20	21	22	13	14	14
							[B] 9	[B] 9	[B] 10
Total Fee collection support, national park system		BA	**11**	**20**	**21**	**22**	**22**	**23**	**24**
		O	11	20	21	22	22	23	24
Yosemite management fund:									
Appropriation, current	303	BA				[B] **1**	[B] **1**	[B] **1**	[B] **1**
Miscellaneous permanent appropriations:									
Appropriation, permanent	303	BA	**1**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	1	2	2	2	2	2	2
Trust funds									
Construction (trust fund):									
Outlays	401	O	6	9	6	3	...	...	...
Miscellaneous trust funds:									
Appropriation, permanent	303	BA	**16**	**17**	**16**	**15**	**15**	**15**	**15**
Outlays		O	9	17	16	15	15	15	15
Total Federal funds National Park Service		BA	**1,441**	**1,555**	**1,773**	**1,782**	**1,813**	**1,855**	**1,804**
		O	1,508	1,576	1,716	1,779	1,806	1,847	1,843
Total Trust funds National Park Service		BA	**16**	**17**	**16**	**15**	**15**	**15**	**15**
		O	15	26	22	18	15	15	15
Total Federal funds Fish and Wildlife and Parks		BA	**2,450**	**2,512**	**2,762**	**2,799**	**2,857**	**2,926**	**2,904**
		O	2,506	2,567	2,731	2,793	2,829	2,898	2,921
Total Trust funds Fish and Wildlife and Parks		BA	**256**	**346**	**324**	**342**	**344**	**348**	**354**
		O	237	289	313	325	339	341	348

Indian Affairs

Bureau of Indian Affairs

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Operation of Indian programs									
(Conservation and land management):									
(Appropriation, current)	302	BA	**130**	**129**	**133**	**133**	**133**	**133**	**133**
(Spending authority from offsetting collections)		BA	**2**	**3**	**4**	**4**	**4**	**4**	**4**
(Outlays)		O	143	132	131	138	137	137	137
Operation of Indian programs (gross)		BA	**132**	**132**	**137**	**137**	**137**	**137**	**137**
		O	143	132	131	138	137	137	137
Total, offsetting collections			–2	–3	–4	–4	–4	–4	–4
Total (Conservation and land management) (net)		BA	**130**	**129**	**133**	**133**	**133**	**133**	**133**
		O	141	129	127	134	133	133	133
(Area and regional development):									
(Appropriation, current)	452	BA	**759**	**768**	**847**	**847**	**847**	**847**	**847**
(Reappropriation)		BA	**5**	...	...	...	...	...	...
(Spending authority from offsetting collections)		BA	**55**	**89**	**93**	**93**	**93**	**93**	**93**
(Outlays)		O	811	851	888	945	940	940	940
Operation of Indian programs (gross)		BA	**949**	**986**	**1,073**	**1,073**	**1,073**	**1,073**	**1,073**
		O	952	980	1,015	1,079	1,073	1,073	1,073
Total, offsetting collections			–55	–89	–93	–93	–93	–93	–93
Total (Area and regional development) (net)		BA	**764**	**768**	**847**	**847**	**847**	**847**	**847**
		O	756	762	795	852	847	847	847
(Elementary, secondary, and vocational education):									
(Appropriation, current)	501	BA	**531**	**541**	**562**	**562**	**562**	**562**	**562**
(Appropriation, permanent)		BA	...	**8**	...	...	...	...	...
(Spending authority from offsetting collections)		BA	**11**	**18**	**18**	**18**	**18**	**18**	**18**

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
(Outlays)		O	556	561	558	585	580	580	580
Operation of Indian programs (gross)		BA	**1,436**	**1,464**	**1,560**	**1,560**	**1,560**	**1,560**	**1,560**
		O	1,453	1,452	1,480	1,571	1,560	1,560	1,560
Total, offsetting collections			–11	–18	–18	–18	–18	–18	–18
Total (Elementary, secondary, and vocational education) (net)		BA	**531**	**549**	**562**	**562**	**562**	**562**	**562**
		O	545	543	540	567	562	562	562
Total Operation of Indian programs		BA	**1,425**	**1,446**	**1,542**	**1,542**	**1,542**	**1,542**	**1,542**
		O	1,442	1,434	1,462	1,553	1,542	1,542	1,542
Construction:									
Appropriation, current	452	BA	**117**	**95**	**125**	**125**	**125**	**125**	**125**
Spending authority from offsetting collections		BA	**7**	**7**	**7**	**3**	**3**	**3**	**3**
					[J] **–7**				
Outlays		O	141	133	120	93	121	128	128
					[J] –12				
Construction (gross)		BA	**124**	**102**	**125**	**128**	**128**	**128**	**128**
		O	141	133	108	93	121	128	128
Total, offsetting collections			–7	–7	–7	–3	–3	–3	–3
					[J] 7				
Total Construction (net)		BA	**117**	**95**	**125**	**125**	**125**	**125**	**125**
		O	134	126	108	90	118	125	125
White Earth settlement fund:									
Appropriation, permanent	452	BA	**6**	**7**	**7**	**7**	**7**	**7**	**2**
Outlays		O	6	7	7	7	7	7	2
Indian land and water claim settlements and miscellaneous payments to Indians:									
Appropriation, current	452	BA	**81**	**67**	**59**	**59**	**59**	**59**	**59**
Outlays		O	78	68	60	59	59	59	59
Payment to Tribal Economic Recovery Funds:									
Appropriation, permanent	452	BA	**14**	....	....	....	....	....	....
Outlays		O	14	....	....	....	....	....	....
Technical assistance of Indian enterprises:									
Appropriation, current	452	BA	**1**	....	....	....	....	....	....
Outlays		O	1	1	....	....	....	....	....
Operation and maintenance of quarters:									
Appropriation, permanent	452	BA	**6**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	6	6	6	6	6	6	6
Tribal Economic Recovery funds:									
Appropriation, permanent	452	BA	**28**	**16**	**17**	**18**	**19**	**21**	**22**
Outlays		O	....	....	....	....	10	10	10
Miscellaneous permanent appropriations (Area and regional development):									
(Appropriation, permanent)	452	BA	**69**	**101**	**76**	**79**	**82**	**84**	**87**
(Outlays)		O	64	98	74	69	77	80	82
Total Miscellaneous permanent appropriations		BA	**69**	**101**	**76**	**79**	**82**	**84**	**87**
		O	64	98	74	69	77	80	82
Intragovernmental Funds:									
Equipment capitalization fund:									
Spending authority from offsetting collections	452	BA			[J] **7**				
Outlays		O			[J] 12				
Equipment capitalization fund (gross)		BA	....	....	**7**	....	....	....	....
		O	....	....	12	....	....	....	....
Total, offsetting collections					[J] –7				
Total Equipment capitalization fund (net)		BA	....	....	....	....	....	....	....
		O	....	....	5	....	....	....	....
Credit Accounts:									
Revolving fund for loans liquidating account:									
Spending authority from offsetting collections	452	BA	**11**	**9**	**9**	**7**	**6**	**6**	**6**

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	....	....	....	–9	....	....	....
Revolving fund for loans liquidating account (gross)		BA	**11**	**9**	**9**	**7**	**6**	**6**	**6**
		O	....	....	....	–9	....	....	....
Total, offsetting collections			–11	–9	–9	–6	–6	–6	–6
Total Revolving fund for loans liquidating account (net)		BA	....	....	....	**1**	....	....	....
		O	–11	–9	–9	–15	–6	–6	–6
Indian guaranteed loan program account:									
Appropriation, current	452	BA	**5**	**5**	**5**	**5**	**5**	**5**	**5**
Appropriation, permanent		BA	....	**32**	....	....	....	....	....
Outlays		O	11	37	5	5	5	5	5
Limitation on loan guarantee commitments			(35)	(35)	(35)	(35)	(35)	(35)	(35)
Total Indian guaranteed loan program account		BA	**5**	**37**	**5**	**5**	**5**	**5**	**5**
		O	11	37	5	5	5	5	5
Indian loan guaranty and insurance fund liquidating account:									
Appropriation, permanent	452	BA	**11**	**11**	**11**	**11**	**11**	**11**	**11**
Outlays		O	1	5	5	5	5	5	5
Trust funds									
Cooperative fund (papago):									
Appropriation, permanent	452	BA	**2**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	....	5	5	5	1	1	1
Miscellaneous trust funds (Area and regional development):									
(Appropriation, permanent)	452	BA	**365**	**381**	**350**	**350**	**353**	**355**	**358**
(Outlays)		O	261	352	346	351	353	355	358
Total Miscellaneous trust funds		BA	**365**	**381**	**350**	**350**	**353**	**355**	**358**
		O	261	352	346	351	353	355	358
Total Federal funds Bureau of Indian Affairs		BA	**1,763**	**1,786**	**1,848**	**1,853**	**1,856**	**1,860**	**1,859**
		O	1,746	1,773	1,723	1,779	1,823	1,833	1,830
Total Trust funds Bureau of Indian Affairs		BA	**367**	**382**	**351**	**351**	**354**	**356**	**359**
		O	261	357	351	356	354	356	359

Departmental Offices

Departmental Management

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	306	BA	**57**	**58**	**58**	**58**	**58**	**58**	**58**
Spending authority from offsetting collections		BA	**101**	**114**	**114**	**114**	**114**	**114**	**114**
Outlays		O	158	177	172	172	172	172	172
Salaries and expenses (gross)		BA	**158**	**172**	**172**	**172**	**172**	**172**	**172**
		O	158	177	172	172	172	172	172
Total, offsetting collections			–101	–114	–114	–114	–114	–114	–114
Total Salaries and expenses (net)		BA	**57**	**58**	**58**	**58**	**58**	**58**	**58**
		O	57	63	58	58	58	58	58
Construction management:									
Appropriation, current	306	BA	**1**	....	....	....	....	....	....
Everglades watershed protection:									
Appropriation, permanent	302	BA	**200**	....	....	....	....	....	....
Outlays		O	....	75	125	....	....	....	....
Everglades restoration account:									
Appropriation, permanent	302	BA	....	**10**	**10**	**10**	**10**	**10**	**10**
Outlays		O	....	10	10	10	10	10	10
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	306	BA	**112**	**106**	**106**	**106**	**106**	**106**	**106**

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	112	106	106	106	106	106	106
Working capital fund (gross)		BA	**112**	**106**	**106**	**106**	**106**	**106**	**106**
		O	112	106	106	106	106	106	106
Total, offsetting collections			–112	–106	–106	–106	–106	–106	–106
Total Working capital fund (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....
Interior Franchise Fund:									
Spending authority from offsetting collections	306	BA	....	**4**	**5**	**5**	**6**	**6**	**6**
Outlays		O	....	4	4	5	5	6	6
Interior Franchise Fund (gross)		BA	....	**4**	**5**	**5**	**6**	**6**	**6**
		O	....	4	4	5	5	6	6
Total, offsetting collections			....	–4	–5	–5	–6	–6	–6
Total Interior Franchise Fund (net)		BA	....	....	....	....	....	....	....
		O	....	....	–1	....	–1	....	....
Total Federal funds Departmental Management		BA	**258**	**68**	**68**	**68**	**68**	**68**	**68**
		O	57	148	192	68	67	68	68

Insular Affairs

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Assistance to territories:									
Appropriation, current	808	BA	**73**	**65**	**67**	**67**	**67**	**67**	**67**
Spending authority from offsetting collections		BA	....	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	58	70	69	68	69	69	69
Assistance to territories (gross)		BA	**73**	**67**	**69**	**69**	**69**	**69**	**69**
		O	58	70	69	68	69	69	69
Total, offsetting collections			....	–2	–2	–2	–2	–2	–2
Total Assistance to territories (net)		BA	**73**	**65**	**67**	**67**	**67**	**67**	**67**
		O	58	68	67	66	67	67	67
Trust Territory of the Pacific Islands:									
Outlays	808	O	7	9	9	9	4	....	....
Compact of free association:									
Appropriation, current	808	BA	**25**	**24**	**20**	**20**	**20**	**20**	**20**
Appropriation, permanent		BA	**132**	**226**	**127**	**125**	**127**	**129**	**129**
Outlays		O	173	160	173	195	197	164	149
Total Compact of free association		BA	**157**	**250**	**147**	**145**	**147**	**149**	**149**
		O	173	160	173	195	197	164	149
Payments to the United States territories, fiscal assistance:									
Appropriation, permanent	806	BA	**81**	**83**	**85**	**87**	**89**	**91**	**93**
Outlays		O	81	83	85	87	89	91	93
Total Federal funds Insular Affairs		BA	**311**	**398**	**299**	**299**	**303**	**307**	**309**
		O	319	320	334	357	357	322	309

Office of the Solicitor

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Office of the Solicitor:									
Appropriation, current	306	BA	**34**	**35**	**35**	**35**	**35**	**35**	**35**
Spending authority from offsetting collections		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	36	36	36	38	38	38	38
Office of the Solicitor (gross)		BA	**35**	**36**	**36**	**36**	**36**	**36**	**36**
		O	36	36	36	38	38	38	38

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total Office of the Solicitor (net)		BA	**34**	**35**	**35**	**35**	**35**	**35**	**35**
		O	35	35	35	37	37	37	37
Office of Inspector General									
Federal funds									
General and Special Funds:									
Office of Inspector General:									
Appropriation, current	306	BA	**24**	**24**	**25**	**25**	**25**	**25**	**25**
Outlays		O	24	24	25	26	25	25	25
Office of Special Trustee for American Indians									
Federal funds									
General and Special Funds:									
Office of the Special Trustee for American Indians:									
Appropriation, current	306	BA	**18**	**34**	**39**	**39**	**39**	**39**	**39**
Outlays		O	12	24	33	38	39	39	39
National Indian Gaming Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	806	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Spending authority from offsetting collections		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	2	4	4	3	3	3	3
Salaries and expenses (gross)		BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
		O	2	4	4	3	3	3	3
Total, offsetting collections			–2	–2	–2	–2	–2	–2	–2
Total Salaries and expenses (net)		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
		O	....	2	2	1	1	1	1
Total Federal funds Departmental Offices		BA	**646**	**560**	**467**	**467**	**471**	**475**	**477**
		O	447	553	621	527	526	492	479
Summary									
Federal funds:									
(As shown in detail above)		BA	**8,734**	**8,755**	**9,068**	**9,115**	**9,254**	**9,244**	**9,245**
		O	8,385	9,152	8,873	9,100	9,215	9,259	9,196
Deductions for offsetting receipts:									
Intrafund transactions	301	BA/O	*–11*	*–11*	*–11*	*–12*	*–11*	*–11*	*–6*
	303	BA/O	*–28*	*–29*	*–30*	*–31*	*–31*	*–32*	*–33*
	452	BA/O	*–29*	*–16*	*–17*	*–18*	*–19*	*–21*	*–22*
	908	BA/O	*–101*	*–105*	*–105*	*–106*	*–108*	*–110*	*–117*
Proprietary receipts from the public	301	BA/O	*–266*	*–238*	*–243*	*–247*	*–264*	*–254*	*–257*
	302	BA/O	*–1,109*	*–1,291*	*–1,358*	*–1,377*	*–1,410*	*–1,441*	*–1,489*
					–35	*–77*	*–98*	*–70*	*–70*
	303	BA/O	*–164*	*–222*	*–221*	*–229*	*–164*	*–163*	*–166*
					–1	*–1*	*–62*	*–64*	*–72*
	306	BA/O	....	*–47*	....	....	....	....	....
	452	BA/O	*–71*	*–77*	*–79*	*–82*	*–83*	*–86*	*–89*
	908	BA/O	*–22*	*–22*	*–15*	*–14*	*–16*	*–15*	*–19*
Total Federal funds		BA	**6,933**	**6,697**	**6,953**	**6,921**	**6,988**	**6,977**	**6,905**
		O	6,584	7,094	6,758	6,906	6,949	6,992	6,856
Trust funds:									
(As shown in detail above)		BA	**661**	**777**	**705**	**736**	**758**	**742**	**737**
		O	524	719	702	724	749	739	734

DEPARTMENT OF THE INTERIOR—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Deductions for offsetting receipts:									
Proprietary receipts from the public	271	BA/O	....	*–28*					
	301	BA/O	*–24*	*–34*	*–15*	*–28*	*–44*	*–22*	*–8*
	302	BA/O	*–8*	*–8*	*–8*	*–8*	*–8*	*–8*	*–8*
	303	BA/O	*–3*	*–3*	*–3*	*–3*	*–3*	*–3*	*–3*
	306	BA/O	*–1*	....	....	....	....	....	....
	452	BA/O	*–144*	*–146*	*–148*	*–150*	*–152*	*–153*	*–153*
	908	BA/O	*–113*	*–114*	*–118*	*–122*	*–123*	*–124*	*–127*
Total Trust funds		BA	**368**	**444**	**413**	**425**	**428**	**432**	**438**
		O	231	386	410	413	419	429	435
Interfund transactions	303	BA/O	*–1*	*–1*	*–1*	*–1*	*–1*	*–1*	*–1*
	452	BA/O	*–26*	*–15*	*–6*	....	....	....	....
	808	BA/O	*–63*	*–60*	*–60*	*–60*	*–60*	*–60*	*–60*
Total Department of the Interior		BA	**7,211**	**7,065**	**7,299**	**7,285**	**7,355**	**7,348**	**7,282**
		O	6,725	7,404	7,101	7,258	7,307	7,360	7,230

DEPARTMENT OF JUSTICE

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
General Administration									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	751	BA	**75**	**106**	**107**	**84**	**86**	**88**	**91**
Appropriation, permanent		BA	**–1**	....	....	....	....	....	....
Advance appropriation		BA	**1**	....	....	....	....	....	....
Spending authority from offsetting collections		BA	**19**	**12**	**12**	**12**	**12**	**12**	**12**
Outlays		O	86	114	121	99	98	100	103
Salaries and expenses (gross)		BA	**94**	**118**	**119**	**96**	**98**	**100**	**103**
		O	86	114	121	99	98	100	103
Total, offsetting collections			–19	–12	–12	–12	–12	–12	–12
Total Salaries and expenses (net)		BA	**75**	**106**	**107**	**84**	**86**	**88**	**91**
		O	67	102	109	87	86	88	91
Violent crime reduction programs, General administration:									
Outlays	751	O	7	1	....	....	....	....	....
Counterterrorism fund:									
Appropriation, current	751	BA	**17**	**29**	**29**	**31**	**32**	**32**	**34**
Outlays		O	11	31	29	30	32	32	34
Office of the Inspector General:									
Appropriation, current	751	BA	**31**	**32**	**33**	**35**	**36**	**37**	**38**
Spending authority from offsetting collections		BA	**12**	**13**	**16**	**16**	**16**	**16**	**16**
Outlays		O	50	43	49	51	52	53	54
Office of the Inspector General (gross)		BA	**43**	**45**	**49**	**51**	**52**	**53**	**54**
		O	50	43	49	51	52	53	54
Total, offsetting collections			–12	–13	–16	–16	–16	–16	–16
Total Office of the Inspector General (net)		BA	**31**	**32**	**33**	**35**	**36**	**37**	**38**
		O	38	30	33	35	36	37	38
Administrative review and appeals:									
Appropriation, current	751	BA	**39**	**63**	**70**	**73**	**75**	**77**	**80**
Spending authority from offsetting collections		BA	**5**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	44	57	70	74	76	78	81
Administrative review and appeals (gross)		BA	**44**	**64**	**71**	**74**	**76**	**78**	**81**
		O	44	57	70	74	76	78	81

DEPARTMENT OF JUSTICE—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Total, offsetting collections			–5	–1	–1	–1	–1	–1	–1
Total Administrative review and appeals (net)		BA	**39**	**63**	**70**	**73**	**75**	**77**	**80**
		O	39	56	69	73	75	77	80
Violent crime reduction programs, Administrative review and appeals:									
Appropriation, current	751	BA	**48**	**48**	**59**				
Outlays		O	36	41	56	14	3		
Intragovernmental Funds:									
Working capital fund:									
Appropriation, current	751	BA	**–65**	**–30**					
Appropriation, permanent		BA	**88**	**20**					
Spending authority from offsetting collections		BA	**544**	**758**	**626**	**609**	**671**	**671**	**671**
Outlays		O	541	758	626	609	671	671	671
Working capital fund (gross)		BA	**567**	**748**	**626**	**609**	**671**	**671**	**671**
		O	541	758	626	609	671	671	671
Total, offsetting collections			–544	–758	–626	–609	–671	–671	–671
Total Working capital fund (net)		BA	**23**	**–10**					
		O	–3						
Total Federal funds General Administration		BA	**233**	**268**	**298**	**223**	**229**	**234**	**243**
		O	195	261	296	239	232	234	243

United States Parole Commission

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	751	BA	**5**	**5**	**5**	**4**	**4**	**4**	**5**
Appropriation, permanent		BA	**–1**						
Advance appropriation		BA	**1**						
Outlays		O	6	5	5	4	4	4	5
Total Salaries and expenses		BA	**5**	**5**	**5**	**4**	**4**	**4**	**5**
		O	6	5	5	4	4	4	5

Legal Activities

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Salaries and expenses, General Legal Activities:									
Appropriation, current	752	BA	**416**	**448**	**500**	**488**	**501**	**514**	**531**
Appropriation, permanent		BA	**4**						
Advance appropriation		BA	**8**						
Spending authority from offsetting collections		BA	**114**	**120**	**120**	**120**	**120**	**120**	**120**
Outlays		O	511	560	610	611	620	632	649
Salaries and expenses, General Legal Activities (gross)		BA	**542**	**568**	**620**	**608**	**621**	**634**	**651**
		O	511	560	610	611	620	632	649
Total, offsetting collections			–114	–120	–120	–120	–120	–120	–120
Total Salaries and expenses, General Legal Activities (net)		BA	**428**	**448**	**500**	**488**	**501**	**514**	**531**
		O	397	440	490	491	500	512	529
Violent crime reduction programs, General Legal Activities:									
Appropriation, current	752	BA	**8**	**8**	**8**				
Outlays		O	7	10	8	1			
Salaries and expenses, Antitrust Division:									
Appropriation, current	752	BA	**18**	**18**	**18**	**18**	**18**	**18**	**18**
Appropriation, permanent		BA	**–1**						
Advance appropriation		BA	**1**						
Spending authority from offsetting collections		BA	**67**	**75**	**80**	**80**	**80**	**80**	**80**
Outlays		O	75	105	96	103	107	98	98
Salaries and expenses, Antitrust Division (gross)		BA	**85**	**93**	**98**	**98**	**98**	**98**	**98**
		O	75	105	96	103	107	98	98

DEPARTMENT OF JUSTICE—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Total, offsetting collections			–64	–69	–70	–80	–80	–80	–80
Total Salaries and expenses, Antitrust Division (net)		BA	**21**	**24**	**28**	**18**	**18**	**18**	**18**
		O	11	36	26	23	27	18	18
Salaries and expenses, United States Attorneys:									
Appropriation, current	752	BA	**910**	**943**	**1,019**	**1,066**	**1,093**	**1,122**	**1,160**
Appropriation, permanent		BA	**–8**						
Advance appropriation		BA	**8**						
Spending authority from offsetting collections		BA	**99**	**99**	**102**	**86**	**86**	**86**	**86**
Outlays		O	1,061	996	1,090	1,147	1,174	1,204	1,241
Salaries and expenses, United States Attorneys (gross)		BA	**1,009**	**1,042**	**1,121**	**1,152**	**1,179**	**1,208**	**1,246**
		O	1,061	996	1,090	1,147	1,174	1,204	1,241
Total, offsetting collections			–99	–99	–102	–86	–86	–86	–86
Total Salaries and expenses, United States Attorneys (net)		BA	**910**	**943**	**1,019**	**1,066**	**1,093**	**1,122**	**1,160**
		O	962	897	988	1,061	1,088	1,118	1,155
Violent crime reduction programs, U.S Attorneys:									
Appropriation, current	752	BA	**30**	**44**	**51**				
Outlays		O	27	41	49	6	2		
Salaries and expenses, Foreign Claims Settlement Commission:									
Appropriation, current	153	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
Salaries and expenses, United States Marshals Service:									
Appropriation, current	752	BA	**424**	**457**	**475**	**497**	**510**	**523**	**541**
Appropriation, permanent		BA	**–4**						
Advance appropriation		BA	**4**						
Spending authority from offsetting collections		BA	**63**	**63**	**30**	**30**	**49**	**49**	**49**
Outlays		O	457	476	504	525	558	571	588
Salaries and expenses, United States Marshals Service (gross)		BA	**487**	**520**	**505**	**527**	**559**	**572**	**590**
		O	457	476	504	525	558	571	588
Total, offsetting collections			–63	–63	–30	–30	–49	–49	–49
Total Salaries and expenses, United States Marshals Service (net)		BA	**424**	**457**	**475**	**497**	**510**	**523**	**541**
		O	394	413	474	495	509	522	539
Violent crime reduction programs, US Marshals Service:									
Appropriation, current	752	BA	**25**	**25**	**26**				
Outlays		O	18	23	26	3			
Federal prisoner detention:									
Appropriation, current	752	BA	**257**	**405**	**463**	**484**	**497**	**510**	**527**
Appropriation, permanent		BA	**9**						
Spending authority from offsetting collections		BA	**25**	**17**	**35**				
Outlays		O	289	396	455	472	488	503	519
Federal prisoner detention (gross)		BA	**291**	**422**	**498**	**484**	**497**	**510**	**527**
		O	289	396	455	472	488	503	519
Total, offsetting collections			–25	–17	–35				
Total Federal prisoner detention (net)		BA	**266**	**405**	**463**	**484**	**497**	**510**	**527**
		O	264	379	420	472	488	503	519
Fees and expenses of witnesses:									
Appropriation, current	752	BA	**83**	**101**	**75**	**79**	**81**	**83**	**85**
Outlays		O	82	95	83	78	81	83	85
Salaries and expenses, Community Relations Service:									
Appropriation, current	752	BA	**8**	**5**	**7**	**8**	**8**	**8**	**9**
Spending authority from offsetting collections		BA	**5**						
Outlays		O	12	8	7	8	8	8	9
Salaries and expenses, Community Relations Service (gross)		BA	**13**	**5**	**7**	**8**	**8**	**8**	**9**
		O	12	8	7	8	8	8	9
Total, offsetting collections			–5						
Total Salaries and expenses, Community Relations Service (net)		BA	**8**	**5**	**7**	**8**	**8**	**8**	**9**
		O	7	8	7	8	8	8	9

DEPARTMENT OF JUSTICE—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Independent counsel:									
Appropriation, permanent	752	BA	**14**	**10**	**10**	**10**	**10**	**10**	**10**
Outlays		O	9	15	10	10	10	10	10
Civil liberties public education fund:									
Outlays	808	O	6	33	17				
United States trustee system fund:									
Appropriation, current	752	BA	**76**						
Spending authority from offsetting collections		BA	**26**	**108**	**120**	**125**	**130**	**135**	**140**
Outlays		O	95	118	121	125	130	135	140
United States trustee system fund (gross)		BA	**102**	**108**	**120**	**125**	**130**	**135**	**140**
		O	95	118	121	125	130	135	140
Total, offsetting collections			–26	–108	–120	–125	–130	–135	–140
Total United States trustee system fund (net)		BA	**76**						
		O	69	10	1				
Assets forfeiture fund:									
Appropriation, current	752	BA	**30**	**23**	**23**	**24**	**25**	**25**	**26**
Appropriation, permanent		BA	**304**	**350**	**367**	**362**	**372**	**381**	**391**
Spending authority from offsetting collections		BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	460	418	391	441	427	428	428
Assets forfeiture fund (gross)		BA	**338**	**377**	**394**	**390**	**401**	**410**	**421**
		O	460	418	391	441	427	428	428
Total, offsetting collections			–4	–4	–4	–4	–4	–4	–4
Total Assets forfeiture fund (net)		BA	**334**	**373**	**390**	**386**	**397**	**406**	**417**
		O	456	414	387	437	423	424	424
Total Federal funds Legal Activities		BA	**2,628**	**2,844**	**3,053**	**3,037**	**3,116**	**3,195**	**3,299**
		O	2,710	2,815	2,987	3,086	3,137	3,199	3,289

Radiation Exposure Compensation

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Administrative expenses:									
Appropriation, current	054	BA	**3**	**2**	**2**		**2**	**2**	**2**
Advance appropriation		BA				**2**			
Outlays		O	1	2	2	2	2	2	2
Total Administrative expenses		BA	**3**	**2**	**2**	**2**	**2**	**2**	**2**
		O	1	2	2	2	2	2	2
Payment to radiation exposure compensation trust fund:									
Appropriation, current	054	BA		**14**	**4**		**29**	**29**	**29**
Advance appropriation		BA		**16**		**29**			
Outlays		O		30	4	29	29	29	29
Total Payment to radiation exposure compensation trust fund		BA		**30**	**4**	**29**	**29**	**29**	**29**
		O		30	4	29	29	29	29
Trust funds									
Radiation exposure compensation trust fund:									
Appropriation, permanent	054	BA	**1**	**30**	**4**	**29**	**29**	**29**	**29**
Outlays		O	22	22	26	30	29	29	29
Total Federal funds Radiation Exposure Compensation		BA	**3**	**32**	**6**	**31**	**31**	**31**	**31**
		O	1	32	6	31	31	31	31
Total Trust funds Radiation Exposure Compensation		BA	**1**	**30**	**4**	**29**	**29**	**29**	**29**
		O	22	22	26	30	29	29	29

Interagency Law Enforcement

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Interagency crime and drug enforcement:									
Appropriation, current	751	BA	**360**	**360**	**295**	**309**	**317**	**325**	**336**

DEPARTMENT OF JUSTICE—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Appropriation, permanent		BA	**–2**						
Advance appropriation		BA	**2**						
Outlays		O	323	362	311	306	315	323	333
Total Interagency crime and drug enforcement		BA	**360**	**360**	**295**	**309**	**317**	**325**	**336**
		O	323	362	311	306	315	323	333
Federal Bureau of Investigation									
Federal funds									
General and Special Funds:									
Salaries and expenses									
(Defense-related activities):									
(Appropriation, current)	054	BA	**102**	**147**	**147**		**147**	**147**	**147**
(Advance appropriation)		BA				**147**			
(Outlays)		O	89	110	132	144	147	147	147
Total (Defense-related activities)		BA	**102**	**147**	**147**	**147**	**147**	**147**	**147**
		O	89	110	132	144	147	147	147
(Federal law enforcement activities):									
(Appropriation, current)	751	BA	**2,090**	**2,424**	**2,567**	**2,629**	**2,751**	**2,827**	**2,928**
(Appropriation, permanent)		BA	**–45**	**–20**					
(Advance appropriation)		BA	**67**	**20**		**48**			
(Spending authority from offsetting collections)		BA	**392**	**457**	**438**	**438**	**438**	**438**	**438**
(Outlays)		O	2,522	2,482	2,770	2,989	3,149	3,233	3,331
Salaries and expenses (gross)		BA	**2,606**	**3,028**	**3,152**	**3,262**	**3,336**	**3,412**	**3,513**
		O	2,611	2,592	2,902	3,133	3,296	3,380	3,478
Total, offsetting collections			–392	–457	–438	–438	–438	–438	–438
Total (Federal law enforcement activities) (net)		BA	**2,112**	**2,424**	**2,567**	**2,677**	**2,751**	**2,827**	**2,928**
		O	2,130	2,025	2,332	2,551	2,711	2,795	2,893
Total Salaries and expenses		BA	**2,214**	**2,571**	**2,714**	**2,824**	**2,898**	**2,974**	**3,075**
		O	2,219	2,135	2,464	2,695	2,858	2,942	3,040
Construction:									
Appropriation, current	751	BA	**98**	**42**	**49**	**52**	**53**	**54**	**56**
Outlays		O	1	8	36	44	50	52	54
Telecommunications carrier compliance fund									
(Defense-related activities):									
(Appropriation, current)	054	BA		**30**	**50**		**50**	**50**	
(Advance appropriation)		BA				**50**			
(Outlays)		O		15	33	45	50	50	25
Total (Defense-related activities)		BA		**30**	**50**	**50**	**50**	**50**	
		O		15	33	45	50	50	25
(Federal law enforcement activities):									
(Appropriation, current)	751	BA		**30**	**50**	**50**	**50**	**50**	
(Spending authority from offsetting collections)		BA		**40**					
(Outlays)		O		55	33	45	50	50	25
Telecommunications carrier compliance fund (gross)		BA		**100**	**100**	**100**	**100**	**100**	
		O		70	66	90	100	100	50
Total, offsetting collections				–40					
Total (Federal law enforcement activities) (net)		BA		**30**	**50**	**50**	**50**	**50**	
		O		15	33	45	50	50	25
Total Telecommunications carrier compliance fund		BA		**60**	**100**	**100**	**100**	**100**	
		O		30	66	90	100	100	50
Violent crime reduction programs									
(Federal law enforcement activities):									
(Appropriation, current)	751	BA	**218**	**169**	**179**				

DEPARTMENT OF JUSTICE—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
(Outlays)		O	85	160	159	40	20	4	....
Total Violent crime reduction programs		BA	**218**	**169**	**179**	....	....	....	....
		O	85	160	159	40	20	4	....
Total Federal funds Federal Bureau of Investigation		BA	**2,530**	**2,842**	**3,042**	**2,976**	**3,051**	**3,128**	**3,131**
		O	2,305	2,333	2,725	2,869	3,028	3,098	3,144

Drug Enforcement Administration

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	751	BA	**753**	**749**	**682**	**716**	**736**	**756**	**784**
Appropriation, permanent		BA	**–22**	....	....	....	....	....	....
Advance appropriation		BA	**22**	....	....	....	....	....	....
Spending authority from offsetting collections		BA	**197**	**162**	**166**	**189**	**189**	**189**	**189**
Outlays		O	843	875	821	924	917	938	964
Salaries and expenses (gross)		BA	**950**	**911**	**848**	**905**	**925**	**945**	**973**
		O	843	875	821	924	917	938	964
Total, offsetting collections			–197	–162	–166	–189	–189	–189	–189
Total Salaries and expenses (net)		BA	**753**	**749**	**682**	**716**	**736**	**756**	**784**
		O	646	713	655	735	728	749	775
Construction:									
Appropriation, current	751	BA	....	**31**	**6**	**6**	**6**	**6**	**6**
Outlays		O	7	8	14	18	7	6	6
Violent crime reduction programs:									
Appropriation, current	751	BA	**60**	**220**	**400**	....	....	....	....
Outlays		O	41	179	314	164	100	13	....
Diversion control fee account:									
Appropriation, current	751	BA	**15**	**15**	**15**	**15**	**15**	**15**	**15**
Appropriation, permanent		BA	**47**	**53**	**58**	**58**	**61**	**64**	**67**
Outlays		O	55	62	54	54	75	78	81
Total Diversion control fee account		BA	**62**	**68**	**73**	**73**	**76**	**79**	**82**
		O	55	62	54	54	75	78	81
Total Federal funds Drug Enforcement Administration		BA	**875**	**1,068**	**1,161**	**795**	**818**	**841**	**872**
		O	749	962	1,037	971	910	846	862

Immigration and Naturalization Service

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	751	BA	**1,395**	**1,607**	**1,651**	**1,718**	**1,763**	**1,809**	**1,870**
Appropriation, permanent		BA	**–7**	....	....	....	....	....	....
Advance appropriation		BA	**7**	....	....	....	....	....	....
Spending authority from offsetting collections		BA	**932**	**1,114**	**1,202**	**1,203**	**1,244**	**1,286**	**1,330**
Outlays		O	2,092	2,877	2,766	2,887	2,990	3,079	3,182
Salaries and expenses (gross)		BA	**2,327**	**2,721**	**2,853**	**2,921**	**3,007**	**3,095**	**3,200**
		O	2,092	2,877	2,766	2,887	2,990	3,079	3,182
Total, offsetting collections			–932	–1,114	–1,202	–1,203	–1,244	–1,286	–1,330
Total Salaries and expenses (net)		BA	**1,395**	**1,607**	**1,651**	**1,718**	**1,763**	**1,809**	**1,870**
		O	1,160	1,763	1,564	1,684	1,746	1,793	1,852
Construction:									
Appropriation, current	751	BA	**25**	**10**	**74**	**77**	**79**	**81**	**84**
Outlays		O	–1	23	36	42	73	78	80
Immigration emergency fund:									
Appropriation, current	751	BA	....	**–35**	....	....	....	....	....
Outlays		O	19	....	....	....	....	....	....
Violent crime reduction fund programs:									
Appropriation, current	751	BA	**316**	**500**	**732**	....	....	....	....

DEPARTMENT OF JUSTICE—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Outlays		O	215	358	608	211	73	....	....
Immigration support:									
Appropriation, permanent	751	BA	**846**	**1,108**	**1,185**	**1,184**	**1,227**	**1,272**	**1,319**
Outlays		O	854	1,108	1,185	1,184	1,227	1,272	1,319
Total Federal funds Immigration and Naturalization Service		BA	**2,582**	**3,190**	**3,642**	**2,979**	**3,069**	**3,162**	**3,273**
		O	2,247	3,252	3,393	3,121	3,119	3,143	3,251
Federal Prison System									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	753	BA	**2,533**	**2,768**	**2,966**	**3,088**	**3,169**	**3,251**	**3,362**
Appropriation, permanent		BA	**–10**	....	....	....	....	....	....
Advance appropriation		BA	**10**	....	....	....	....	....	....
Spending authority from offsetting collections		BA	**16**	**18**	**19**	**19**	**19**	**19**	**19**
Outlays		O	2,445	2,750	2,817	3,079	3,170	3,254	3,360
Salaries and expenses (gross)		BA	**2,549**	**2,786**	**2,985**	**3,107**	**3,188**	**3,270**	**3,381**
		O	2,445	2,750	2,817	3,079	3,170	3,254	3,360
Total, offsetting collections			–16	–18	–19	–19	–19	–19	–19
Total Salaries and expenses (net)		BA	**2,533**	**2,768**	**2,966**	**3,088**	**3,169**	**3,251**	**3,362**
		O	2,429	2,732	2,798	3,060	3,151	3,235	3,341
Violent crime reduction programs:									
Appropriation, current	753	BA	**13**	**25**	**26**	....	....	....	....
Outlays		O	5	29	25	4	1	....	....
Buildings and facilities:									
Appropriation, current	753	BA	**335**	**396**	**253**	**165**	**171**	**178**	**188**
Outlays		O	606	386	491	659	521	376	309
Intragovernmental Funds:									
Federal Prison Industries, Incorporated:									
Spending authority from offsetting collections	753	BA	**479**	**515**	**522**	**570**	**599**	**617**	**636**
Outlays		O	519	515	522	570	599	617	636
Federal Prison Industries, Incorporated (gross)		BA	**479**	**515**	**522**	**570**	**599**	**617**	**636**
		O	519	515	522	570	599	617	636
Change in orders on hand from Federal sources		BA	**61**	**20**	....	....	....	....	....
Total, offsetting collections			–540	–535	–522	–570	–599	–617	–636
Total Federal Prison Industries, Incorporated (net)		BA	....	....	....	....	....	....	....
		O	–21	–20	....	....	....	....	....
Trust funds									
Commissary funds, Federal prisons (trust revolving fund):									
Spending authority from offsetting collections	753	BA	**138**	**167**	**180**	**186**	**195**	**202**	**208**
Outlays		O	132	144	153	164	173	180	186
Commissary funds, Federal prisons (trust revolving fund) (gross)		BA	**138**	**167**	**180**	**186**	**195**	**202**	**208**
		O	132	144	153	164	173	180	186
Total, offsetting collections			–138	–167	–180	–186	–195	–202	–208
Total Commissary funds, Federal prisons (trust revolving fund) (net)		BA	....	....	....	....	....	....	....
		O	–6	–23	–27	–22	–22	–22	–22
Total Federal funds Federal Prison System		BA	**2,881**	**3,189**	**3,245**	**3,253**	**3,340**	**3,429**	**3,550**
		O	3,019	3,127	3,314	3,723	3,673	3,611	3,650
Total Trust funds Federal Prison System		BA	....	....	....	....	....	....	....
		O	–6	–23	–27	–22	–22	–22	–22

DEPARTMENT OF JUSTICE—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Office of Justice Programs									
Federal funds									
General and Special Funds:									
Justice assistance:									
Appropriation, current	754	BA	**105**	**123**	**173**	**180**	**185**	**190**	**196**
Spending authority from offsetting collections		BA	**54**	**60**	**70**	**70**	**70**	**70**	**70**
Outlays		O	405	146	264	243	246	254	259
Justice assistance (gross)		BA	**159**	**183**	**243**	**250**	**255**	**260**	**266**
		O	405	146	264	243	246	254	259
Total, offsetting collections			–54	–60	–70	–70	–70	–70	–70
Total Justice assistance (net)		BA	**105**	**123**	**173**	**180**	**185**	**190**	**196**
		O	351	86	194	173	176	184	189
Community oriented policing services:									
Appropriation, current	754	BA	**1,400**	**1,420**	**1,545**	......	......	......	......
Outlays		O	313	784	1,693	1,834	719	77	......
Violent crime reduction programs:									
Appropriation, current	754	BA	**1,808**	**2,036**	**2,153**	......	......	......	......
Outlays		O	391	852	1,715	2,216	1,042	108	405
State and local law enforcement assistance:									
Appropriation, current	754	BA	**395**	**361**	......	......	......	......	......
Spending authority from offsetting collections		BA	**–5**	**10**	......	......	......	......	......
Outlays		O	142	260	431	156	118	......	......
State and local law enforcement assistance (gross)		BA	**390**	**371**	......	......	......	......	......
		O	142	260	431	156	118	......	......
Total, offsetting collections			5	–10	......	......	......	......	......
Total State and local law enforcement assistance (net)		BA	**395**	**361**	......	......	......	......	......
		O	147	250	431	156	118	......	......
Weed and seed program fund:									
Spending authority from offsetting collections	751	BA	**28**	**28**	**28**	**28**	**28**	**28**	**28**
Outlays		O	......	10	......	......	......	......	......
Weed and seed program fund (gross)		BA	**28**	**28**	**28**	**28**	**28**	**28**	**28**
		O	......	10	......	......	......	......	......
Total, offsetting collections			–28	–28	–28	–28	–28	–28	–28
Total Weed and seed program fund (net)		BA	......	......	......	......	......	......	......
		O	–28	–18	–28	–28	–28	–28	–28
Juvenile justice program:									
Appropriation, current	754	BA	**144**	**170**	**225**	**235**	**241**	**247**	**256**
Spending authority from offsetting collections		BA	**5**	**10**	**10**	**10**	**10**	**10**	**10**
Outlays		O	65	113	238	207	240	249	256
Juvenile justice program (gross)		BA	**149**	**180**	**235**	**245**	**251**	**257**	**266**
		O	65	113	238	207	240	249	256
Total, offsetting collections			–5	–10	–10	–10	–10	–10	–10
Total Juvenile justice program (net)		BA	**144**	**170**	**225**	**235**	**241**	**247**	**256**
		O	60	103	228	197	230	239	246
Public safety officers' benefits:									
Appropriation, current	754	BA	**31**	**32**	**35**	**36**	**38**	**38**	**39**
Outlays		O	24	38	35	36	38	38	39
Crime victims fund:									
Appropriation, permanent	754	BA	**228**	**529**	**177**	**181**	**185**	**192**	**197**
Outlays		O	149	355	284	298	181	186	192
Total Federal funds Office of Justice Programs		BA	**4,111**	**4,671**	**4,308**	**632**	**649**	**667**	**688**
		O	1,407	2,450	4,552	4,882	2,476	804	1,043

DEPARTMENT OF JUSTICE—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Violent Crime Reduction Trust Fund									
Federal funds									
General and Special Funds:									
Violent crime reduction trust fund:									
Appropriation, current	754	BA	....	....	....	**5,464**	**4,164**	**4,064**	**4,164**
Outlays		O	....	....	....	809	3,522	4,648	3,824
Summary									
Federal funds:									
(As shown in detail above)		BA	**16,208**	**18,469**	**19,055**	**19,703**	**18,788**	**19,080**	**19,592**
		O	12,962	15,599	18,626	20,041	20,447	19,941	19,675
Deductions for offsetting receipts:									
Intrafund transactions	908	BA/O	*–37*	*–50*	*–51*	*–32*	*–32*	*–32*	*–32*
Offsetting governmental receipts	751	BA/O	*–987*	*–998*	*–1,220*	*–1,258*	*–1,309*	*–1,341*	*–1,385*
Total Federal funds		BA	**15,184**	**17,421**	**17,784**	**18,413**	**17,447**	**17,707**	**18,175**
		O	11,938	14,551	17,355	18,751	19,106	18,568	18,258
Trust funds:									
(As shown in detail above)		BA	**1**	**30**	**4**	**29**	**29**	**29**	**29**
		O	16	–1	–1	8	7	7	7
Interfund transactions	054	BA/O	....	*–30*	*–4*	*–29*	*–29*	*–29*	*–29*
Total Department of Justice		BA	**15,185**	**17,421**	**17,784**	**18,413**	**17,447**	**17,707**	**18,175**
		O	11,954	14,520	17,350	18,730	19,084	18,546	18,236

DEPARTMENT OF LABOR

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Employment and Training Administration									
Federal funds									
General and Special Funds:									
Training and employment services:									
Appropriation, current	504	BA	**4,140**	**4,716**	**5,295**	**5,349**	**5,411**	**5,492**	**5,631**
Spending authority from offsetting collections		BA	**2**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	4,298	4,722	4,741	5,098	5,314	5,412	5,495
Training and employment services (gross)		BA	**4,142**	**4,720**	**5,299**	**5,353**	**5,415**	**5,496**	**5,635**
		O	4,298	4,722	4,741	5,098	5,314	5,412	5,495
Total, offsetting collections			–2	–4	–4	–4	–4	–4	–4
Total Training and employment services (net)		BA	**4,140**	**4,716**	**5,295**	**5,349**	**5,411**	**5,492**	**5,631**
		O	4,296	4,718	4,737	5,094	5,310	5,408	5,491
Welfare to work jobs:									
Appropriation, current	504	BA			[J] **6**	[J] **6**	[J] **7**	[J] **3**	
Appropriation, permanent		BA			[B] **750**	[B] **1,000**	[B] **1,250**		
Outlays		O			[B] 600	[B] 975	[B] 1,000	[B] 400	[B] 25
					[J] 5	[J] 6	[J] 7	[J] 3	
Total Welfare to work jobs		BA	....	....	**756**	**1,006**	**1,257**	**3**	....
		O	....	....	605	981	1,007	403	25
Community service employment for older Americans:									
Appropriation, current	504	BA	**373**	**463**	....	....	....	....	....
Outlays		O	382	407	354	37	....	....	....
Federal unemployment benefits and allowances (Training and employment):									
(Appropriation, current)	504	BA	**123**	**114**	**119**	**97**	**97**	**97**	**97**
						[B] **23**	[B] **23**	[B] **24**	[B] **24**

DEPARTMENT OF LABOR—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
(Outlays)		O	99	107	110	108	101	97	97
						[B]9	[B]19	[B]23	[B]24
Total (Training and employment)		BA	**123**	**114**	**119**	**120**	**120**	**121**	**121**
		O	99	107	110	117	120	120	121
(Unemployment compensation):									
(Appropriation, current)	603	BA	**223**	**211**	**230**	**226**	**242**	**244**	**246**
						[B]17	**[B]24**	**[B]25**	**[B]26**
(Spending authority from offsetting collections)		BA	**15**	**40**	**40**	**40**	**40**	**40**	**40**
(Outlays)		O	205	240	270	266	282	284	286
						[B]17	[B]24	[B]25	[B]26
Federal unemployment benefits and allowances (gross)		BA	**361**	**365**	**389**	**403**	**426**	**430**	**433**
		O	304	347	380	400	426	429	433
Total, offsetting collections			–15	–40	–40	–40	–40	–40	–40
Total (Unemployment compensation) (net)		BA	**223**	**211**	**230**	**243**	**266**	**269**	**272**
		O	190	200	230	243	266	269	272
Total Federal unemployment benefits and allowances		BA	**346**	**325**	**349**	**363**	**386**	**390**	**393**
		O	289	307	340	360	386	389	393
State unemployment insurance and employment service operations (Training and employment):									
(Appropriation, current)	504	BA	**135**	**173**	**173**	**124**	**75**	**75**	**76**
					[B]19	**[B]38**	**[B]38**	**[B]38**	**[B]38**
(Spending authority from offsetting collections)		BA	**1,425**	**801**	**815**	**806**	**825**	**842**	**864**
							[J]–38	**[J]–38**	**[J]–38**
(Outlays)		O	1,521	964	932	959	949	942	944
				[A]–45	[A]30		[A]15		
					[B]19	[B]38	[B]38	[B]38	[B]38
							[J]–38	[J]–38	[J]–38
State unemployment insurance and employment service operations (gross)		BA	**1,560**	**974**	**1,007**	**968**	**900**	**917**	**940**
		O	1,521	919	981	997	964	942	944
Total, offsetting collections			–1,425	–801	–815	–806	–825	–842	–864
							[J]38	[J]38	[J]38
Total (Training and employment) (net)		BA	**135**	**173**	**192**	**162**	**113**	**113**	**114**
		O	96	118	166	191	177	138	118
(Unemployment compensation):									
(Spending authority from offsetting collections)	603	BA	**2,312**	**2,351**	**2,640**	**2,531**	**2,533**	**2,536**	**2,538**
(Outlays)		O	2,312	2,351	2,640	2,531	2,533	2,536	2,538
State unemployment insurance and employment service operations (gross)		BA	**2,447**	**2,524**	**2,832**	**2,693**	**2,646**	**2,649**	**2,652**
		O	2,408	2,469	2,806	2,722	2,710	2,674	2,656
Total, offsetting collections			–2,312	–2,351	–2,640	–2,531	–2,533	–2,536	–2,538
Total (Unemployment compensation) (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....
Total State unemployment insurance and employment service operations		BA	**135**	**173**	**192**	**162**	**113**	**113**	**114**
		O	96	118	166	191	177	138	118
Advances to the unemployment trust fund and other funds:									
Appropriation, current	603	BA	**63**	....	....	....	....	....	....
Outlays		O	63	....	....	....	....	....	....
Program operations:									
Appropriation, current	504	BA	**83**	**81**	**86**	**86**	**86**	**86**	**86**
					[B]6	**[B]12**	**[B]12**	**[B]12**	**[B]12**
Spending authority from offsetting collections		BA	**41**	**43**	**44**	**44**	**44**	**44**	**44**
							[J]–12	**[J]–12**	**[J]–12**
Outlays		O	122	121	124	130	129	129	129
					[B]6	[B]12	[B]12	[B]12	[B]12
							[J]–12	[J]–12	[J]–12
Program operations (gross)		BA	**124**	**124**	**136**	**142**	**130**	**130**	**130**
		O	122	121	130	142	129	129	129

DEPARTMENT OF LABOR—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Total, offsetting collections			–41	–43	–44	–44	–44	–44	–44
							[J] 12	[J] 12	[J] 12
Total Program operations (net)		BA	**83**	**81**	**92**	**98**	**98**	**98**	**98**
		O	81	78	86	98	97	97	97
Intragovernmental Funds:									
Advances to the Employment Security Administration account of the Unemployment trust fund:									
Appropriation, current	603	BA	**–56**	....	....	....	....	....	....
	Trust funds								
Unemployment trust fund									
(Training and employment):									
(Appropriation, current)	504	BA	**1,057**	**1,076**	**1,079**	**1,084**	**1,105**	**1,121**	**1,143**
							[J] **–50**	[J] **–50**	[J] **–50**
(Outlays)		O	1,145	1,083	1,079	1,069	1,089	1,105	1,126
							[J] –50	[J] –50	[J] –50
Total (Training and employment)		BA	**1,057**	**1,076**	**1,079**	**1,084**	**1,055**	**1,071**	**1,093**
		O	1,145	1,083	1,079	1,069	1,039	1,055	1,076
(Unemployment compensation):									
(Appropriation, current)	603	BA	**2,311**	**2,345**	**2,634**	**2,436**	**2,438**	**2,441**	**2,443**
(Appropriation, permanent)		BA	**22,781**	**23,100**	**24,851**	**26,262**	**27,540**	**28,709**	**29,743**
							[B] **–200**	[B] **–200**	[B] **–200**
(Outlays)		O	25,001	25,434	27,405	28,778	29,978	31,150	32,186
							[B] –200	[B] –200	[B] –200
Total (Unemployment compensation)		BA	**25,092**	**25,445**	**27,485**	**28,698**	**29,778**	**30,950**	**31,986**
		O	25,001	25,434	27,405	28,778	29,778	30,950	31,986
Total Unemployment trust fund		BA	**26,149**	**26,521**	**28,564**	**29,782**	**30,833**	**32,021**	**33,079**
		O	26,146	26,517	28,484	29,847	30,817	32,005	33,062
Total Federal funds Employment and Training Administration		BA	**5,084**	**5,758**	**6,684**	**6,978**	**7,265**	**6,096**	**6,236**
		O	5,207	5,628	6,288	6,761	6,977	6,435	6,124
Total Trust funds Employment and Training Administration		BA	**26,149**	**26,521**	**28,564**	**29,782**	**30,833**	**32,021**	**33,079**
		O	26,146	26,517	28,484	29,847	30,817	32,005	33,062
Office of the American Workplace									
	Federal funds								
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	505	BA	**2**	....	....	....	....	....	....
Outlays		O	4	....	....	....	....	....	....
Pension and welfare benefit administration									
	Federal funds								
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	601	BA	**67**	**77**	**84**	**84**	**84**	**84**	**84**
Spending authority from offsetting collections		BA	....	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	63	82	84	85	85	85	85
Salaries and expenses (gross)		BA	**67**	**78**	**85**	**85**	**85**	**85**	**85**
		O	63	82	84	85	85	85	85
Total, offsetting collections			....	–1	–1	–1	–1	–1	–1
Total Salaries and expenses (net)		BA	**67**	**77**	**84**	**84**	**84**	**84**	**84**
		O	63	81	83	84	84	84	84
Pension Benefit Guaranty Corporation									
	Federal funds								
Public Enterprise Funds:									
Pension benefit guaranty corporation fund:									
Spending authority from offsetting collections	601	BA	**1,812**	**2,307**	**2,421**	**2,513**	**2,376**	**2,453**	**2,578**

DEPARTMENT OF LABOR—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	961	997	1,136	1,239	1,334	1,423	1,524
Pension benefit guaranty corporation fund (gross)		BA	**1,812**	**2,307**	**2,421**	**2,513**	**2,376**	**2,453**	**2,578**
		O	961	997	1,136	1,239	1,334	1,423	1,524
Total, offsetting collections			–1,812	–2,307	–2,421	–2,512	–2,376	–2,453	–2,579
Total Pension benefit guaranty corporation fund (net)		BA	....	....	....	**1**	....	....	**–1**
		O	–851	–1,310	–1,285	–1,273	–1,042	–1,030	–1,055

Employment Standards Administration

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	505	BA	**264**	**289**	**312**	**312**	**312**	**312**	**312**
Spending authority from offsetting collections		BA	**29**	**30**	**30**	**29**	**29**	**29**	**29**
Outlays		O	286	317	342	341	341	341	341
Salaries and expenses (gross)		BA	**293**	**319**	**342**	**341**	**341**	**341**	**341**
		O	286	317	342	341	341	341	341
Total, offsetting collections			–29	–30	–30	–29	–29	–29	–29
Total Salaries and expenses (net)		BA	**264**	**289**	**312**	**312**	**312**	**312**	**312**
		O	257	287	312	312	312	312	312
Special benefits									
(General retirement and disability insurance (excluding social se):									
(Appropriation, current)	601	BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
(Outlays)		O	4	4	4	4	4	4	4
(Federal employee retirement and disability):									
(Appropriation, current)	602	BA	**214**	**209**	**197**	**195**	**190**	**187**	**184**
(Spending authority from offsetting collections)		BA	**1,853**	**1,876**	**1,857**	**1,905**	**1,917**	**2,025**	**2,035**
(Outlays)		O	1,919	1,995	1,991	2,057	2,130	2,210	2,292
Special benefits (gross)		BA	**2,071**	**2,089**	**2,058**	**2,104**	**2,111**	**2,216**	**2,223**
		O	1,923	1,999	1,995	2,061	2,134	2,214	2,296
Total, offsetting collections			–1,853	–1,876	–1,857	–1,905	–1,917	–2,025	–2,035
Total (Federal employee retirement and disability) (net)		BA	**214**	**209**	**197**	**195**	**190**	**187**	**184**
		O	66	119	134	152	213	185	257
Total Special benefits		BA	**218**	**213**	**201**	**199**	**194**	**191**	**188**
		O	70	123	138	156	217	189	261
Panama Canal Commission compensation fund:									
Appropriation, permanent	602	BA	**15**	**13**	**12**	**11**	**7**	**7**	**7**
Outlays		O	6	7	7	7	7	7	7
Trust funds									
Black lung disability trust fund:									
Appropriation, current	601	BA	**612**	**613**	**615**	**628**	**641**	**654**	**667**
Authority to borrow, current		BA	**374**	**395**	**392**	**393**	**390**	**385**	**379**
Outlays		O	986	1,008	1,007	1,021	1,031	1,039	1,046
Total Black lung disability trust fund		BA	**986**	**1,008**	**1,007**	**1,021**	**1,031**	**1,039**	**1,046**
		O	986	1,008	1,007	1,021	1,031	1,039	1,046
Special workers' compensation expenses:									
Appropriation, current	601	BA	**1**	**1**	**2**	**2**	**2**	**2**	**2**
Appropriation, permanent		BA	**129**	**150**	**151**	**158**	**168**	**175**	**183**
Outlays		O	129	144	146	152	161	168	176
Total Special workers' compensation expenses		BA	**130**	**151**	**153**	**160**	**170**	**177**	**185**
		O	129	144	146	152	161	168	176
Total Federal funds Employment Standards Administration		BA	**497**	**515**	**525**	**522**	**513**	**510**	**507**
		O	333	417	457	475	536	508	580
Total Trust funds Employment Standards Administration		BA	**1,116**	**1,159**	**1,160**	**1,181**	**1,201**	**1,216**	**1,231**
		O	1,115	1,152	1,153	1,173	1,192	1,207	1,222

DEPARTMENT OF LABOR—Continued

(In millions of dollars)

Occupational Safety and Health Administration

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	554	BA	**304**	**325**	**348**	**348**	**348**	**348**	**348**
Spending authority from offsetting collections		BA	**2**	**3**	**2**	**2**	**2**	**2**	**2**
Outlays		O	290	326	347	350	350	350	350
Salaries and expenses (gross)		BA	**306**	**328**	**350**	**350**	**350**	**350**	**350**
		O	290	326	347	350	350	350	350
Change in orders on hand from Federal sources		BA	**1**						
Total, offsetting collections			–3	–3	–2	–2	–2	–2	–2
Total Salaries and expenses (net)		BA	**304**	**325**	**348**	**348**	**348**	**348**	**348**
		O	287	323	345	348	348	348	348

Mine Safety and Health Administration

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	554	BA	**196**	**197**	**206**	**206**	**206**	**206**	**206**
Outlays		O	189	197	205	205	206	206	206

Bureau of Labor Statistics

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	505	BA	**292**	**309**	**327**	**327**	**327**	**327**	**327**
Spending authority from offsetting collections		BA	**68**	**71**	**72**	**72**	**72**	**72**	**72**
Outlays		O	349	380	394	395	397	397	397
Salaries and expenses (gross)		BA	**360**	**380**	**399**	**399**	**399**	**399**	**399**
		O	349	380	394	395	397	397	397
Total, offsetting collections			–68	–71	–72	–72	–72	–72	–72
Total Salaries and expenses (net)		BA	**292**	**309**	**327**	**327**	**327**	**327**	**327**
		O	281	309	322	323	325	325	325

Departmental Management

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	505	BA	**142**	**144**	**152**	**152**	**152**	**152**	**152**
Spending authority from offsetting collections		BA	**32**	**37**	**36**	**36**	**36**	**36**	**36**
Outlays		O	173	181	187	188	188	188	188
Salaries and expenses (gross)		BA	**174**	**181**	**188**	**188**	**188**	**188**	**188**
		O	173	181	187	188	188	188	188
Total, offsetting collections			–32	–37	–36	–36	–36	–36	–36
Total Salaries and expenses (net)		BA	**142**	**144**	**152**	**152**	**152**	**152**	**152**
		O	141	144	151	152	152	152	152
Office of the Inspector General:									
Appropriation, current	505	BA	**44**	**43**	**43**	**43**	**43**	**43**	**43**
Spending authority from offsetting collections		BA	**7**	**9**	**14**	**14**	**14**	**14**	**14**
Outlays		O	51	52	57	57	57	57	57
Office of the Inspector General (gross)		BA	**51**	**52**	**57**	**57**	**57**	**57**	**57**
		O	51	52	57	57	57	57	57

DEPARTMENT OF LABOR—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Total, offsetting collections			–7	–9	–14	–14	–14	–14	–14
Total Office of the Inspector General (net)		BA	**44**	**43**	**43**	**43**	**43**	**43**	**43**
		O	44	43	43	43	43	43	43
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	505	BA	**91**	**95**	**100**	**100**	**102**	**102**	**110**
Outlays		O	83	95	96	93	95	95	102
Working capital fund (gross)		BA	**91**	**95**	**100**	**100**	**102**	**102**	**110**
		O	83	95	96	93	95	95	102
Total, offsetting collections			–91	–95	–100	–100	–102	–102	–110
Total Working capital fund (net)		BA	....	....	....	....	....	....	....
		O	–8	....	–4	–7	–7	–7	–8
Total Federal funds Departmental Management		BA	**186**	**187**	**195**	**195**	**195**	**195**	**195**
		O	177	187	190	188	188	188	187

Summary

Account			1996 actual	1997	1998	1999	2000	2001	2002
Federal funds:									
(As shown in detail above)		BA	**6,628**	**7,368**	**8,369**	**8,661**	**8,938**	**7,766**	**7,902**
		O	5,690	5,832	6,605	7,111	7,622	7,064	6,799
Deductions for offsetting receipts:									
Intrafund transactions	602	BA/O	*–11*	*–8*	*–7*	*–5*	....	....	....
	908	BA/O	*–4*	*–5*	*–5*	*–5*	*–6*	*–6*	*–6*
Total Federal funds		BA	**6,613**	**7,355**	**8,357**	**8,651**	**8,932**	**7,760**	**7,896**
		O	5,675	5,819	6,593	7,101	7,616	7,058	6,793
Trust funds:									
(As shown in detail above)		BA	**27,265**	**27,680**	**29,724**	**30,963**	**32,034**	**33,237**	**34,310**
		O	27,261	27,669	29,637	31,020	32,009	33,212	34,284
Deductions for offsetting receipts:									
Proprietary receipts from the public	908	BA/O	*–6*	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*
Total Trust funds		BA	**27,259**	**27,678**	**29,722**	**30,961**	**32,032**	**33,235**	**34,308**
		O	27,255	27,667	29,635	31,018	32,007	33,210	34,282
Interfund transactions	603	BA/O	*–438*	*–612*	*–604*	*–608*	*–621*	*–694*	*–679*
Total Department of Labor		BA	**33,434**	**34,421**	**37,475**	**39,004**	**40,343**	**40,301**	**41,525**
		O	32,492	32,874	35,624	37,511	39,002	39,574	40,396

DEPARTMENT OF STATE

(In millions of dollars)

Administration of Foreign Affairs

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Diplomatic and consular programs:									
Appropriation, current	153	BA	**1,713**	**1,725**	**1,292**	**1,292**	**1,292**	**1,292**	**1,292**
					B **595**	*B* **595**	*B* **595**	*B* **595**	*B* **595**
Spending authority from offsetting collections		BA	**557**	**479**	**339**	**339**	**339**	**339**	**339**
Outlays		O	2,223	2,205	1,696	1,653	1,635	1,631	1,631
					B 506	*B* 566	*B* 589	*B* 595	*B* 595
Diplomatic and consular programs (gross)		BA	**2,270**	**2,204**	**2,226**	**2,226**	**2,226**	**2,226**	**2,226**
		O	2,223	2,205	2,202	2,219	2,224	2,226	2,226

DEPARTMENT OF STATE—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Total, offsetting collections			–557	–479	–339	–339	–339	–339	–339
Total Diplomatic and consular programs (net)		BA	**1,713**	**1,725**	**1,887**	**1,887**	**1,887**	**1,887**	**1,887**
		O	1,666	1,726	1,863	1,880	1,885	1,887	1,887
Salaries and expenses:									
Appropriation, current	153	BA	**368**	**352**	**364**	**364**	**364**	**364**	**364**
Spending authority from offsetting collections		BA	**13**	**11**	**11**	**11**	**11**	**11**	**11**
Outlays		O	352	366	374	374	375	375	375
Salaries and expenses (gross)		BA	**381**	**363**	**375**	**375**	**375**	**375**	**375**
		O	352	366	374	374	375	375	375
Total, offsetting collections			–13	–11	–11	–11	–11	–11	–11
Total Salaries and expenses (net)		BA	**368**	**352**	**364**	**364**	**364**	**364**	**364**
		O	339	355	363	363	364	364	364
Capital investment fund:									
Appropriation, current	153	BA	**16**	**25**	**65**	**65**	**65**	**65**	**65**
Outlays		O	3	32	54	66	65	65	65
Office of the Inspector General:									
Appropriation, current	153	BA	**27**	**27**	**28**	**28**	**28**	**28**	**28**
Spending authority from offsetting collections		BA	**1**	....	....	....	....	....	....
Outlays		O	25	27	28	28	28	28	28
Office of the Inspector General (gross)		BA	**28**	**27**	**28**	**28**	**28**	**28**	**28**
		O	25	27	28	28	28	28	28
Total, offsetting collections			–1	....	....	....	....	....	....
Total Office of the Inspector General (net)		BA	**27**	**27**	**28**	**28**	**28**	**28**	**28**
		O	24	27	28	28	28	28	28
Security and maintenance of United States missions:									
Appropriation, current	153	BA	**321**	**389**	**373**	**373**	**373**	**373**	**373**
Spending authority from offsetting collections		BA	**72**	**231**	**187**	**151**	**151**	**101**	**101**
Outlays		O	568	666	590	542	519	474	474
Security and maintenance of United States missions (gross)		BA	**393**	**620**	**560**	**524**	**524**	**474**	**474**
		O	568	666	590	542	519	474	474
Total, offsetting collections			–72	–231	–187	–151	–151	–101	–101
Total Security and maintenance of United States missions (net)		BA	**321**	**389**	**373**	**373**	**373**	**373**	**373**
		O	496	435	403	391	368	373	373
Security and maintenance of United States missions (special foreign currency program):									
Outlays	153	O	....	1	....	....	....	....	....
Representation allowances:									
Appropriation, current	153	BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	4	4	4	4	4	4	4
Protection of foreign missions and officials:									
Appropriation, current	153	BA	**9**	**8**	**8**	**8**	**8**	**8**	**8**
Outlays		O	13	9	8	8	8	8	8
Emergencies in the diplomatic and consular service:									
Appropriation, current	153	BA	**6**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	6	6	6	6	6	6	6
Payment to the American Institute in Taiwan:									
Appropriation, current	153	BA	**15**	**14**	**14**	**14**	**14**	**14**	**14**
Outlays		O	12	15	14	14	14	14	14
Payment to the Foreign Service retirement and disability fund:									
Appropriation, current	153	BA	**125**	**126**	**130**	**133**	**136**	**138**	**140**
Appropriation, permanent		BA	**120**	**123**	**126**	**130**	**132**	**134**	**137**
Outlays		O	245	249	256	263	268	272	277
Total Payment to the Foreign Service retirement and disability fund		BA	**245**	**249**	**256**	**263**	**268**	**272**	**277**
		O	245	249	256	263	268	272	277
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	153	BA	**92**	**690**	**690**	**690**	**690**	**690**	**690**

DEPARTMENT OF STATE—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Outlays		O	99	606	661	684	690	690	690
Working capital fund (gross)		BA	**92**	**690**	**690**	**690**	**690**	**690**	**690**
		O	99	606	661	684	690	690	690
Total, offsetting collections			–92	–690	–690	–690	–690	–690	–690
Total Working capital fund (net)		BA	....	....	....	....	....	....	....
		O	7	–84	–29	–6	....	....	....
Credit Accounts:									
Repatriation loans program account:									
Appropriation, current	153	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
Limitation on direct loan activity			(1)	(1)	(1)	(1)	(1)	(1)	(1)
Trust funds									
Foreign Service retirement and disability fund:									
Appropriation, permanent	602	BA	**466**	**494**	**522**	**550**	**580**	**612**	**646**
					[B] **–4**	[B] **–4**	[B] **–4**	[B] **–4**	[B] **–4**
Outlays		O	466	494	522	550	580	612	646
					[B] –4	[B] –4	[B] –4	[B] –4	[B] –4
Total Foreign Service retirement and disability fund		BA	**466**	**494**	**518**	**546**	**576**	**608**	**642**
		O	466	494	518	546	576	608	642
Foreign service national separation liability trust fund:									
Appropriation, permanent	602	BA	**7**	**7**	**7**	**7**	**7**	**7**	**7**
Outlays		O	6	7	7	7	7	7	7
Miscellaneous trust funds:									
Appropriation, permanent	153	BA	**8**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	3	29	25	13	3	3	3
Total Federal funds Administration of Foreign Affairs		BA	**2,725**	**2,800**	**3,006**	**3,013**	**3,018**	**3,022**	**3,027**
		O	2,816	2,776	2,971	3,018	3,011	3,022	3,027
Total Trust funds Administration of Foreign Affairs		BA	**481**	**504**	**528**	**556**	**586**	**618**	**652**
		O	475	530	550	566	586	618	652

International Organizations and Conferences

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Contributions to international organizations:									
Appropriation, current	153	BA	**892**	**882**	**1,023**	**900**	**900**	**925**	**925**
Outlays		O	903	886	1,021	902	900	925	925
Contributions for international peacekeeping activities:									
Appropriation, current	153	BA	**359**	**352**	**286**	**240**	**240**	**240**	**240**
Outlays		O	190	514	287	241	240	240	240
Arrearage payment:									
Advance appropriation	153	BA				[A] **921**			
Outlays		O				[A] 921			
International conferences and contingencies:									
Appropriation, current	153	BA	**3**	**10**	**5**	**5**	**5**	**5**	**5**
Outlays		O	3	8	6	6	6	5	5
Total Federal funds International Organizations and Conferences		BA	**1,254**	**1,244**	**1,314**	**2,066**	**1,145**	**1,170**	**1,170**
		O	1,096	1,408	1,314	2,070	1,146	1,170	1,170

International Commissions

International Boundary and Water Commission, United States and Mexico:

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Salaries and expenses, IBWC:									
Appropriation, current	301	BA	**12**	**15**	**18**	**18**	**18**	**18**	**18**
Spending authority from offsetting collections		BA	**1**	**3**	**3**	**3**	**3**	**3**	**3**

DEPARTMENT OF STATE—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Outlays		O	13	18	21	21	21	21	21
Salaries and expenses, IBWC (gross)		BA	**13**	**18**	**21**	**21**	**21**	**21**	**21**
		O	13	18	21	21	21	21	21
Total, offsetting collections			–1	–3	–3	–3	–3	–3	–3
Total Salaries and expenses, IBWC (net)		BA	**12**	**15**	**18**	**18**	**18**	**18**	**18**
		O	12	15	18	18	18	18	18
Construction, IBWC:									
Appropriation, current	301	BA	**7**	**6**	**6**	**6**	**6**	**6**	**6**
Spending authority from offsetting collections		BA	**33**	**80**	**14**	**20**	**20**	**20**	**20**
Outlays		O	83	88	21	27	26	26	26
Construction, IBWC (gross)		BA	**40**	**86**	**20**	**26**	**26**	**26**	**26**
		O	83	88	21	27	26	26	26
Total, offsetting collections			–33	–80	–14	–20	–20	–20	–20
Total Construction, IBWC (net)		BA	**7**	**6**	**6**	**6**	**6**	**6**	**6**
		O	50	8	7	7	6	6	6
Total Federal funds International Boundary and Water Commission, United States and Mexico:		BA	**19**	**21**	**24**	**24**	**24**	**24**	**24**
		O	62	23	25	25	24	24	24
Federal funds									
General and Special Funds:									
American sections, international commissions:									
Appropriation, current	301	BA	**6**	**5**	**6**	**6**	**6**	**6**	**6**
Outlays		O	5	6	6	6	6	6	6
International fisheries commissions:									
Appropriation, current	302	BA	**15**	**15**	**15**	**15**	**15**	**15**	**15**
Outlays		O	6	25	15	15	15	15	15
Total Federal funds International Commissions		BA	**40**	**41**	**45**	**45**	**45**	**45**	**45**
		O	73	54	46	46	45	45	45
Other									
Federal funds									
General and Special Funds:									
Migration and refugee assistance:									
Appropriation, current	151	BA	**671**	**650**	**650**	**667**	**684**	**702**	**720**
Spending authority from offsetting collections		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	609	754	652	666	683	701	719
Migration and refugee assistance (gross)		BA	**673**	**652**	**652**	**669**	**686**	**704**	**722**
		O	609	754	652	666	683	701	719
Total, offsetting collections			–2	–2	–2	–2	–2	–2	–2
Total Migration and refugee assistance (net)		BA	**671**	**650**	**650**	**667**	**684**	**702**	**720**
		O	607	752	650	664	681	699	717
United States emergency refugee and migration assistance fund:									
Appropriation, current	151	BA	**50**	**50**	**50**	**51**	**53**	**54**	**55**
Outlays		O	31	100	84	51	52	54	55
International narcotics control:									
Appropriation, current	151	BA	**135**	**213**	**230**	**236**	**242**	**248**	**255**
Outlays		O	128	154	194	218	234	242	248
Anti-terrorism assistance:									
Appropriation, current	152	BA	**16**	....	**19**	**19**	**19**	**19**	**19**
Outlays		O	14	6	14	17	19	19	19
U.S. bilateral science and technology agreements:									
Outlays	153	O	1	....	....	....	....	....	....
Russian, Eurasian, and East European research and training program:									
Outlays	153	O	2	....	....	....	....	....	....
Payment to the Asia Foundation:									
Appropriation, current	154	BA	**5**	**8**	**8**	**6**	**3**	**1**	....

DEPARTMENT OF STATE—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	7	8	8	6	3	1	....
International litigation fund:									
Appropriation, permanent	153	BA	....	**1**	**1**	**1**	**1**	**1**	**1**
Spending authority from offsetting collections		BA	**2**	....	....	....	....	....	....
Outlays		O	1	1	1	1	1	1	1
International litigation fund (gross)		BA	**2**	**1**	**1**	**1**	**1**	**1**	**1**
		O	1	1	1	1	1	1	1
Total, offsetting collections			–2	....	....	....	....	....	....
Total International litigation fund (net)		BA	....	**1**	**1**	**1**	**1**	**1**	**1**
		O	–1	1	1	1	1	1	1
International Center, Washington, D.C:									
Spending authority from offsetting collections	153	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	....	1	1	1	1	1	1
International Center, Washington, D.C (gross)		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
		O	....	1	1	1	1	1	1
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total International Center, Washington, D.C. (net)		BA	....	....	....	....	....	....	....
		O	–1	....	....	....	....	....	....
Total Federal funds Other		BA	**877**	**922**	**958**	**980**	**1,002**	**1,025**	**1,050**
		O	788	1,021	951	957	990	1,016	1,040

Summary

Account			1996 actual	1997	1998	1999	2000	2001	2002
Federal funds:									
(As shown in detail above)		BA	**4,896**	**5,007**	**5,323**	**6,104**	**5,210**	**5,262**	**5,292**
		O	4,773	5,259	5,282	6,091	5,192	5,253	5,282
Deductions for offsetting receipts:									
Intrafund transactions	153	BA/O	....	*–1*	*–1*	*–1*	*–1*	*–1*	*–1*
Total Federal funds		BA	**4,896**	**5,006**	**5,322**	**6,103**	**5,209**	**5,261**	**5,291**
		O	4,773	5,258	5,281	6,090	5,191	5,252	5,281
Trust funds:									
(As shown in detail above)		BA	**481**	**504**	**528**	**556**	**586**	**618**	**652**
		O	475	530	550	566	586	618	652
Deductions for offsetting receipts:									
Intrafund transactions	602	BA/O	*–1*	*–1*	*–1*	*–1*	*–1*	*–1*	*–1*
Total Trust funds		BA	**480**	**503**	**527**	**555**	**585**	**617**	**651**
		O	474	529	549	565	585	617	651
Interfund transactions	153	BA/O	*–289*	*–293*	*–300*	*–308*	*–315*	*–319*	*–325*
	602	BA/O	*–7*	*–7*	*–7*	*–7*	*–7*	*–7*	*–7*
Total Department of State		BA	**5,080**	**5,209**	**5,542**	**6,343**	**5,472**	**5,552**	**5,610**
		O	4,951	5,487	5,523	6,340	5,454	5,543	5,600

DEPARTMENT OF TRANSPORTATION

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Office of the Secretary									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	407	BA	**54**	**52**	**56**	**56**	**56**	**56**	**56**
Spending authority from offsetting collections		BA	**16**	**5**	**4**	**4**	**4**	**4**	**4**

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Outlays		O	70	58	59	60	60	60	60
Salaries and expenses (gross)		BA	70	57	60	60	60	60	60
		O	70	58	59	60	60	60	60
Change in orders on hand from Federal sources		BA	–8						
Total, offsetting collections			–8	–5	–4	–4	–4	–4	–4
Total Salaries and expenses (net)		BA	54	52	56	56	56	56	56
		O	62	53	55	56	56	56	56
Office of civil rights:									
Appropriation, current	407	BA	6	6	6	6	6	6	6
Outlays		O	5	5	6	6	6	6	6
Minority business outreach:									
Appropriation, current	407	BA	3	3	3	3	3	3	3
Outlays		O	1	5	3	3	3	3	3
Rental payments:									
Appropriation, current	407	BA	92	86	11	11	11	11	11
Spending authority from offsetting collections		BA	64	63					
Outlays		O	157	158	11	11	11	11	11
Rental payments (gross)		BA	156	149	11	11	11	11	11
		O	157	158	11	11	11	11	11
Change in orders on hand from Federal sources		BA	–5	18					
Total, offsetting collections			–59	–81					
Total Rental payments (net)		BA	92	86	11	11	11	11	11
		O	98	77	11	11	11	11	11
Transportation planning, research, and development:									
Appropriation, current	407	BA	8	3	6	6	6	6	6
Spending authority from offsetting collections		BA		1					
Outlays		O	8	5	4	5	6	6	6
Transportation planning, research, and development (gross)		BA	8	4	6	6	6	6	6
		O	8	5	4	5	6	6	6
Change in orders on hand from Federal sources		BA		2					
Total, offsetting collections				–3					
Total Transportation planning, research, and development (net)		BA	8	3	6	6	6	6	6
		O	8	2	4	5	6	6	6
Payments to air carriers:									
Appropriation, current	402	BA	–7	–1					
Outlays		O		3					
Essential air service and rural airport improvement fund:									
Appropriation, permanent	402	BA			50	50	50	50	50
Outlays		O			30	50	50	50	50
Intragovernmental Funds:									
Transportation administrative service center:									
Spending authority from offsetting collections	407	BA	88	115	122	122	122	122	122
Outlays		O	88	115	122	122	122	122	122
Transportation administrative service center (gross)		BA	88	115	122	122	122	122	122
		O	88	115	122	122	122	122	122
Change in orders on hand from Federal sources		BA	–12						
Total, offsetting collections			–76	–115	–122	–122	–122	–122	–122
Total Transportation administrative service center (net)		BA							
		O	12						
Credit Accounts:									
Minority business resource center program account:									
Appropriation, current	407	BA	2	2	2	2	2	2	2
Outlays		O	1	5	2	2	2	2	2
Limitation on direct loan activity			(15)	(15)	(15)	(15)	(15)	(15)	(15)
Trust funds									
Trust fund share of rental payments:									
Appropriation, current	407	BA	44	41					

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	44	41					
Payments to air carriers (trust fund):									
Contract authority, permanent	402	BA	23	26					
Outlays		O	22	24	10				
Limitation on program level (obligations)			(23)	(26)					
Total Federal funds Office of the Secretary		BA	158	151	134	134	134	134	134
		O	187	150	111	133	134	134	134
Total Trust funds Office of the Secretary		BA	67	67					
		O	66	65	10				
Coast Guard									
Federal funds									
General and Special Funds:									
Operating expenses									
(Defense-related activities):									
(Appropriation, current)	054	BA	300	300	300	300	300	300	300
(Outlays)		O	246	279	299	300	300	300	300
(Water transportation):									
(Appropriation, current)	403	BA	2,231	2,293	2,380	2,380	2,380	2,380	2,380
(Spending authority from offsetting collections)		BA	109	110	147	111	111	111	111
(Outlays)		O	2,371	2,322	2,474	2,484	2,491	2,491	2,491
Operating expenses (gross)		BA	2,640	2,703	2,827	2,791	2,791	2,791	2,791
		O	2,617	2,601	2,773	2,784	2,791	2,791	2,791
(Change in orders on hand from Federal sources)		BA	4						
Total, offsetting collections			–113	–110	–147	–111	–111	–111	–111
Total (Water transportation) (net)		BA	2,231	2,293	2,380	2,380	2,380	2,380	2,380
		O	2,258	2,212	2,327	2,373	2,380	2,380	2,380
Total Operating expenses		BA	2,531	2,593	2,680	2,680	2,680	2,680	2,680
		O	2,504	2,491	2,626	2,673	2,680	2,680	2,680
Acquisition, construction, and improvements:									
Appropriation, current	403	BA	329	355	350	350	350	350	350
Spending authority from offsetting collections		BA	33	23	32	32	32	32	32
Outlays		O	394	280	314	343	357	376	384
Acquisition, construction, and improvements (gross)		BA	362	378	382	382	382	382	382
		O	394	280	314	343	357	376	384
Change in orders on hand from Federal sources		BA	12						
Total, offsetting collections			–45	–23	–32	–32	–32	–32	–32
Total Acquisition, construction, and improvements (net)		BA	329	355	350	350	350	350	350
		O	349	257	282	311	325	344	352
Port safety development:									
Appropriation, current	403	BA	15	5					
Outlays		O	15	5					
Environmental compliance and restoration:									
Appropriation, current	304	BA	21	22	21	21	21	21	21
Outlays		O	22	18	19	19	21	21	21
Alteration of bridges:									
Appropriation, current	403	BA	16	16					
Outlays		O	5	28	18	12	2		
Retired pay:									
Appropriation, current	403	BA	579	608	646	676	710	746	782
				A 4					
Outlays		O	569	588	635	671	705	741	776
				A 4					
Total Retired pay		BA	579	612	646	676	710	746	782
		O	569	592	635	671	705	741	776
Reserve training:									
Appropriation, current	403	BA	62	66	65	65	65	65	65
Outlays		O	59	64	66	65	65	65	65

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Research, development, test, and evaluation:									
Appropriation, current	403	BA	**15**	**14**	**16**	**16**	**16**	**16**	**16**
Spending authority from offsetting collections		BA	**4**	**3**	**4**	**6**	**6**	**6**	**6**
Outlays		O	25	25	21	22	22	22	22
Research, development, test, and evaluation (gross)		BA	**19**	**17**	**20**	**22**	**22**	**22**	**22**
		O	25	25	21	22	22	22	22
Change in orders on hand from Federal sources		BA	**1**	**3**	....	....	....	....	....
Total, offsetting collections			–5	–6	–4	–6	–6	–6	–6
Total Research, development, test, and evaluation (net)		BA	**15**	**14**	**16**	**16**	**16**	**16**	**16**
		O	20	19	17	16	16	16	16
Intragovernmental Funds:									
Coast Guard supply fund:									
Spending authority from offsetting collections	403	BA	**66**	**72**	**73**	**72**	**74**	**74**	**74**
Outlays		O	67	72	73	72	74	74	74
Coast Guard supply fund (gross)		BA	**66**	**72**	**73**	**72**	**74**	**74**	**74**
		O	67	72	73	72	74	74	74
Total, offsetting collections			–66	–72	–73	–72	–74	–74	–74
Total Coast Guard supply fund (net)		BA	....	....	....	....	....	....	....
		O	1	....	....	....	....	....	....
Coast Guard yard fund:									
Spending authority from offsetting collections	403	BA	**62**	**46**	**35**	**37**	**37**	**37**	**37**
Outlays		O	47	46	35	37	37	37	37
Coast Guard yard fund (gross)		BA	**62**	**46**	**35**	**37**	**37**	**37**	**37**
		O	47	46	35	37	37	37	37
Total, offsetting collections			–62	–46	–35	–37	–37	–37	–37
Total Coast Guard yard fund (net)		BA	....	....	....	....	....	....	....
		O	–15	....	....	....	....	....	....
	Trust funds								
Boat safety:									
Appropriation, current	403	BA	**40**	**35**	**50**	**50**	**50**	**50**	**50**
Appropriation, permanent		BA	**10**	**10**	**20**	....	....	....	....
					[B] **20**	[B] **20**	[B] **20**	[B] **20**	[B] **20**
Outlays		O	49	35	51	56	50	50	50
					[B] 9	[B] 16	[B] 20	[B] 20	[B] 20
Total Boat safety		BA	**50**	**45**	**90**	**70**	**70**	**70**	**70**
		O	49	35	60	72	70	70	70
Oil spill recovery, coast guard:									
Appropriation, permanent	304	BA	**52**	**62**	**61**	**61**	**61**	**61**	**61**
Outlays		O	24	62	61	61	61	61	61
Trust fund share of expenses:									
Appropriation, current	304	BA	**61**	**50**	**49**	**49**	**49**	**49**	**49**
Outlays		O	61	50	49	49	49	49	49
Miscellaneous trust revolving funds:									
Spending authority from offsetting collections	403	BA	**7**	**8**	**8**	**8**	**8**	**8**	**7**
Outlays		O	7	8	8	8	8	8	7
Miscellaneous trust revolving funds (gross)		BA	**7**	**8**	**8**	**8**	**8**	**8**	**7**
		O	7	8	8	8	8	8	7
Total, offsetting collections			–7	–8	–8	–8	–8	–8	–7
Total Miscellaneous trust revolving funds (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....
Total Federal funds Coast Guard		BA	**3,568**	**3,683**	**3,778**	**3,808**	**3,842**	**3,878**	**3,914**
		O	3,529	3,474	3,663	3,767	3,814	3,867	3,910
Total Trust funds Coast Guard		BA	**163**	**157**	**200**	**180**	**180**	**180**	**180**
		O	134	147	170	182	180	180	180

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Federal Aviation Administration									
Federal funds									
General and Special Funds:									
Operations:									
Appropriation, current	402	BA	**2,420**	**3,179**	**1,611**	....	....	....	....
Spending authority from offsetting collections		BA	**2,280**	**1,837**	**3,538** [B]**225** [J]**75**	**63**	**63**	**63**	**63**
Outlays		O	4,657	5,024	5,133 [B]198 [J]66	673 [B]27 [J]9	63	63	63
Operations (gross)		BA	**4,700**	**5,016**	**5,449**	**63**	**63**	**63**	**63**
		O	4,657	5,024	5,397	709	63	63	63
Total, offsetting collections			–2,280	–1,837	–3,538 [B]–225 [J]–75	–63	–63	–63	–63
Total Operations (net)		BA	**2,420**	**3,179**	**1,611**	....	....	....	....
		O	2,377	3,187	1,559	646	....	....	....
National Civil Aviation Review Commission:									
Appropriation, current	402	BA	....	**2**	....	....	....	....	....
Outlays		O	....	2	....	....	....	....	....
Miscellaneous expired accounts:									
Outlays	402	O	....	2	....	....	....	....	....
Aviation user fees:									
Appropriation, current	402	BA	....	.	**50** [B]**225** [J]**75**	**50** [B]**5,969** [J]**1,990**	**50** [B]**6,104** [J]**2,034**	**50** [B]**6,506** [J]**2,169**	**50** [B]**6,852** [J]**2,284**
Advance appropriation		BA				[B]**506** [J]**169**	[B]**543** [J]**181**	[B]**318** [J]**106**	[B]**154** [J]**52**
Outlays		O	....	.	50 [B]225 [J]75	50 [B]4,236 [J]1,413	50 [B]5,653 [J]1,884	50 [B]6,263 [J]2,088	50 [B]6,645 [J]2,215
Total Aviation user fees		BA	....	....	**350**	**8,684**	**8,912**	**9,149**	**9,392**
		O	....	....	350	5,699	7,587	8,401	8,910
Public Enterprise Funds:									
Aviation insurance revolving fund:									
Spending authority from offsetting collections	402	BA	**5**	**4**	**4**	**4**	**4**	**4**	**4**
Aviation insurance revolving fund (gross)		BA	**5**	**4**	**4**	**4**	**4**	**4**	**4**
Total, offsetting collections			–5	–4	–4	–4	–4	–4	–4
Intragovernmental Funds:									
Administrative services franchise fund:									
Spending authority from offsetting collections	402	BA	....	**22**	**24**	**50**	**100**	**100**	**100**
Outlays		O	....	22	24	50	100	100	100
Administrative services franchise fund (gross)		BA	....	**22**	**24**	**50**	**100**	**100**	**100**
		O	....	22	24	50	100	100	100
Total, offsetting collections			....	–22	–24	–50	–100	–100	–100
Total Administrative services franchise fund (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....
Trust funds									
Grants-in-aid for airports (Airport and airway trust fund):									
Contract authority, permanent	402	BA	**1,550**	**2,230**	**2,347**	....	....	....	....
Outlays		O	1,655	1,519	1,395	1,004	475	219	108
Limitation on program level (obligations)			(1,450)	(1,460)	(1,000)	....	....	....	....
Facilities and equipment (Airport and airway trust fund):									
Appropriation, current	402	BA	**1,866**	**1,938**	**1,875**	....	....	....	....
Spending authority from offsetting collections		BA	**76**	**100**	**100**	**100**	**100**	**125**	**125**

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	2,519	2,017	1,964	1,455	874	518	410
Facilities and equipment (Airport and airway trust fund) (gross)		BA	**1,942**	**2,038**	**1,975**	**100**	**100**	**125**	**125**
		O	2,519	2,017	1,964	1,455	874	518	410
Total, offsetting collections			–76	–100	–100	–100	–100	–125	–125
Total Facilities and equipment (Airport and airway trust fund) (net)		BA	**1,866**	**1,938**	**1,875**				
		O	2,443	1,917	1,864	1,355	774	393	285
Research, engineering and development (Airport and airway trust fund):									
Appropriation, current	402	BA	**186**	**208**	**200**				
Spending authority from offsetting collections		BA	**5**	**15**	**15**	**15**	**15**	**20**	**20**
Outlays		O	238	246	240	120	59	43	20
Research, engineering and development (Airport and airway trust fund) (gross)		BA	**191**	**223**	**215**	**15**	**15**	**20**	**20**
		O	238	246	240	120	59	43	20
Total, offsetting collections			–5	–15	–15	–15	–15	–20	–20
Total Research, engineering and development (Airport and airway trust fund) (net)		BA	**186**	**208**	**200**				
		O	233	231	225	105	44	23	
Trust fund share of FAA operations:									
Appropriation, current	402	BA	**2,223**	**1,700**	**3,425**				
Outlays		O	2,223	1,700	3,425				
Total Federal funds Federal Aviation Administration		BA	**2,420**	**3,181**	**1,961**	**8,684**	**8,912**	**9,149**	**9,392**
		O	2,372	3,187	1,905	6,341	7,583	8,397	8,906
Total Trust funds Federal Aviation Administration		BA	**5,825**	**6,076**	**7,847**				
		O	6,554	5,367	6,909	2,464	1,293	635	393

Federal Highway Administration

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Miscellaneous appropriations:									
Outlays	401	O	237	180	141	132	108	44	22
State infrastructure banks:									
Appropriation, current	401	BA		**150**					
Outlays		O		22	79	24	7	4	4
Credit Accounts:									
Orange County (CA) toll road demonstration project program account:									
Outlays	401	O		1	1	1	1	1	1
Limitation on direct loan activity				(25)					
Trust funds									
State infrastructure banks (Highway trust fund):									
Appropriation, current	401	BA			**150**	**150**	**150**	**150**	**150**
Outlays		O			30	60	90	120	150
Federal-aid highways:									
Appropriation, current	401	BA	**278**	**82**					
Contract authority, permanent		BA	**17,867**	**22,180**	**22,330**	**22,325**	**22,335**	**22,378**	**22,405**
					[B] **152**	[B] **21**	[B] **–85**	[B] **–156**	[B] **–192**
Spending authority from offsetting collections		BA	**42**	**75**	**75**	**75**	**75**	**75**	**75**
Outlays		O	19,587	19,531	19,719	19,513	19,376	19,228	19,137
				[A] 47	[A] 168	[A] 52	[A] 15	[A] 9	[A] 8
					[B] 15	[B] 56	[B] 35	[B] –22	[B] –82
Limitation on program level (obligations)			(17,645)	(18,192)	(18,170)	(18,260)	(18,260)	(18,260)	(18,260)
				[A] (318)					
Federal-aid highways (gross)		BA	**18,187**	**22,337**	**22,557**	**22,421**	**22,325**	**22,297**	**22,288**
		O	19,587	19,578	19,902	19,621	19,426	19,215	19,063
Total, offsetting collections			–42	–75	–75	–75	–75	–75	–75
Total Federal-aid highways (net)		BA	**18,145**	**22,262**	**22,482**	**22,346**	**22,250**	**22,222**	**22,213**
		O	19,545	19,503	19,827	19,546	19,351	19,140	18,988
Highway-related safety grants:									
Appropriation, permanent	401	BA		**–12**					
Contract authority, permanent		BA	**–7**	**11**					

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	11	8	4	2	2	....	....
Limitation on program level (obligations)			(12)	....	....	....	....	....	....
Total Highway-related safety grants		BA	**–7**	**–1**	....	....	....	....	....
		O	11	8	4	2	2	....	....
National motor carrier safety program:									
Contract authority, permanent	401	BA	**41**	**79**	**100**	**100**	**100**	**100**	**100**
Outlays		O	73	79	84	100	100	100	100
Limitation on program level (obligations)			(77)	(78)	(100)	(100)	(100)	(100)	(100)
Miscellaneous trust funds									
(International development and humanitarian assistance):									
(Outlays)	151	O	....	....	....	....	1	1	1
(Ground transportation):									
(Appropriation, permanent)	401	BA	**4**	**5**	**5**	**8**	**8**	**8**	**8**
(Outlays)		O	6	10	5	8	7	7	7
Total Miscellaneous trust funds		BA	**4**	**5**	**5**	**8**	**8**	**8**	**8**
		O	6	10	5	8	8	8	8
Miscellaneous highway trust funds:									
Outlays	401	O	85	66	64	63	52	20	9
Transportation infrastructure credit program:									
Appropriation, current	401	BA	....	....	**100**	**100**	**100**	**100**	**100**
Outlays		O	....	....	50	75	100	100	100
Right-of-way revolving fund liquidating account:									
Outlays	401	O	41	28	20	20	16	....	....
Right-of-way revolving fund liquidating account (gross)		O	41	28	20	20	16	....	....
Total, offsetting collections			–12	–15	–18	–20	–24	–24	–24
Total Right-of-way revolving fund liquidating account (net)		BA	**–12**	**–15**	**–18**	**–20**	**–24**	**–24**	**–24**
		O	29	13	2	....	–8	–24	–24
Total Federal funds Federal Highway Administration		BA	....	**150**	....	....	....	....	....
		O	237	203	221	157	116	49	27
Total Trust funds Federal Highway Administration		BA	**18,171**	**22,330**	**22,819**	**22,684**	**22,584**	**22,556**	**22,547**
		O	19,749	19,679	20,066	19,854	19,695	19,464	19,331

National Highway Traffic Safety Administration

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Operations and research:									
Appropriation, current	401	BA	**72**	**81**	....	....	....	....	....
Spending authority from offsetting collections		BA	**74**	**85**	....	....	....	....	....
Outlays		O	95	173	42	20	4	....	....
Operations and research (gross)		BA	**146**	**166**	....	....	....	....	....
		O	95	173	42	20	4	....	....
Total, offsetting collections			–74	–85	....	....	....	....	....
Total Operations and research (net)		BA	**72**	**81**	....	....	....	....	....
		O	21	88	42	20	4	....	....

Trust funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
Operations and research (Highway trust fund):									
Appropriation, current	401	BA	**51**	**51**	**148**	**148**	**148**	**148**	**148**
Spending authority from offsetting collections		BA	....	....	**46**	**46**	**46**	**46**	**46**
Outlays		O	97	62	164	189	189	194	194
Operations and research (Highway trust fund) (gross)		BA	**51**	**51**	**194**	**194**	**194**	**194**	**194**
		O	97	62	164	189	189	194	194
Total, offsetting collections			....	....	–46	–46	–46	–46	–46
Total Operations and research (Highway trust fund) (net)		BA	**51**	**51**	**148**	**148**	**148**	**148**	**148**
		O	97	62	118	143	143	148	148

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Highway traffic safety grants:									
Appropriation, permanent	401	BA	....	12	....	....	....	....	....
Contract authority, permanent		BA	119	159	231	231	231	231	231
Outlays		O	146	163	172	180	184	186	186
Limitation on program level (obligations)			(155)	(168)	(186)	(186)	(186)	(186)	(186)
Total Highway traffic safety grants		BA	119	171	231	231	231	231	231
		O	146	163	172	180	184	186	186
Total Federal funds National Highway Traffic Safety Administration		BA	72	81	....	....	....	....	....
		O	21	88	42	20	4	....	....
Total Trust funds National Highway Traffic Safety Administration		BA	170	222	379	379	379	379	379
		O	243	225	290	323	327	334	334
Federal Railroad Administration									
Federal funds									
General and Special Funds:									
Office of the Administrator:									
Appropriation, current	401	BA	14	17	21	21	21	21	21
Spending authority from offsetting collections		BA	....	1	2	2	2	2	2
Outlays		O	18	26	26	24	23	23	23
Office of the Administrator (gross)		BA	14	18	23	23	23	23	23
		O	18	26	26	24	23	23	23
Total, offsetting collections			....	–1	–2	–2	–2	–2	–2
Total Office of the Administrator (net)		BA	14	17	21	21	21	21	21
		O	18	25	24	22	21	21	21
Local rail freight assistance:									
Outlays	401	O	13	7	7	3	....	....	....
Railroad safety:									
Appropriation, current	401	BA	50	51	57	57	57	57	57
Outlays		O	50	47	57	57	57	57	57
Railroad research and development:									
Appropriation, current	401	BA	24	20	22	22	22	22	22
Spending authority from offsetting collections		BA	....	1	1	1	1	1	1
Outlays		O	18	34	25	24	27	23	23
Railroad research and development (gross)		BA	24	21	23	23	23	23	23
		O	18	34	25	24	27	23	23
Total, offsetting collections			....	–1	–1	–1	–1	–1	–1
Total Railroad research and development (net)		BA	24	20	22	22	22	22	22
		O	18	33	24	23	26	22	22
Conrail commuter transition assistance:									
Outlays	401	O	2	2	12	4	....	....	....
Northeast corridor high-speed rail infrastructure program:									
Appropriation, current	401	BA	116	182	10	10	10	10	10
Outlays		O	265	181	216	177	10	10	10
High-speed rail trainsets and facilities:									
Appropriation, current	401	BA	....	80	....	....	....	....	....
Outlays		O	....	16	40	24	....	....	....
Pennsylvania station redevelopment project:									
Outlays	401	O	1	....	....	....	....	....	....
Railroad rehabilitation activities:									
Appropriation, current	401	BA	10	10	....	....	....	....	....
Outlays		O	9	4	6	....	....	....	....
Grants to National Railroad Passenger Corporation:									
Appropriation, current	401	BA	635	588	....	....	....	....	....
Outlays		O	627	552	119	80	....	....	....
Next generation high-speed rail program:									
Appropriation, current	401	BA	19	25	20	20	20	20	20
Outlays		O	7	22	30	27	20	20	20

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Public Enterprise Funds:									
Railroad rehabilitation and improvement liquidating account:									
Spending authority from offsetting collections	401	BA	**6**	**4**	**3**	**7**	**8**	**8**	**8**
Outlays		O	6	4	3	7	8	8	8
Railroad rehabilitation and improvement liquidating account (gross)		BA	**6**	**4**	**3**	**7**	**8**	**8**	**8**
		O	6	4	3	7	8	8	8
Total, offsetting collections			–10	–8	–14	–7	–8	–8	–8
Total Railroad rehabilitation and improvement liquidating account (net)		BA	**–4**	**–4**	**–11**	....	....	....	....
		O	–4	–4	–11	....	....	....	....
Credit Accounts:									
Direct loan financing program:									
Appropriation, current	401	BA	....	**59**	....	....	....	....	....
Outlays		O	....	21	21	18	....	....	....
Limitation on direct loan activity			....	(400)	....	....	....	....	....
Amtrak corridor improvement loans liquidating account:									
Outlays	401	O	–1	....	....	....	....	....	....
Amtrak corridor improvement loans liquidating account (gross)		O	–1	....	....	....	....	....	....
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total Amtrak corridor improvement loans liquidating account (net)		BA	**–1**	**–1**	**–1**	**–1**	**–1**	**–1**	**–1**
		O	–2	–1	–1	–1	–1	–1	–1
Trust funds									
Trust fund share of next generation high-speed rail:									
Contract authority, permanent	401	BA	**4**	....	....	....	....	....	....
Outlays		O	2	7	7	3	....	....	....
Limitation on program level (obligations)			(5)	....	....	....	....	....	....
Capital grants to the National Railroad Passenger Corporation (Highway trust fund):									
Appropriation, current	401	BA	....	....	**423**	**423**	**423**	**423**	**423**
Outlays		O	....	....	122	308	424	426	425
Operating grants to the National Railroad Passenger Corporation (Highway trust fund):									
Appropriation, current	401	BA	....	....	**344**	**344**	**344**	**344**	**344**
Outlays		O	....	....	344	344	344	344	344
Total Federal funds Federal Railroad Administration		BA	**863**	**1,027**	**118**	**129**	**129**	**129**	**129**
		O	1,004	905	544	434	133	129	129
Total Trust funds Federal Railroad Administration		BA	**4**	....	**767**	**767**	**767**	**767**	**767**
		O	2	7	473	655	768	770	769

Federal Transit Administration

Federal funds

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
General and Special Funds:									
Administrative expenses:									
Appropriation, current	401	BA	**41**	**42**	....	....	....	....	....
Spending authority from offsetting collections		BA	**2**	**2**	....	....	....	....	....
Outlays		O	41	42	4	....	....	....	....
Administrative expenses (gross)		BA	**43**	**44**	....	....	....	....	....
		O	41	42	4	....	....	....	....
Total, offsetting collections			–2	–2	....	....	....	....	....
Total Administrative expenses (net)		BA	**41**	**42**	....	....	....	....	....
		O	39	40	4	....	....	....	....
Research, training, and human resources:									
Outlays	401	O	3	6	4	3	1	....	....
Interstate transfer grants-transit:									
Outlays	401	O	1	27	11	2	....	2	....
Washington metropolitan area transit authority:									
Appropriation, current	401	BA	**200**	**200**	....	....	....	....	....
Outlays		O	195	208	156	131	62	40	40

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Formula grants:									
Appropriation, current	401	BA	**942**	**489**					
Spending authority from offsetting collections		BA	**1,110**	**1,659**					
Outlays		O	1,799	2,209	1,675	1,331	743	459	113
Formula grants (gross)		BA	**2,052**	**2,148**					
		O	1,799	2,209	1,675	1,331	743	459	113
Total, offsetting collections			–1,110	–1,659					
Total Formula grants (net)		BA	**942**	**489**					
		O	689	550	1,675	1,331	743	459	113
University transportation centers:									
Appropriation, current	401	BA	**6**	**6**					
Outlays		O	8	7	6	4	1		
Transit planning and research:									
Appropriation, current	401	BA	**86**	**86**					
Spending authority from offsetting collections		BA	**4**						
Outlays		O	93	78	87	70	11	4	
Transit planning and research (gross)		BA	**90**	**86**					
		O	93	78	87	70	11	4	
Total, offsetting collections			–4						
Total Transit planning and research (net)		BA	**86**	**86**					
		O	89	78	87	70	11	4	
Miscellaneous expired accounts:									
Outlays	401	O	12	7	5				
	Trust funds								
Major capital investments (Highway trust fund, mass transit account):									
Contract authority, permanent	401	BA	**1,665**	**2,880**	**800**	**950**	**1,000**	**1,000**	**1,000**
Outlays		O	2,226	1,882	1,706	1,419	1,196	992	812
Limitation on program level (obligations)			(1,665)	(1,900)	(634)	(634)	(634)	(634)	(634)
Trust fund share of expenses:									
Contract authority, permanent	401	BA	**1,110**	**1,920**					
Outlays		O	1,110	1,659					
Limitation on program level (obligations)			(1,110)	(1,659)					
Administrative expenses (Highway trust fund):									
Appropriation, current	401	BA			**47**	**47**	**47**	**47**	**47**
Spending authority from offsetting collections		BA			**2**	**2**	**2**	**2**	**2**
Outlays		O			44	49	49	49	49
Administrative expenses (Highway trust fund) (gross)		BA			**49**	**49**	**49**	**49**	**49**
		O			44	49	49	49	49
Total, offsetting collections					–2	–2	–2	–2	–2
Total Administrative expenses (Highway trust fund) (net)		BA			**47**	**47**	**47**	**47**	**47**
		O			42	47	47	47	47
Transit planning and research (Highway trust fund):									
Appropriation, current	401	BA			**92**	**92**	**92**	**92**	**92**
Outlays		O			8	48	80	88	93
Washington metropolitan area transit authority (Highway trust fund):									
Appropriation, current	401	BA			**200**	**50**			
Outlays		O			4	21	45	50	50
Formula programs (Highway trust fund):									
Contract authority, permanent	401	BA			**3,971**	**3,971**	**3,971**	**3,971**	**3,971**
Outlays		O			171	853	1,876	2,558	3,240
Limitation on program level (obligations)					(3,410)	(3,410)	(3,410)	(3,410)	(3,410)
Total Federal funds Federal Transit Administration		BA	**1,275**	**823**					
		O	1,036	923	1,948	1,541	818	505	153
Total Trust funds Federal Transit Administration		BA	**2,775**	**4,800**	**5,110**	**5,110**	**5,110**	**5,110**	**5,110**
		O	3,336	3,541	1,931	2,388	3,244	3,735	4,242

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Saint Lawrence Seaway Development Corporation									
Federal funds									
Public Enterprise Funds:									
Saint Lawrence Seaway Development Corporation:									
Spending authority from offsetting collections	403	BA	**11**	**11**	**12**	**12**	**13**	**13**	**13**
Outlays		O	11	12	13	12	13	13	13
Saint Lawrence Seaway Development Corporation (gross)		BA	**11**	**11**	**12**	**12**	**13**	**13**	**13**
		O	11	12	13	12	13	13	13
Total, offsetting collections			–11	–11	–12	–12	–13	–13	–13
Total Saint Lawrence Seaway Development Corporation (net)		BA	....	....	....	....	....	....	....
		O	....	1	1	....	....	....	....
Trust funds									
Operations and maintenance:									
Appropriation, current	403	BA	**10**	**10**	....	....	....	....	....
Appropriation, permanent		BA			[B] **11**	[B] **12**	[B] **13**	[B] **13**	[B] **13**
Outlays		O	10	10	....	....	....	....	....
					[B] 11	[B] 12	[B] 13	[B] 13	[B] 13
Total Operations and maintenance		BA	**10**	**10**	**11**	**12**	**13**	**13**	**13**
		O	10	10	11	12	13	13	13
Research and Special Programs Administration									
Federal funds									
General and Special Funds:									
Research and special programs:									
Appropriation, current	407	BA	**24**	**30**	**30**	**30**	**30**	**30**	**30**
Spending authority from offsetting collections		BA	**34**	**43**	**43**	**43**	**43**	**43**	**43**
Outlays		O	34	71	73	73	73	73	73
Research and special programs (gross)		BA	**58**	**73**	**73**	**73**	**73**	**73**	**73**
		O	34	71	73	73	73	73	73
Change in orders on hand from Federal sources		BA	**–12**	....	....	....	....	....	....
Total, offsetting collections			–22	–43	–43	–43	–43	–43	–43
Total Research and special programs (net)		BA	**24**	**30**	**30**	**30**	**30**	**30**	**30**
		O	12	28	30	30	30	30	30
Pipeline safety:									
Appropriation, current	407	BA	**28**	**29**	**31**	**31**	**31**	**31**	**31**
Spending authority from offsetting collections		BA	**2**	**4**	**3**	**3**	**3**	**3**	**3**
Outlays		O	34	34	34	32	34	34	34
Pipeline safety (gross)		BA	**30**	**33**	**34**	**34**	**34**	**34**	**34**
		O	34	34	34	32	34	34	34
Change in orders on hand from Federal sources		BA	**–1**	....	....	....	....	....	....
Total, offsetting collections			–1	–4	–3	–3	–3	–3	–3
Total Pipeline safety (net)		BA	**28**	**29**	**31**	**31**	**31**	**31**	**31**
		O	33	30	31	29	31	31	31
Emergency preparedness grants:									
Appropriation, permanent	407	BA	**7**	**7**	**7**	**7**	**7**	**7**	**7**
Outlays		O	7	8	8	8	7	7	7
Intragovernmental Funds:									
Working capital fund, Volpe National Transportation Systems Center:									
Spending authority from offsetting collections	407	BA	**181**	**180**	**180**	**180**	**180**	**180**	**180**
Outlays		O	196	190	190	190	190	190	190
Working capital fund, Volpe National Transportation Systems Center (gross)		BA	**181**	**180**	**180**	**180**	**180**	**180**	**180**
		O	196	190	190	190	190	190	190
Change in orders on hand from Federal sources		BA	**15**	**10**	**10**	**10**	**10**	**10**	**10**

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Total, offsetting collections			–196	–190	–190	–190	–190	–190	–190
Total Working capital fund, Volpe National Transportation Systems Center (net)		BA							
		O							
Trust funds									
Trust fund share of pipeline safety:									
Appropriation, current	407	BA	**3**	**3**	**2**	**2**	**2**	**2**	**2**
Outlays		O		5	2	2	2	2	2
Total Federal funds Research and Special Programs Administration		BA	**59**	**66**	**68**	**68**	**68**	**68**	**68**
		O	52	66	69	67	68	68	68
Total Trust funds Research and Special Programs Administration		BA	**3**	**3**	**2**	**2**	**2**	**2**	**2**
		O		5	2	2	2	2	2
Office of Inspector General									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	407	BA	**39**	**38**	**41**	**41**	**41**	**41**	**41**
Outlays		O	36	40	41	41	41	41	41
Surface Transportation Board									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	401	BA	**16**	**12**					
Spending authority from offsetting collections		BA	**1**	**3**	**14**	**14**	**14**	**14**	**14**
Outlays		O	14	19	14	14	14	14	14
Salaries and expenses (gross)		BA	**17**	**15**	**14**	**14**	**14**	**14**	**14**
		O	14	19	14	14	14	14	14
Change in orders on hand from Federal sources		BA			**–1**				
Total, offsetting collections			–1	–3	–13	–14	–14	–14	–14
Total Salaries and expenses (net)		BA	**16**	**12**					
		O	13	16	1				
Bureau of Transportation Statistics									
Federal funds									
General and Special Funds:									
Transportation statistics:									
Appropriation, current	407	BA	**2**						
Outlays		O	2						
Maritime Administration									
Federal funds									
General and Special Funds:									
Operating-differential subsidies:									
Outlays	403	O	165	155	135	71	54	12	9
Maritime security program:									
Appropriation, current	054	BA	**46**	**54**	**54**		**99**	**99**	**99**
Advance appropriation		BA				**98**			
Outlays		O		64	90	98	99	99	99
Total Maritime security program		BA	**46**	**54**	**54**	**98**	**99**	**99**	**99**
		O		64	90	98	99	99	99
Ocean freight differential:									
Authority to borrow, permanent	403	BA	**13**	**25**	**28**	**25**	**27**	**30**	**30**
Outlays		O	13	25	28	25	27	30	30
Operations and training:									
Appropriation, current	403	BA	**70**	**65**	**70**	**70**	**70**	**70**	**70**

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Spending authority from offsetting collections		BA	**65**	**68**	**69**	**69**	**69**	**69**	**69**
Outlays		O	88	151	145	139	139	139	139
Operations and training (gross)		BA	**135**	**133**	**139**	**139**	**139**	**139**	**139**
		O	88	151	145	139	139	139	139
Change in orders on hand from Federal sources		BA	**–9**						
Total, offsetting collections			–56	–68	–69	–69	–69	–69	–69
Total Operations and training (net)		BA	**70**	**65**	**70**	**70**	**70**	**70**	**70**
		O	32	83	76	70	70	70	70
Ready reserve force:									
Outlays	054	O	64	61					
Public Enterprise Funds:									
Vessel operations revolving fund:									
Spending authority from offsetting collections	403	BA	**416**	**406**	**417**	**388**	**365**	**378**	**376**
Outlays		O	371	359	345	397	372	374	377
Vessel operations revolving fund (gross)		BA	**416**	**406**	**417**	**388**	**365**	**378**	**376**
		O	371	359	345	397	372	374	377
Change in orders on hand from Federal sources		BA	**–63**						
Total, offsetting collections			–353	–406	–417	–388	–365	–378	–376
Total Vessel operations revolving fund (net)		BA							
		O	18	–47	–72	9	7	–4	1
War risk insurance revolving fund:									
Spending authority from offsetting collections	403	BA	**2**	**1**	**2**	**1**	**1**	**1**	**1**
Outlays		O	1	1	2	1	1	1	1
War risk insurance revolving fund (gross)		BA	**2**	**1**	**2**	**1**	**1**	**1**	**1**
		O	1	1	2	1	1	1	1
Total, offsetting collections			–2	–1	–2	–1	–1	–1	–1
Total War risk insurance revolving fund (net)		BA							
		O	–1						
Credit Accounts:									
Federal ship financing fund liquidating account:									
Spending authority from offsetting collections	403	BA	**63**	**38**	**38**	**38**	**40**	**40**	**40**
Outlays		O	3	16	–38	38	40	40	40
Federal ship financing fund liquidating account (gross)		BA	**63**	**38**	**38**	**38**	**40**	**40**	**40**
		O	3	16	–38	38	40	40	40
Total, offsetting collections			–63	–38	–38	–38	–40	–40	–40
Total Federal ship financing fund liquidating account (net)		BA							
		O	–60	–22	–76				
Maritime guaranteed loan (Title XI) program account:									
(Defense-related activities):									
(Outlays)	054	O	22						
(Water transportation):									
(Appropriation, current)	403	BA	**40**	**41**	**39**	**39**	**39**	**39**	**39**
(Outlays)		O	57	79	39	39	39	39	39
(Limitation on loan guarantee commitments)			(1,000)	(1,000)	(500)	(500)	(500)	(500)	(500)
Total Maritime guaranteed loan (Title XI) program account		BA	**40**	**41**	**39**	**39**	**39**	**39**	**39**
		O	79	79	39	39	39	39	39
Total Federal funds Maritime Administration		BA	**169**	**185**	**191**	**232**	**235**	**238**	**238**
		O	310	398	220	312	296	246	248

Summary

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Federal funds:									
(As shown in detail above)		BA	**8,641**	**9,397**	**6,291**	**13,096**	**13,361**	**13,637**	**13,916**
		O	8,799	9,451	8,766	12,813	13,007	13,436	13,616

DEPARTMENT OF TRANSPORTATION—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Deductions for offsetting receipts:									
Proprietary receipts from the public	403	BA/O	*–1*	*–2*	*–5*	*–5*	*–5*	*–5*	*–5*
	407	BA/O	*–7*	*–7*	*–7*	*–7*	*–7*	*–7*	*–7*
									–540
Offsetting governmental receipts	401	BA/O	*–2*	....	....	....	.	.	
					–60	*–60*	*–60*	*–60*	*–60*
	403	BA/O	*–63*	*–62*	*–62* .	.	.	.	
						–62	*–62*	*–62*	*–62*
	407	BA/O	*–33*	*–32*	*–32*	*–32*	*–32*	*–32*	*–32*
Total Federal funds		BA	**8,535**	**9,294**	**6,125**	**12,930**	**13,195**	**13,471**	**13,210**
		O	8,693	9,348	8,600	12,647	12,841	13,270	12,910
Trust funds:									
(As shown in detail above)		BA	**27,188**	**33,665**	**37,135**	**29,134**	**29,035**	**29,007**	**28,998**
		O	30,094	29,046	29,862	25,880	25,522	25,133	25,264
Deductions for offsetting receipts:									
Proprietary receipts from the public	151	BA/O	*–1*	*–1*	*–1*	*–1*	*–1*	*–1*	*–1*
	401	BA/O	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*
	908	BA/O	*–2*	....	....	....	....	....	....
Total Trust funds		BA	**27,183**	**33,662**	**37,132**	**29,131**	**29,032**	**29,004**	**28,995**
		O	30,089	29,043	29,859	25,877	25,519	25,130	25,261
Interfund transactions	401	BA/O	*–2*	*–3*	*–3*	*–3*	*–3*	*–3*	*–3*
Total Department of Transportation		BA	**35,716**	**42,953**	**43,254**	**42,058**	**42,224**	**42,472**	**42,202**
		O	38,780	38,388	38,456	38,521	38,357	38,397	38,168

DEPARTMENT OF THE TREASURY

(In millions of dollars)

Departmental Offices

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	803	BA	**112**	**127**	**118**	**116**	**116**	**116**	**116**
Appropriation, permanent		BA	**2**	....	....	....	....	....	....
Spending authority from offsetting collections		BA	**42**	**36**	**36**	**36**	**36**	**36**	**36**
Outlays		O	146	161	156	152	152	152	152
Salaries and expenses (gross)		BA	**156**	**163**	**154**	**152**	**152**	**152**	**152**
		O	146	161	156	152	152	152	152
Change in orders on hand from Federal sources		BA	**–3**	....	....	....	....	....	....
Total, offsetting collections			–39	–36	–36	–36	–36	–36	–36
Total Salaries and expenses (net)		BA	**114**	**127**	**118**	**116**	**116**	**116**	**116**
		O	107	125	120	116	116	116	116
Automation Enhancement:									
Appropriation, current	803	BA	....	**6**	**14**	**10**	**10**	**10**	**10**
Outlays		O	....	3	11	11	11	10	10
Office of Inspector General:									
Appropriation, current	803	BA	**29**	**30**	**31**	**31**	**31**	**31**	**31**
Spending authority from offsetting collections		BA	**2**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	31	32	33	35	35	35	35
Office of Inspector General (gross)		BA	**31**	**34**	**35**	**35**	**35**	**35**	**35**
		O	31	32	33	35	35	35	35
Total, offsetting collections			–2	–4	–4	–4	–4	–4	–4
Total Office of Inspector General (net)		BA	**29**	**30**	**31**	**31**	**31**	**31**	**31**
		O	29	28	29	31	31	31	31

DEPARTMENT OF THE TREASURY—Continued

(In millions of dollars)

Account			1996 actual	estimate					
				1997	1998	1999	2000	2001	2002
Treasury buildings and annex repair and restoration:									
Appropriation, current	803	BA	21	28	12	13	13	13	13
Outlays		O	8	10	8	10	16	13	13
Financial crimes enforcement network:									
Appropriation, current	751	BA	23	22	23	26	28	29	30
Spending authority from offsetting collections		BA	2	2	2	2	2	2	2
Outlays		O	22	26	25	27	29	31	32
Financial crimes enforcement network (gross)		BA	25	24	25	28	30	31	32
		O	22	26	25	27	29	31	32
Total, offsetting collections			–2	–2	–2	–2	–2	–2	–2
Total Financial crimes enforcement network (net)		BA	23	22	23	26	28	29	30
		O	20	24	23	25	27	29	30
Payment to DC financial responsibility and management assistance authority:									
Appropriation, current	808	BA	....	12	....	....	....	....	....
Outlays		O	....	12	....	....	....	....	....
Counterterrorism Fund:									
Appropriation, current	751	BA	....	....	....	15	....	....	....
Outlays		O	....	....	....	14	1	....	....
Sallie Mae Assessments:									
Appropriation, current	808	BA	....	1	1	1	1	1	1
Outlays		O	....	1	1	1	1	1	1
Department of the Treasury forfeiture fund:									
Appropriation, current	751	BA	10	10	10	10	10	10	10
Appropriation, permanent		BA	180	180	180	180	180	180	180
Outlays		O	194	193	194	194	180	180	180
Total Department of the Treasury forfeiture fund		BA	190	190	190	190	190	190	190
		O	194	193	194	194	180	180	180
Presidential election campaign fund:									
Appropriation, permanent	808	BA	66	66	66	66	66	66	66
Outlays		O	209	3	....	26	233	7	....
Public Enterprise Funds:									
Exchange stabilization fund:									
Spending authority from offsetting collections	155	BA	865	1,660	1,745	1,715	1,749	1,764	1,820
Exchange stabilization fund (gross)		BA	865	1,660	1,745	1,715	1,749	1,764	1,820
Total, offsetting collections			–1,643	–1,660	–1,745	–1,715	–1,749	–1,764	–1,820
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	803	BA	175	222	229	229	229	229	229
Outlays		O	163	222	229	229	229	229	229
Working capital fund (gross)		BA	175	222	229	229	229	229	229
		O	163	222	229	229	229	229	229
Change in orders on hand from Federal sources		BA	–1	....	....	....	....	....	....
Total, offsetting collections			–174	–222	–229	–229	–229	–229	–229
Total Working capital fund (net)		BA	....	....	....	....	....	....	....
		O	–11	....	....	....	....	....	....
Treasury franchise fund:									
Spending authority from offsetting collections	803	BA	....	28	31	31	32	33	34
Outlays		O	....	28	31	31	32	33	34
Treasury franchise fund (gross)		BA	....	28	31	31	32	33	34
		O	....	28	31	31	32	33	34
Total, offsetting collections			....	–28	–31	–31	–32	–33	–34
Total Treasury franchise fund (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....
Credit Accounts:									
Community development financial institutions fund program account:									
Appropriation, current	451	BA	45	50	125	130	170	225	350

DEPARTMENT OF THE TREASURY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	2	63	66	96	130	157	209
Limitation on direct loan obligations			(28)	....	(53)	(55)	(69)	(98)	(152)
Total Federal funds Departmental Offices		BA	**–290**	**532**	**580**	**598**	**625**	**681**	**807**
		O	–1,085	–1,198	–1,293	–1,191	–1,003	–1,220	–1,230

Violent crime reduction programs

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Violent crime reduction programs (Federal law enforcement activities):									
(Appropriation, current)	751	BA	**77**	**84**	**118**	**133**	**133**	**133**	**133**
(Outlays)		O	55	81	102	125	133	133	133
Total Violent crime reduction programs		BA	**77**	**84**	**118**	**133**	**133**	**133**	**133**
		O	55	81	102	125	133	133	133

Federal Law Enforcement Training Center

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	751	BA	**36**	**56**	**66**	**69**	**71**	**74**	**76**
Spending authority from offsetting collections		BA	**25**	**23**	**19**	**21**	**22**	**22**	**22**
Outlays		O	70	76	84	90	93	96	98
Salaries and expenses (gross)		BA	**61**	**79**	**85**	**90**	**93**	**96**	**98**
		O	70	76	84	90	93	96	98
Total, offsetting collections			–25	–23	–19	–21	–22	–22	–22
Total Salaries and expenses (net)		BA	**36**	**56**	**66**	**69**	**71**	**74**	**76**
		O	45	53	65	69	71	74	76
Acquisitions, construction, improvements, and related expenses:									
Appropriation, current	751	BA	**10**	**22**	**11**	**11**	**11**	**11**	**11**
Outlays		O	14	9	9	16	11	11	11
Total Federal funds Federal Law Enforcement Training Center		BA	**46**	**78**	**77**	**80**	**82**	**85**	**87**
		O	59	62	74	85	82	85	87

Interagency Law Enforcement

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Interagency crime and drug enforcement:									
Appropriation, current	751	BA	....	....	**73**	**71**	**71**	**71**	**71**
Outlays		O	....	....	66	71	71	71	71

Financial Management Service

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	803	BA	**191**	**197**	**203**	**203**	**203**	**203**	**203**
Appropriation, permanent		BA	....	....	**122**	**125**	**129**	**132**	**136**
Spending authority from offsetting collections		BA	**141**	**138**	**146**	**158**	**158**	**158**	**158**
Outlays		O	339	335	471	498	492	493	507
Salaries and expenses (gross)		BA	**332**	**335**	**471**	**486**	**490**	**493**	**497**
		O	339	335	471	498	492	493	507
Change in orders on hand from Federal sources		BA	**2**	....	....	....	....	....	....
Total, offsetting collections			–143	–138	–146	–158	–158	–158	–158
Total Salaries and expenses (net)		BA	**191**	**197**	**325**	**328**	**332**	**335**	**339**
		O	196	197	325	340	334	335	349

DEPARTMENT OF THE TREASURY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Payment to the Resolution Funding Corporation:									
Appropriation, permanent	908	BA	**2,328**	**2,328**	**2,328**	**2,328**	**2,328**	**2,328**	**2,328**
Outlays		O	2,328	2,328	2,328	2,328	2,328	2,328	2,328
Interest on uninvested funds:									
Appropriation, permanent	908	BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	3	4	4	4	4	4	4
Federal interest liabilities to the states:									
Appropriation, permanent	908	BA	**5**	**33**	**20**	**19**	**18**	**17**	**16**
Outlays		O	5	33	20	19	18	17	16
Net interest paid to loan guarantee financing accounts:									
Appropriation, permanent	908	BA	**2,350**	**2,438**	**2,452**	**2,491**	**2,541**	**2,601**	**2,674**
Outlays		O	2,350	2,438	2,452	2,491	2,541	2,601	2,674
Claims, judgments, and relief acts:									
Appropriation, permanent	808	BA	**509**	**750**	**635**	**635**	**615**	**615**	**615**
Outlays		O	509	750	635	635	610	610	610
Restitution of forgone interest:									
Appropriation, permanent	908	BA	**1,250**						
Outlays		O	1,250						
Energy security reserve:									
Outlays	271	O	35	19	19	19	19	19	19
Biomass energy development:									
Appropriation, current	271	BA	**–16**						
Outlays		O	–4						
Assistance to Puerto Rico:									
Appropriation, permanent	806	BA				[B] **67**	[B] **167**	[B] **286**	[B] **424**
Outlays		O				[B] 67	[B] 167	[B] 286	[B] 424
Public Enterprise Funds:									
Check forgery insurance fund:									
Appropriation, permanent	803	BA		**10**	**2**	**2**	**2**	**2**	**2**
Spending authority from offsetting collections		BA		**30**	**39**	**35**	**30**	**25**	**25**
Outlays		O		40	41	37	32	27	27
Check forgery insurance fund (gross)		BA		**40**	**41**	**37**	**32**	**27**	**27**
		O		40	41	37	32	27	27
Total, offsetting collections				–30	–39	–35	–30	–25	–25
Total Check forgery insurance fund (net)		BA		**10**	**2**	**2**	**2**	**2**	**2**
		O		10	2	2	2	2	2
Credit Accounts:									
Payments to the farm credit system financial assistance corporation liquidating account:									
Appropriation, current	908	BA	**15**	**10**	**8**	**3**			
Outlays		O	15	10	8	3			
Total Federal funds Financial Management Service		BA	**6,636**	**5,770**	**5,774**	**5,877**	**6,007**	**6,188**	**6,402**
		O	6,687	5,789	5,793	5,908	6,023	6,202	6,426

Federal Financing Bank

Federal funds

Intragovernmental Funds:									
Federal Financing Bank:									
Spending authority from offsetting collections	803	BA	**7,798**	**5,691**	**5,299**	**4,844**	**4,461**	**4,119**	**3,765**
Outlays		O	7,798	5,691	5,299	4,844	4,461	4,119	3,765
Federal Financing Bank (gross)		BA	**7,798**	**5,691**	**5,299**	**4,844**	**4,461**	**4,119**	**3,765**
		O	7,798	5,691	5,299	4,844	4,461	4,119	3,765
Total, offsetting collections			–7,798	–5,691	–5,299	–4,844	–4,461	–4,119	–3,765
Total Federal Financing Bank (net)		BA							
		O							

Bureau of Alcohol, Tobacco and Firearms

Federal funds

General and Special Funds:									
Salaries and expenses:									
Appropriation, current	751	BA	**393**	**461**	**497**	**499**	**512**	**527**	**550**

DEPARTMENT OF THE TREASURY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Spending authority from offsetting collections		BA	**20**	**31**	**17**	**17**	**17**	**17**	**17**
Outlays		O	414	486	511	516	528	543	565
Salaries and expenses (gross)		BA	**413**	**492**	**514**	**516**	**529**	**544**	**567**
		O	414	486	511	516	528	543	565
Change in orders on hand from Federal sources		BA	**–2**			**–2**	**2**	**–2**	**2**
Total, offsetting collections			–18	–31	–17	–17	–17	–17	–17
Total Salaries and expenses (net)		BA	**393**	**461**	**497**	**497**	**514**	**525**	**552**
		O	396	455	494	499	511	526	548
Laboratory facilities and headquarters:									
Appropriation, current	751	BA		**7**	**55**				
Outlays		O		1	10	24	28		
Internal revenue collections for Puerto Rico:									
Appropriation, permanent	806	BA	**221**	**230**	**230**	**230**	**230**	**230**	**230**
Outlays		O	221	230	230	230	230	230	230
Total Federal funds Bureau of Alcohol, Tobacco and Firearms		BA	**614**	**698**	**782**	**727**	**744**	**755**	**782**
		O	617	686	734	753	769	756	778

United States Customs Service

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	751	BA	**1,392**	**1,573**	**1,582**	**1,640**	**1,690**	**1,741**	**1,793**
Appropriation, permanent		BA	**421**	**488**	**301**	**310**	**320**	**329**	**339**
Spending authority from offsetting collections		BA	**412**	**370**	**370**	**370**	**370**	**370**	**370**
Outlays		O	2,032	2,093	2,240	2,301	2,362	2,421	2,482
Salaries and expenses (gross)		BA	**2,225**	**2,431**	**2,253**	**2,320**	**2,380**	**2,440**	**2,502**
		O	2,032	2,093	2,240	2,301	2,362	2,421	2,482
Change in orders on hand from Federal sources		BA	**20**						
Adjustment to orders on hand from Federal sources		BA	**–20**						
Total, offsetting collections			–412	–370	–370	–370	–370	–370	–370
Total Salaries and expenses (net)		BA	**1,813**	**2,061**	**1,883**	**1,950**	**2,010**	**2,070**	**2,132**
		O	1,620	1,723	1,870	1,931	1,992	2,051	2,112
Operation and maintenance, air and marine interdiction programs:									
Appropriation, current	751	BA	**65**	**125**	**93**	**96**	**99**	**102**	**105**
Spending authority from offsetting collections		BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	97	134	100	99	99	105	108
Operation and maintenance, air and marine interdiction programs (gross)		BA	**69**	**129**	**97**	**100**	**103**	**106**	**109**
		O	97	134	100	99	99	105	108
Change in orders on hand from Federal sources		BA	**–1**						
Total, offsetting collections			–3	–4	–4	–4	–4	–4	–4
Total Operation and maintenance, air and marine interdiction programs (net)		BA	**65**	**125**	**93**	**96**	**99**	**102**	**105**
		O	94	130	96	95	95	101	104
Customs facilities, construction, improvements and related expenses:									
Appropriation, current	751	BA			**6**				
Outlays		O	10	8	1	2	3		
Customs services at small airports:									
Appropriation, current	751	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	1	2	2	2	2	2	2
Miscellaneous permanent appropriations:									
Appropriation, permanent	806	BA	**110**	**123**	**127**	**130**	**134**	**138**	**143**
Spending authority from offsetting collections		BA	**3**						
Outlays		O	113	123	127	130	134	138	143
Miscellaneous permanent appropriations (gross)		BA	**113**	**123**	**127**	**130**	**134**	**138**	**143**
		O	113	123	127	130	134	138	143

DEPARTMENT OF THE TREASURY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Total, offsetting collections			–3						
Total Miscellaneous permanent appropriations (net)		BA	**110**	**123**	**127**	**130**	**134**	**138**	**143**
		O	110	123	127	130	134	138	143
Trust funds									
Refunds, transfers and expenses, unclaimed, and abandoned goods:									
Appropriation, permanent	751	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	2	3	3	3	3	3	3
Harbor maintenance fee collection:									
Appropriation, current	751	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	3	3	3	3	3	3	3
Total Federal funds United States Customs Service		BA	**1,990**	**2,311**	**2,111**	**2,178**	**2,245**	**2,312**	**2,382**
		O	1,835	1,986	2,096	2,160	2,226	2,292	2,361
Total Trust funds United States Customs Service		BA	**6**	**6**	**6**	**6**	**6**	**6**	**6**
		O	5	6	6	6	6	6	6

Bureau of Engraving and Printing

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
Intragovernmental Funds:									
Bureau of Engraving and Printing fund:									
Spending authority from offsetting collections	803	BA	**526**	**606**	**581**	**601**	**661**	**688**	**721**
Outlays		O	546	601	561	581	641	668	701
Bureau of Engraving and Printing fund (gross)		BA	**526**	**606**	**581**	**601**	**661**	**688**	**721**
		O	546	601	561	581	641	668	701
Total, offsetting collections			–526	–606	–581	–601	–661	–688	–721
Total Bureau of Engraving and Printing fund (net)		BA							
		O	20	–5	–20	–20	–20	–20	–20

United States Mint

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
Public Enterprise Funds:									
United States mint public enterprise fund:									
Appropriation, permanent	803	BA	**3**	**29**	**30**	**30**	**30**	**30**	**30**
Spending authority from offsetting collections		BA	**644**	**624**	**641**	**641**	**641**	**641**	**641**
Outlays		O	613	631	651	665	670	671	671
United States mint public enterprise fund (gross)		BA	**647**	**653**	**671**	**671**	**671**	**671**	**671**
		O	613	631	651	665	670	671	671
Total, offsetting collections			–644	–624	–641	–641	–641	–641	–641
Total United States mint public enterprise fund (net)		BA	**3**	**29**	**30**	**30**	**30**	**30**	**30**
		O	–31	7	10	24	29	30	30

Bureau of the Public Debt

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Administering the public debt:									
Appropriation, current	803	BA	**168**	**166**	**170**	**170**	**170**	**170**	**170**
Appropriation, permanent		BA	**130**	**135**	**140**	**140**	**140**	**140**	**140**
Spending authority from offsetting collections		BA	**4**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	300	306	295	295	296	296	296
Administering the public debt (gross)		BA	**302**	**306**	**315**	**315**	**315**	**315**	**315**
		O	300	306	295	295	296	296	296
Total, offsetting collections			–4	–5	–5	–5	–5	–5	–5
Total Administering the public debt (net)		BA	**298**	**301**	**310**	**310**	**310**	**310**	**310**
		O	296	301	290	290	291	291	291

DEPARTMENT OF THE TREASURY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Payment of Government losses in shipment:									
Appropriation, permanent	803	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O			1	1	1	1	1
Total Federal funds Bureau of the Public Debt		BA	**299**	**302**	**311**	**311**	**311**	**311**	**311**
		O	296	301	291	291	292	292	292

Internal Revenue Service

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Processing, assistance, and management:									
Appropriation, current	803	BA	**1,714**	**1,790**	**2,943**	**2,943**	**2,950**	**2,962**	**2,975**
Appropriation, permanent		BA	**5**	**81**	**47**	**47**	**47**	**47**	**47**
Reappropriation		BA	**6**						
Spending authority from offsetting collections		BA	**22**	**10**	**11**	**11**	**11**	**11**	**11**
Outlays		O	1,693	1,874	2,897	3,001	3,007	3,019	3,032
Processing, assistance, and management (gross)		BA	**1,747**	**1,881**	**3,001**	**3,001**	**3,008**	**3,020**	**3,033**
		O	1,693	1,874	2,897	3,001	3,007	3,019	3,032
Total, offsetting collections			–22	–10	–11	–11	–11	–11	–11
Total Processing, assistance, and management (net)		BA	**1,725**	**1,871**	**2,990**	**2,990**	**2,997**	**3,009**	**3,022**
		O	1,671	1,864	2,886	2,990	2,996	3,008	3,021
Tax law enforcement:									
Appropriation, current	803	BA	**4,099**	**4,092**	**3,154**	**3,154**	**3,154**	**3,154**	**3,154**
Appropriation, permanent		BA	**75**	**28**	**47**	**47**	**47**	**47**	**47**
Reappropriation		BA	**6**						
Spending authority from offsetting collections		BA	**78**	**27**	**27**	**27**	**27**	**27**	**27**
Outlays		O	4,238	4,147	3,275	3,228	3,228	3,228	3,228
Tax law enforcement (gross)		BA	**4,258**	**4,147**	**3,228**	**3,228**	**3,228**	**3,228**	**3,228**
		O	4,238	4,147	3,275	3,228	3,228	3,228	3,228
Total, offsetting collections			–78	–27	–27	–27	–27	–27	–27
Total Tax law enforcement (net)		BA	**4,180**	**4,120**	**3,201**	**3,201**	**3,201**	**3,201**	**3,201**
		O	4,160	4,120	3,248	3,201	3,201	3,201	3,201
Information systems:									
Appropriation, current	803	BA	**1,510**	**1,149**	**1,272**	**1,179**	**1,179**	**1,179**	**1,179**
Spending authority from offsetting collections		BA	**42**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	1,474	1,260	1,278	1,213	1,189	1,186	1,181
Information systems (gross)		BA	**1,552**	**1,151**	**1,274**	**1,181**	**1,181**	**1,181**	**1,181**
		O	1,474	1,260	1,278	1,213	1,189	1,186	1,181
Total, offsetting collections			–42	–2	–2	–2	–2	–2	–2
Total Information systems (net)		BA	**1,510**	**1,149**	**1,272**	**1,179**	**1,179**	**1,179**	**1,179**
		O	1,432	1,258	1,276	1,211	1,187	1,184	1,179
Information technology investments:									
Appropriation, permanent	803	BA			**500**				
Advance appropriation		BA				**500**			
Outlays		O				450	500	50	
Total Information technology investments		BA			**500**	**500**			
		O				450	500	50	
Payment where earned income credit exceeds liability for tax:									
Appropriation, permanent	609	BA	**19,159**	**21,163**	**21,983**	**22,864**	**23,818**	**24,634**	**25,518**
Outlays		O	19,159	21,163	21,983	22,864	23,818	24,634	25,518
Refunding internal revenue collections, interest:									
Appropriation, permanent	908	BA	**2,172**	**2,644**	**2,753**	**2,855**	**2,991**	**3,143**	**3,295**
Outlays		O	2,172	2,644	2,753	2,855	2,991	3,143	3,295
Public Enterprise Funds:									
Federal tax lien revolving fund:									
Spending authority from offsetting collections	803	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**

DEPARTMENT OF THE TREASURY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	2	3	3	3	3	3	3
Federal tax lien revolving fund (gross)		BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
		O	2	3	3	3	3	3	3
Total, offsetting collections			–3	–3	–3	–3	–3	–3	–3
Total Federal tax lien revolving fund (net)		BA	....	....	....	....	....	....	....
		O	–1	....	....	....	....	....	....
Total Federal funds Internal Revenue Service		BA	**28,746**	**30,947**	**32,699**	**33,589**	**34,186**	**35,166**	**36,215**
		O	28,593	31,049	32,146	33,571	34,693	35,220	36,214

United States Secret Service

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	751	BA	**531**	**531**	**576**	**592**	**610**	**628**	**647**
Reappropriation		BA	**2**	....	....	....	....	....	....
Spending authority from offsetting collections		BA	**5**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	518	531	574	594	611	629	648
Salaries and expenses (gross)		BA	**538**	**534**	**579**	**595**	**613**	**631**	**650**
		O	518	531	574	594	611	629	648
Total, offsetting collections			–5	–3	–3	–3	–3	–3	–3
Total Salaries and expenses (net)		BA	**533**	**531**	**576**	**592**	**610**	**628**	**647**
		O	513	528	571	591	608	626	645
Acquisition, construction, improvements and related expenses:									
Appropriation, current	751	BA	....	**37**	**9**	**9**	**9**	**9**	**9**
Outlays		O	....	4	15	23	9	9	9
Contribution for annuity benefits:									
Appropriation, permanent	751	BA	**46**	**46**	**56**	**56**	**56**	**56**	**56**
Outlays		O	42	50	56	56	56	56	56
Total Federal funds United States Secret Service		BA	**579**	**614**	**641**	**657**	**675**	**693**	**712**
		O	555	582	642	670	673	691	710

Comptroller of the Currency

Trust funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
Assessment funds:									
Spending authority from offsetting collections	373	BA	**377**	**375**	**362**	**362**	**362**	**362**	**362**
Outlays		O	357	384	362	362	362	362	362
Assessment funds (gross)		BA	**377**	**375**	**362**	**362**	**362**	**362**	**362**
		O	357	384	362	362	362	362	362
Total, offsetting collections			–377	–375	–362	–362	–362	–362	–362
Total Assessment funds (net)		BA	....	....	....	....	....	....	....
		O	–20	9	....	....	....	....	....

Office of Thrift Supervision

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
Public Enterprise Funds:									
Office of Thrift Supervision:									
Spending authority from offsetting collections	373	BA	**163**	**145**	**139**	**139**	**139**	**139**	**139**
Outlays		O	144	145	139	139	139	139	139
Office of Thrift Supervision (gross)		BA	**163**	**145**	**139**	**139**	**139**	**139**	**139**
		O	144	145	139	139	139	139	139
Total, offsetting collections			–163	–145	–139	–139	–139	–139	–139
Total Office of Thrift Supervision (net)		BA	....	....	....	....	....	....	....
		O	–19	....	....	....	....	....	....

DEPARTMENT OF THE TREASURY—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Interest on the Public Debt									
Federal funds									
General and Special Funds:									
Interest on the public debt:									
Appropriation, permanent	901	BA	**343,955**	**356,740**	**365,344**	**370,406**	**369,987**	**369,816**	**367,643**
					[J] 763	**[J] 2,063**	**[J] 4,300**	**[J] 7,087**	**[J] 9,149**
Outlays		O	343,955	356,740	365,344	370,406	369,987	369,816	367,643
					[J] 763	[J] 2,063	[J] 4,300	[J] 7,087	[J] 9,149
Total Interest on the public debt		BA	**343,955**	**356,740**	**366,107**	**372,469**	**374,287**	**376,903**	**376,792**
		O	343,955	356,740	366,107	372,469	374,287	376,903	376,792
Summary									
Federal funds:									
(As shown in detail above)		BA	**382,655**	**398,105**	**409,303**	**416,720**	**419,396**	**423,328**	**424,724**
		O	381,537	396,080	406,748	414,916	418,255	421,435	422,644
Deductions for offsetting receipts:									
Intrafund transactions	809	BA/O	*–177*	*–184*	*–184*	*–184*	*–184*	*–184*	*–184*
	908	BA/O	*–8,282*	*–5,804*	*–5,550*	*–4,988*	*–4,519*	*–4,074*	*–3,610*
				–157					
Proprietary receipts from the public	151	BA/O	*–13*	*–13*	*–13*	*–13*	*–13*	*–13*	*–13*
	155	BA/O	*–106*	*–108*	*–110*	*–112*	*–115*	*–117*	*–50*
	751	BA/O	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*
	803	BA/O	*–91*	*–93*	*–94*	*–95*	*–97*	*–98*	*–99*
					–15	*–10*	*–5*	*–5*	*–5*
	809	BA/O	*–1,500*	*–1,000*	*–1,000*	*–1,000*	*–1,000*	*–1,000*	*–1,000*
	908	BA/O	*–4,536*	*–5,901*	*–7,273*	*–8,560*	*–9,848*	*–11,169*	*–12,549*
Offsetting governmental receipts	751	BA/O	*–1,172*	*–1,261*	*–1,097*	*–1,130*	*–1,165*	*–1,199*	*–1,235*
Total Federal funds		BA	**366,776**	**383,582**	**393,965**	**400,626**	**402,448**	**405,467**	**405,977**
		O	365,658	381,557	391,410	398,822	401,307	403,574	403,897
Trust funds:									
(As shown in detail above)		BA	**6**	**6**	**6**	**6**	**6**	**6**	**6**
		O	–15	15	6	6	6	6	6
Interfund transactions	601	BA/O	*–693*	*–709*	*–730*	*–751*	*–758*	*–775*	*–788*
	803	BA/O	*–304*	*–304*	*–305*	*–306*	*–307*	*–308*	*–308*
	809	BA/O	*–17*	....	....	....	....	....	....
Total Department of the Treasury		BA	**365,768**	**382,575**	**392,936**	**399,575**	**401,389**	**404,390**	**404,887**
		O	364,629	380,559	390,381	397,771	400,248	402,497	402,807

DEPARTMENT OF VETERANS AFFAIRS

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Veterans Health Administration									
Federal funds									
General and Special Funds:									
Medical care:									
Appropriation, current	703	BA	**16,543**	**17,013**	**16,959**	**16,959**	**16,959**	**16,959**	**16,959**
					[J] 591	**[J] 670**	**[J] 749**	**[J] 825**	**[J] 903**
Spending authority from offsetting collections		BA	**74**	**75**	**146**	**171**	**196**	**221**	**246**
Outlays		O	16,114	17,103	16,848	17,093	17,157	17,180	17,205
					[J] 591	[J] 670	[J] 749	[J] 825	[J] 903
Medical care (gross)		BA	**16,617**	**17,088**	**17,696**	**17,800**	**17,904**	**18,005**	**18,108**
		O	16,114	17,103	17,439	17,763	17,906	18,005	18,108
Total, offsetting collections			–66	–75	–146	–171	–196	–221	–246
Total Medical care (net)		BA	**16,551**	**17,013**	**17,550**	**17,629**	**17,708**	**17,784**	**17,862**
		O	16,048	17,028	17,293	17,592	17,710	17,784	17,862

DEPARTMENT OF VETERANS AFFAIRS—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Medical and prosthetic research:									
Appropriation, current	703	BA	**257**	**262**	**234**	**234**	**234**	**234**	**234**
Spending authority from offsetting collections		BA	**51**	**45**	**46**	**35**	**35**	**35**	**35**
Outlays		O	283	305	288	270	269	269	269
Medical and prosthetic research (gross)		BA	**308**	**307**	**280**	**269**	**269**	**269**	**269**
		O	283	305	288	270	269	269	269
Total, offsetting collections			–51	–45	–46	–35	–35	–35	–35
Total Medical and prosthetic research (net)		BA	**257**	**262**	**234**	**234**	**234**	**234**	**234**
		O	232	260	242	235	234	234	234
Medical administration and miscellaneous operating expenses:									
Appropriation, current	703	BA	**63**	**61**	**60**	**60**	**60**	**60**	**60**
Outlays		O	57	68	60	60	60	60	60
Health professional scholarship program:									
Outlays	703	O	6						
Medical care cost recovery fund:									
Appropriation, permanent	703	BA	**126**	**119**	**123**	**127**	**132**	**132**	**135**
					B **–123**	B **–126**	B **–131**	B **–132**	B **–135**
Outlays		O	109	119	123	126	131	132	135
					B –123	B –126	B –131	B –132	B –135
Total Medical care cost recovery fund		BA	**126**	**119**		**1**	**1**		
		O	109	119					
Public Enterprise Funds:									
Medical facilities revolving fund:									
Spending authority from offsetting collections	703	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	1	4	4	4	2	2	2
Medical facilities revolving fund (gross)		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
		O	1	4	4	4	2	2	2
Total, offsetting collections			–2	–2	–2	–2	–2	–2	–2
Total Medical facilities revolving fund (net)		BA							
		O	–1	2	2	2			
Canteen service revolving fund:									
Spending authority from offsetting collections	705	BA	**204**	**225**	**226**	**228**	**230**	**232**	**235**
Outlays		O	204	225	226	228	230	232	235
Canteen service revolving fund (gross)		BA	**204**	**225**	**226**	**228**	**230**	**232**	**235**
		O	204	225	226	228	230	232	235
Total, offsetting collections			–204	–225	–226	–228	–230	–232	–235
Total Canteen service revolving fund (net)		BA							
		O							
Special therapeutic and rehabilitation activities fund:									
Spending authority from offsetting collections	703	BA	**32**	**35**	**37**	**39**	**39**	**40**	**41**
Outlays		O	29	32	33	35	35	36	37
Special therapeutic and rehabilitation activities fund (gross)		BA	**32**	**35**	**37**	**39**	**39**	**40**	**41**
		O	29	32	33	35	35	36	37
Total, offsetting collections			–32	–35	–37	–39	–39	–40	–41
Total Special therapeutic and rehabilitation activities fund (net)		BA							
		O	–3	–3	–4	–4	–4	–4	–4
Medical center research organizations:									
Spending authority from offsetting collections	703	BA	**28**	**29**	**29**	**30**	**31**	**32**	**33**
Outlays		O	28	29	29	30	31	32	33
Medical center research organizations (gross)		BA	**28**	**29**	**29**	**30**	**31**	**32**	**33**
		O	28	29	29	30	31	32	33

DEPARTMENT OF VETERANS AFFAIRS—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Total, offsetting collections			–28	–29	–29	–30	–31	–32	–33
Total Medical center research organizations (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....
Trust funds									
General post fund, national homes:									
Appropriation, permanent	705	BA	**27**	**28**	**29**	**29**	**30**	**31**	**32**
Outlays		O	24	25	25	26	27	27	28
Total Federal funds Veterans Health Administration		BA	**16,997**	**17,455**	**17,844**	**17,924**	**18,003**	**18,078**	**18,156**
		O	16,448	17,474	17,593	17,885	18,000	18,074	18,152
Total Trust funds Veterans Health Administration		BA	**27**	**28**	**29**	**29**	**30**	**31**	**32**
		O	24	25	25	26	27	27	28

Veterans Benefits Administration

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Compensation:									
Appropriation, current	701	BA	**15,415**	**15,410**	**16,438**	**16,577**	**16,662**	**16,746**	**16,830**
				[A] **753**					
					[B] **–17**	[B] **–38**	[B] **–60**	[B] **–76**	[B] **–95**
					[J] **331**	[J] **740**	[J] **1,162**	[J] **1,595**	[J] **2,042**
Outlays		O	14,222	15,407	16,436	16,566	17,899	15,439	16,816
				[A] 753					
					[B] –17	[B] –38	[B] –60	[B] –76	[B] –95
					[J] 298	[J] 773	[J] 1,162	[J] 1,524	[J] 2,005
Total Compensation		BA	**15,415**	**16,163**	**16,752**	**17,279**	**17,764**	**18,265**	**18,777**
		O	14,222	16,160	16,717	17,301	19,001	16,887	18,726
Pensions:									
Appropriation, current	701	BA	**3,074**	**3,144**	**3,178**	**3,714**	**3,765**	**3,823**	**3,876**
						[B] **–516**	[B] **–539**	[B] **–566**	[B] **–592**
Spending authority from offsetting collections		BA	....	**1**	**6**	**6**	**6**	**6**	**6**
Outlays		O	2,834	3,141	3,183	3,712	4,026	3,521	3,872
						[B] –516	[B] –539	[B] –566	[B] –592
Pensions (gross)		BA	**3,074**	**3,145**	**3,184**	**3,204**	**3,232**	**3,263**	**3,290**
		O	2,834	3,141	3,183	3,196	3,487	2,955	3,280
Total, offsetting collections			....	–1	–6	–6	–6	–6	–6
Total Pensions (net)		BA	**3,074**	**3,144**	**3,178**	**3,198**	**3,226**	**3,257**	**3,284**
		O	2,834	3,140	3,177	3,190	3,481	2,949	3,274
Burial benefits and miscellaneous assistance:									
Appropriation, current	701	BA	**114**	**117**	**119**	**121**	**124**	**127**	**130**
Outlays		O	114	117	119	121	124	127	130
Readjustment benefits:									
Appropriation, current	702	BA	**1,155**	**1,377**	**1,366**	**1,465**	**1,469**	**1,514**	**1,530**
Spending authority from offsetting collections		BA	**183**	**184**	**180**	**179**	**182**	**187**	**192**
Outlays		O	1,396	1,526	1,589	1,641	1,651	1,699	1,721
Readjustment benefits (gross)		BA	**1,338**	**1,561**	**1,546**	**1,644**	**1,651**	**1,701**	**1,722**
		O	1,396	1,526	1,589	1,641	1,651	1,699	1,721
Total, offsetting collections			–183	–184	–180	–179	–182	–187	–192
Total Readjustment benefits (net)		BA	**1,155**	**1,377**	**1,366**	**1,465**	**1,469**	**1,514**	**1,530**
		O	1,213	1,342	1,409	1,462	1,469	1,512	1,529
Reinstated entitlement program for survivors under Public Law 97–377:									
Spending authority from offsetting collections	701	BA	**22**	**20**	**19**	**18**	**17**	**16**	**15**
Outlays		O	20	20	19	18	17	16	15
Reinstated entitlement program for survivors under Public Law 97–377 (gross)		BA	**22**	**20**	**19**	**18**	**17**	**16**	**15**
		O	20	20	19	18	17	16	15

DEPARTMENT OF VETERANS AFFAIRS—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Total, offsetting collections			–22	–20	–19	–18	–17	–16	–15
Total Reinstated entitlement program for survivors under Public Law 97–377 (net)		BA							
		O	–2						
Veterans insurance and indemnities:									
Appropriation, current	701	BA	43	39	51	50	50	50	50
Spending authority from offsetting collections		BA	2	2	2	2	2	2	2
Outlays		O	45	41	53	52	50	50	50
Veterans insurance and indemnities (gross)		BA	45	41	53	52	52	52	52
		O	45	41	53	52	50	50	50
Total, offsetting collections			–2	–2	–2	–2	–2	–2	–2
Total Veterans insurance and indemnities (net)		BA	43	39	51	50	50	50	50
		O	43	39	51	50	48	48	48
Public Enterprise Funds:									
Service-disabled veterans insurance fund:									
Spending authority from offsetting collections	701	BA	69	66	77	75	75	76	75
Outlays		O	66	71	74	75	75	76	75
Service-disabled veterans insurance fund (gross)		BA	69	66	77	75	75	76	75
		O	66	71	74	75	75	76	75
Total, offsetting collections			–69	–66	–77	–75	–75	–76	–75
Total Service-disabled veterans insurance fund (net)		BA							
		O	–3	5	–3				
Veterans reopened insurance fund:									
Spending authority from offsetting collections	701	BA	72	71	66	62	57	54	50
Outlays		O	73	79	78	77			
Veterans reopened insurance fund (gross)		BA	72	71	66	62	57	54	50
		O	73	79	78	77			
Total, offsetting collections			–72	–71	–66	–62	–57	–54	–50
Total Veterans reopened insurance fund (net)		BA							
		O	1	8	12	15	–57	–54	–50
Servicemembers' group life insurance fund:									
Spending authority from offsetting collections	701	BA	467	504	492	490	489	489	489
Outlays		O	476	510	492	490	489	489	489
Servicemembers' group life insurance fund (gross)		BA	467	504	492	490	489	489	489
		O	476	510	492	490	489	489	489
Total, offsetting collections			–467	–504	–492	–490	–489	–489	–489
Total Servicemembers' group life insurance fund (net)		BA							
		O	9	6					
Credit Accounts:									
Veterans housing benefit program fund program account:									
Appropriation, current	704	BA	118	336	352	552	374	526	524
					[B] –29	[B] –234	[B] –229	[B] –228	[B] –223
Appropriation, permanent		BA		168					
Spending authority from offsetting collections		BA	802				163		
Outlays		O	920	504	352	552	537	526	524
					[B] –29	[B] –234	[B] –229	[B] –228	[B] –223
Veterans housing benefit program fund program account (gross)		BA	920	504	323	318	308	298	301
		O	920	504	323	318	308	298	301
Total, offsetting collections			–708						
Total Veterans housing benefit program fund program account (net)		BA	212	504	323	318	308	298	301
		O	212	504	323	318	308	298	301

DEPARTMENT OF VETERANS AFFAIRS—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Veterans Housing Benefit Program Fund Liquidating Account:									
Spending authority from offsetting collections	704	BA	**1,204**	**1,174**	**1,078** [B]**170**	**902**	**758**	**635**	**535**
Outlays		O	1,058	1,099	952 [B]43	812	691	586	503
Veterans Housing Benefit Program Fund Liquidating Account (gross)		BA	**1,204**	**1,174**	**1,248**	**902**	**758**	**635**	**535**
		O	1,058	1,099	995	812	691	586	503
Total, offsetting collections			–1,204	–1,174	–1,078 [B]–170	–902	–758	–635	–535
Total Veterans Housing Benefit Program Fund Liquidating Account (net)		BA	....	....	....	....	....	....	....
		O	–146	–75	–253	–90	–67	–49	–32
Miscellaneous Veterans Programs loan fund program account:									
Appropriation, current	702	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	2	2	2	1	1	1	1
Limitation on direct loan activity			(8)	(15)	(17)	(20)	(2)	(2)	(2)
	Trust funds								
Post-Vietnam era veterans education account:									
Appropriation, permanent	702	BA	**16**	**19**	**11**	**8**	**6**	**6**	**3**
Outlays		O	43	99	44	29	22	16	12
National Service Life Insurance fund:									
Appropriation, permanent	701	BA	**1,288**	**1,230**	**1,182**	**1,113**	**1,045**	**987**	**929**
Spending authority from offsetting collections		BA	**589**	**564**	**545**	**527**	**510**	**491**	**470**
Outlays		O	1,829	1,887	1,849	1,846	1,832	1,799	1,763
National Service Life Insurance fund (gross)		BA	**1,877**	**1,794**	**1,727**	**1,640**	**1,555**	**1,478**	**1,399**
		O	1,829	1,887	1,849	1,846	1,832	1,799	1,763
Total, offsetting collections			–589	–564	–545	–527	–510	–491	–470
Total National Service Life Insurance fund (net)		BA	**1,288**	**1,230**	**1,182**	**1,113**	**1,045**	**987**	**929**
		O	1,240	1,323	1,304	1,319	1,322	1,308	1,293
United States government life insurance fund:									
Appropriation, permanent	701	BA	**7**	**7**	**6**	**6**	**5**	**5**	**4**
Spending authority from offsetting collections		BA	**2**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	17	15	14	11	10	9	9
United States government life insurance fund (gross)		BA	**9**	**8**	**7**	**7**	**6**	**6**	**5**
		O	17	15	14	11	10	9	9
Total, offsetting collections			–2	–1	–1	–1	–1	–1	–1
Total United States government life insurance fund (net)		BA	**7**	**7**	**6**	**6**	**5**	**5**	**4**
		O	15	14	13	10	9	8	8
Veterans special life insurance fund:									
Spending authority from offsetting collections	701	BA	**244**	**243**	**241**	**239**	**236**	**230**	**227**
Outlays		O	210	229	233	227	221	217	212
Veterans special life insurance fund (gross)		BA	**244**	**243**	**241**	**239**	**236**	**230**	**227**
		O	210	229	233	227	221	217	212
Total, offsetting collections			–244	–243	–241	–239	–236	–230	–227
Total Veterans special life insurance fund (net)		BA	....	....	....	....	....	....	....
		O	–34	–14	–8	–12	–15	–13	–15
Total Federal funds Veterans Benefits Administration		BA	**20,014**	**21,345**	**21,790**	**22,432**	**22,942**	**23,512**	**24,073**
		O	18,499	21,248	21,554	22,368	24,308	21,719	23,927
Total Trust funds Veterans Benefits Administration		BA	**1,311**	**1,256**	**1,199**	**1,127**	**1,056**	**998**	**936**
		O	1,264	1,422	1,353	1,346	1,338	1,319	1,298

Construction

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Construction, major projects:									
Appropriation, current	703	BA	**136**	**219**	**80**	**101**	**101**	**101**	**101**

DEPARTMENT OF VETERANS AFFAIRS—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Advance appropriation		BA	....	....	**32**	....	....	....	....
Outlays		O	478	318	239	181	142	117	105
Total Construction, major projects		BA	**136**	**219**	**112**	**101**	**101**	**101**	**101**
		O	478	318	239	181	142	117	105
Construction, minor projects:									
Appropriation, current	703	BA	**190**	**175**	**166**	**149**	**149**	**149**	**149**
Outlays		O	147	173	175	166	156	150	149
Grants for construction of State extended care facilities:									
Appropriation, current	703	BA	**47**	**47**	**41**	**37**	**37**	**37**	**37**
Outlays		O	57	44	47	45	44	39	37
Grants for the construction of State veterans cemeteries:									
Appropriation, current	705	BA	**1**	**1**	**10**	**10**	**11**	**11**	**11**
Outlays		O	2	3	2	5	8	10	11
Public Enterprise Funds:									
Parking garage revolving fund:									
Appropriation, current	703	BA	....	**12**	....	....	....	....	....
Spending authority from offsetting collections		BA	**2**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	16	15	12	10	5	5	4
Parking garage revolving fund (gross)		BA	**2**	**15**	**3**	**3**	**3**	**3**	**3**
		O	16	15	12	10	5	5	4
Total, offsetting collections			–2	–3	–3	–3	–3	–3	–3
Total Parking garage revolving fund (net)		BA	....	**12**	....	....	....	....	....
		O	14	12	9	7	2	2	1
Total Federal funds Construction		BA	**374**	**454**	**329**	**297**	**298**	**298**	**298**
		O	698	550	472	404	352	318	303

Departmental Administration

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
General operating expenses:									
Appropriation, current	705	BA	**847**	**828**	**847**	**853**	**853**	**838**	**836**
Spending authority from offsetting collections		BA	**244**	**271**	**313**	**306**	**277**	**275**	**277**
Outlays		O	1,105	1,144	1,158	1,159	1,130	1,115	1,113
General operating expenses (gross)		BA	**1,091**	**1,099**	**1,160**	**1,159**	**1,130**	**1,113**	**1,113**
		O	1,105	1,144	1,158	1,159	1,130	1,115	1,113
Total, offsetting collections			–244	–271	–313	–306	–277	–275	–277
Total General operating expenses (net)		BA	**847**	**828**	**847**	**853**	**853**	**838**	**836**
		O	861	873	845	853	853	840	836
Office of Inspector General:									
Appropriation, current	705	BA	**31**	**31**	**31**	**31**	**31**	**31**	**31**
Spending authority from offsetting collections		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	30	35	32	32	32	32	32
Office of Inspector General (gross)		BA	**32**	**32**	**32**	**32**	**32**	**32**	**32**
		O	30	35	32	32	32	32	32
Total, offsetting collections			–1	–1	–1	....	....	....	....
Total Office of Inspector General (net)		BA	**31**	**31**	**31**	**32**	**32**	**32**	**32**
		O	29	34	31	32	32	32	32
National cemetery system:									
Appropriation, current	705	BA	**73**	**77**	**84**	**84**	**85**	**88**	**91**
Outlays		O	71	76	84	84	85	88	91
Intragovernmental Funds:									
Supply fund:									
Spending authority from offsetting collections	705	BA	**513**	**583**	**607**	**743**	**818**	**859**	**901**

DEPARTMENT OF VETERANS AFFAIRS—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Outlays		O	474	583	610	743	818	859	901
Supply fund (gross)		BA	**513**	**583**	**607**	**743**	**818**	**859**	**901**
		O	474	583	610	743	818	859	901
Change in orders on hand from Federal sources		BA	**–25**	...	**3**	...	...	...	...
Total, offsetting collections			–488	–583	–610	–743	–818	–859	–901
Total Supply fund (net)		BA	...	...	...	...	...	...	...
		O	–14	...	...	...	...	...	...
Franchise fund:									
Spending authority from offsetting collections	705	BA	...	**50**	**64**	**66**	**68**	**70**	**72**
Outlays		O	...	50	64	66	68	70	72
Franchise fund (gross)		BA	...	**50**	**64**	**66**	**68**	**70**	**72**
		O	...	50	64	66	68	70	72
Total, offsetting collections			...	–50	–64	–66	–68	–70	–72
Total Franchise fund (net)		BA	...	...	...	...	...	...	...
		O	...	...	...	...	...	...	...
Total Federal funds Departmental Administration		BA	**951**	**936**	**962**	**969**	**970**	**958**	**959**
		O	947	983	960	969	970	960	959
Summary									
Federal funds:									
(As shown in detail above)		BA	**38,336**	**40,190**	**40,925**	**41,622**	**42,213**	**42,846**	**43,486**
		O	36,592	40,255	40,579	41,626	43,630	41,071	43,341
Deductions for offsetting receipts:									
Proprietary receipts from the public	702	BA/O	*–148*	*–326*	*–247*	*–251*	*–250*	*–260*	*–259*
	703	BA/O	*–558*	*–534*	*–591*	*–435*	*–487*	*–536*	*–587*
					591	*435*	*487*	*535*	*587*
					–591	*–670*	*–749*	*–825*	*–903*
	704	BA/O	...	*–946*	...	...	...	...	...
Total Federal funds		BA	**37,630**	**38,384**	**40,087**	**40,701**	**41,214**	**41,760**	**42,324**
		O	35,886	38,449	39,741	40,705	42,631	39,985	42,179
Trust funds:									
(As shown in detail above)		BA	**1,338**	**1,284**	**1,228**	**1,156**	**1,086**	**1,029**	**968**
		O	1,288	1,447	1,378	1,372	1,365	1,346	1,326
Deductions for offsetting receipts:									
Proprietary receipts from the public	701	BA/O	*–236*	*–256*	*–216*	*–205*	*–191*	*–176*	*–161*
	702	BA/O	*–4*	*–4*	...	...	...	...	...
Total Trust funds		BA	**1,098**	**1,024**	**1,012**	**951**	**895**	**853**	**807**
		O	1,048	1,187	1,162	1,167	1,174	1,170	1,165
Interfund transactions	701	BA/O	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*
	702	BA/O	*–12*	*–15*	*–11*	*–8*	*–6*	*–6*	*–3*
Total Department of Veterans Affairs		BA	**38,714**	**39,391**	**41,086**	**41,642**	**42,101**	**42,605**	**43,126**
		O	36,920	39,619	40,890	41,862	43,797	41,147	43,339

ENVIRONMENTAL PROTECTION AGENCY

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Federal funds									
General and Special Funds:									
Program and research operations:									
Outlays	304	O	41	14	...	...	...	...	...
Office of the Inspector General:									
Appropriation, current	304	BA	**29**	**29**	**29**	**29**	**30**	**31**	**32**
Spending authority from offsetting collections		BA	**12**	**12**	**11**	**17**	**17**	**17**	**17**

ENVIRONMENTAL PROTECTION AGENCY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	39	41	40	46	47	48	49
Office of the Inspector General (gross)		BA	**41**	**41**	**40**	**46**	**47**	**48**	**49**
		O	39	41	40	46	47	48	49
Total, offsetting collections			–12	–12	–11	–17	–17	–17	–17
Total Office of the Inspector General (net)		BA	**29**	**29**	**29**	**29**	**30**	**31**	**32**
		O	27	29	29	29	30	31	32
Science and technology:									
Appropriation, current	304	BA	**525**	**552**	**614**	**633**	**652**	**671**	**692**
Spending authority from offsetting collections		BA	**15**	**120**	**125**	**85**	**85**	**85**	**85**
Outlays		O	460	678	690	697	725	744	764
Science and technology (gross)		BA	**540**	**672**	**739**	**718**	**737**	**756**	**777**
		O	460	678	690	697	725	744	764
Change in orders on hand from Federal sources		BA	**8**						
Total, offsetting collections			–23	–120	–125	–85	–85	–85	–85
Total Science and technology (net)		BA	**525**	**552**	**614**	**633**	**652**	**671**	**692**
		O	437	558	565	612	640	659	679
Environmental Programs and Management:									
Appropriation, current	304	BA	**1,676**	**1,752**	**1,888**	**1,986**	**2,042**	**2,064**	**2,124**
Spending authority from offsetting collections		BA	**21**	**80**	**80**	**80**	**80**	**80**	**80**
Outlays		O	1,709	1,879	1,953	2,015	2,088	2,139	2,183
Environmental Programs and Management (gross)		BA	**1,697**	**1,832**	**1,968**	**2,066**	**2,122**	**2,144**	**2,204**
		O	1,709	1,879	1,953	2,015	2,088	2,139	2,183
Total, offsetting collections			–21	–80	–80	–80	–80	–80	–80
Total Environmental Programs and Management (net)		BA	**1,676**	**1,752**	**1,888**	**1,986**	**2,042**	**2,064**	**2,124**
		O	1,688	1,799	1,873	1,935	2,008	2,059	2,103
Buildings and facilities:									
Appropriation, current	304	BA	**110**	**87**	**141**	**21**	**21**	**22**	**23**
Outlays		O	27	125	122	72	75	46	22
State and Tribal Assistance Grants:									
Appropriation, current	304	BA	**2,813**	**2,910**	**2,793**	**2,890**	**2,861**	**2,885**	**2,908**
Outlays		O	2,573	2,500	2,522	2,655	2,821	2,985	2,863
Payment to the hazardous substance superfund:									
Appropriation, current	304	BA	**250**	**250**	**250**	**250**	**250**	**250**	**250**
Outlays		O	250	250	250	250	250	250	250
Public Enterprise Funds:									
Revolving fund for certification and other services:									
Spending authority from offsetting collections	304	BA	**1**						
Outlays		O	1	2	1				
Revolving fund for certification and other services (gross)		BA	**1**						
		O	1	2	1				
Total, offsetting collections			–1						
Total Revolving fund for certification and other services (net)		BA							
		O		2	1				
Reregistration and expedited processing revolving fund:									
Spending authority from offsetting collections	304	BA	**15**	**16**	**18**	**19**	**19**	**17**	**3**
Outlays		O	15	16	18	19	19	17	3
Reregistration and expedited processing revolving fund (gross)		BA	**15**	**16**	**18**	**19**	**19**	**17**	**3**
		O	15	16	18	19	19	17	3
Total, offsetting collections			–15	–16	–18	–19	–19	–17	–3
Total Reregistration and expedited processing revolving fund (net)		BA							
		O							
Abatement, control, and compliance direct loan liquidating account:									
Outlays	304	O		2					

ENVIRONMENTAL PROTECTION AGENCY—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	304	BA		**98**	**101**	**104**	**107**	**110**	**113**
Outlays		O		98	101	104	107	110	113
Working capital fund (gross)		BA		**98**	**101**	**104**	**107**	**110**	**113**
		O		98	101	104	107	110	113
Total, offsetting collections				–98	–101	–104	–107	–110	–113
Total Working capital fund (net)		BA							
		O							
Credit Accounts:									
Abatement, control, and compliance loan program account:									
Outlays	304	O	4	2	1				
	Trust funds								
Hazardous substance superfund:									
Appropriation, current	304	BA	**1,311**	**1,394**	**2,094**	**2,094**	**1,444**	**1,394**	**1,394**
Appropriation, permanent		BA			[B]**200**	[B]**200**	[B]**200**	[B]**200**	[B]**200**
Spending authority from offsetting collections		BA	**267**	**230**	**230**	**230**	**230**	**230**	**230**
Outlays		O	1,683	1,606	1,781	1,981	1,920	1,781	1,728
					[B]142	[B]162	[B]184	[B]192	[B]200
Hazardous substance superfund (gross)		BA	**1,578**	**1,624**	**2,524**	**2,524**	**1,874**	**1,824**	**1,824**
		O	1,683	1,606	1,923	2,143	2,104	1,973	1,928
Total, offsetting collections			–267	–230	–230	–230	–230	–230	–230
Total Hazardous substance superfund (net)		BA	**1,311**	**1,394**	**2,294**	**2,294**	**1,644**	**1,594**	**1,594**
		O	1,416	1,376	1,693	1,913	1,874	1,743	1,698
Leaking underground storage tank trust fund:									
Appropriation, current	304	BA	**46**	**60**	**71**	**71**	**71**	**71**	**71**
Outlays		O	68	58	65	69	69	71	71
Limitation on administrative expenses			(7)	(7)					
Payment from the leaking underground storage tank trust fund:									
Appropriation, current	304	BA			[J]**53**	[J]**55**	[J]**57**	[J]**58**	[J]**60**
Outlays		O			[J]53	[J]55	[J]57	[J]58	[J]60
Oil spill response:									
Appropriation, current	304	BA	**15**	**15**	**15**	**15**	**16**	**16**	**17**
Spending authority from offsetting collections		BA	**8**	**20**	**20**	**20**	**20**	**20**	**20**
Outlays		O	22	36	36	36	35	36	36
Oil spill response (gross)		BA	**23**	**35**	**35**	**35**	**36**	**36**	**37**
		O	22	36	36	36	35	36	36
Change in orders on hand from Federal sources		BA	**–8**						
Total, offsetting collections				–20	–20	–20	–20	–20	–20
Total Oil spill response (net)		BA	**15**	**15**	**15**	**15**	**16**	**16**	**17**
		O	22	16	16	16	15	16	16

Summary

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Federal funds:									
(As shown in detail above)		BA	**5,403**	**5,580**	**5,715**	**5,809**	**5,856**	**5,923**	**6,029**
		O	5,047	5,281	5,363	5,553	5,824	6,030	5,949
Deductions for offsetting receipts:									
Offsetting governmental receipts	304	BA/O	*–8*	*–9*	*–11*	*–11*	*–11*	*–12*	*–12*
Total Federal funds		BA	**5,395**	**5,571**	**5,704**	**5,798**	**5,845**	**5,911**	**6,017**
		O	5,039	5,272	5,352	5,542	5,813	6,018	5,937
Trust funds:									
(As shown in detail above)		BA	**1,372**	**1,469**	**2,433**	**2,435**	**1,788**	**1,739**	**1,742**
		O	1,506	1,450	1,827	2,053	2,015	1,888	1,845
Deductions for offsetting receipts:									
Proprietary receipts from the public	304	BA/O	*–249*	*–200*	*–175*	*–150*	*–150*	*–150*	*–150*
Total Trust funds		BA	**1,123**	**1,269**	**2,258**	**2,285**	**1,638**	**1,589**	**1,592**
		O	1,257	1,250	1,652	1,903	1,865	1,738	1,695

ENVIRONMENTAL PROTECTION AGENCY—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Interfund transactions	304	BA/O	*–250*	*–250*	*–250* *–53*	*–250* *–55*	*–250* *–57*	*–250* *–58*	*–250* *–60*
Total Environmental Protection Agency		BA	**6,268**	**6,590**	**7,659**	**7,778**	**7,176**	**7,192**	**7,299**
		O	6,046	6,272	6,701	7,140	7,371	7,448	7,322

GENERAL SERVICES ADMINISTRATION

(In millions of dollars)

Real Property Activities

Federal funds

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
General and Special Funds:									
Real property relocation:									
Outlays	804	O	1	8	4	....	....	....	....
Pennsylvania avenue activities:									
Appropriation, current	451	BA	**1**	....	....	....	....	....	....
Spending authority from offsetting collections		BA	....	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	107	188	88	1	1	1	1
Pennsylvania avenue activities (gross)		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
		O	107	188	88	1	1	1	1
Total, offsetting collections			....	–1	–1	–1	–1	–1	–1
Total Pennsylvania avenue activities (net)		BA	**1**	....	....	....	....	....	....
		O	107	187	87	....	....	....	....
Disposal of surplus real and related personal property:									
Appropriation, permanent	804	BA	**1**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	1	3	3	3	3	3	3
Public Enterprise Funds:									
Land acquisition and development fund:									
Appropriation, permanent	451	BA		[J] **157**					
Spending authority from offsetting collections		BA	**1**	....	....	....	....	....	....
Outlays		O	1	....	....	....	....	....	....
				[J] 157					
Land acquisition and development fund (gross)		BA	**1**	**157**	....	....	....	....	....
		O	1	157	....	....	....	....	....
Total, offsetting collections			–1	....	....	....	....	....	....
Total Land acquisition and development fund (net)		BA	....	**157**	....	....	....	....	....
		O	....	157	....	....	....	....	....
Intragovernmental Funds:									
Federal buildings fund:									
Appropriation, current	804	BA	**28**	**393**	**84**	....	....	....	....
Spending authority from offsetting collections		BA	**5,257**	**5,354**	**5,490**	**5,565**	**5,662**	**5,767**	**5,883**
Outlays		O	6,627	6,055	5,753	5,708	5,732	5,767	5,883
Limitation on program level (obligations)			(5,115)	(5,511)	(4,184)	....	....	....	....
Federal buildings fund (gross)		BA	**5,285**	**5,747**	**5,574**	**5,565**	**5,662**	**5,767**	**5,883**
		O	6,627	6,055	5,753	5,708	5,732	5,767	5,883
Change in orders on hand from Federal sources		BA	**1,020**	....	....	....	....	....	....
Total, offsetting collections			–6,237	–5,354	–5,490	–5,565	–5,662	–5,767	–5,883
Total Federal buildings fund (net)		BA	**68**	**393**	**84**	....	....	....	....
		O	390	701	263	143	70	....	....
Total Federal funds Real Property Activities		BA	**70**	**553**	**87**	**3**	**3**	**3**	**3**
		O	499	1,056	357	146	73	3	3

GENERAL SERVICES ADMINISTRATION—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Supply and Technology Activities									
Federal funds									
General and Special Funds:									
Expenses of transportation audit contracts and contract administration:									
Appropriation, permanent	804	BA	**14**	**15**	**11**	**10**	**8**	**8**	**8**
Outlays		O	11	15	11	10	8	8	8
Intragovernmental Funds:									
General supply fund:									
Spending authority from offsetting collections	804	BA	**3,186**	**3,090**	**3,212**	**3,299**	**3,388**	**3,479**	**3,573**
Outlays		O	3,152	3,090	3,212	3,299	3,388	3,479	3,573
General supply fund (gross)		BA	**3,186**	**3,090**	**3,212**	**3,299**	**3,388**	**3,479**	**3,573**
		O	3,152	3,090	3,212	3,299	3,388	3,479	3,573
Change in orders on hand from Federal sources		BA	**–4**						
Total, offsetting collections			–3,182	–3,090	–3,212	–3,299	–3,388	–3,479	–3,573
Total General supply fund (net)		BA							
		O	–30						
Information technology fund:									
Spending authority from offsetting collections	804	BA	**2,280**	**2,643**	**2,915**	**2,888**	**3,044**	**3,171**	**3,261**
Outlays		O	1,912	2,680	2,948	2,928	3,057	3,171	3,261
Information technology fund (gross)		BA	**2,280**	**2,643**	**2,915**	**2,888**	**3,044**	**3,171**	**3,261**
		O	1,912	2,680	2,948	2,928	3,057	3,171	3,261
Change in orders on hand from Federal sources		BA	**–513**						
Total, offsetting collections			–1,767	–2,643	–2,915	–2,888	–3,044	–3,171	–3,261
Total Information technology fund (net)		BA							
		O	145	37	33	40	13		
Total Federal funds Supply and Technology Activities		BA	**14**	**15**	**11**	**10**	**8**	**8**	**8**
		O	126	52	44	50	21	8	8
General Activities									
Federal funds									
General and Special Funds:									
Policy and operations:									
Appropriation, current	804	BA	**119**	**118**	**104**	**105**	**105**	**105**	**105**
Spending authority from offsetting collections		BA	**128**	**12**	**13**	**11**	**11**	**11**	**11**
Outlays		O	224	130	117	116	116	116	116
Policy and operations (gross)		BA	**247**	**130**	**117**	**116**	**116**	**116**	**116**
		O	224	130	117	116	116	116	116
Change in orders on hand from Federal sources		BA	**–6**						
Total, offsetting collections			–122	–12	–13	–11	–11	–11	–11
Total Policy and operations (net)		BA	**119**	**118**	**104**	**105**	**105**	**105**	**105**
		O	102	118	104	105	105	105	105
Office of Inspector General:									
Appropriation, current	804	BA	**33**	**34**	**34**	**32**	**32**	**32**	**32**
Spending authority from offsetting collections		BA	**1**						
Outlays		O	34	34	33	31	31	31	31
Office of Inspector General (gross)		BA	**34**	**34**	**34**	**32**	**32**	**32**	**32**
		O	34	34	33	31	31	31	31
Total, offsetting collections			–1						
Total Office of Inspector General (net)		BA	**33**	**34**	**34**	**32**	**32**	**32**	**32**
		O	33	34	33	31	31	31	31
Allowances and office staff for former Presidents:									
Appropriation, current	802	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	2	2	2	2	2	2	2
Expenses, presidential transition:									
Appropriation, current	802	BA		**6**				**6**	

GENERAL SERVICES ADMINISTRATION—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	...	...	...	...	...	6	...
Public Enterprise Funds:									
Consumer information center fund:									
Appropriation, current	376	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Spending authority from offsetting collections		BA	**2**	**3**	**3**	**4**	**4**	**4**	**4**
Outlays		O	4	5	5	6	6	6	6
Consumer information center fund (gross)		BA	**4**	**5**	**5**	**6**	**6**	**6**	**6**
		O	4	5	5	6	6	6	6
Total, offsetting collections			–2	–3	–3	–4	–4	–4	–4
Total Consumer information center fund (net)		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
		O	2	2	2	2	2	2	2
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	804	BA	**202**	**220**	**250**	**255**	**260**	**265**	**270**
Outlays		O	192	220	250	255	260	265	270
Working capital fund (gross)		BA	**202**	**220**	**250**	**255**	**260**	**265**	**270**
		O	192	220	250	255	260	265	270
Change in orders on hand from Federal sources		BA	**–1**	...	...	...	...	...	...
Total, offsetting collections			–201	–220	–250	–255	–260	–265	–270
Total Working capital fund (net)		BA	...	...	...	...	...	...	...
		O	–9	...	...	...	...	...	...
Total Federal funds General Activities		BA	**156**	**162**	**142**	**141**	**141**	**147**	**141**
		O	130	156	141	140	140	146	140

Summary

Account			1996 actual	1997	1998	1999	2000	2001	2002
Federal funds:									
(As shown in detail above)		BA	**240**	**730**	**240**	**154**	**152**	**158**	**152**
		O	755	1,264	542	336	234	157	151
Deductions for offsetting receipts:									
Proprietary receipts from the public	804	BA/O	*–23*	*–21*	*–21*	*–20*	*–18*	*–18*	*–18*
Total General Services Administration		BA	**217**	**709**	**219**	**134**	**134**	**140**	**134**
		O	732	1,243	521	316	216	139	133

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Federal funds									
General and Special Funds:									
Human space flight:									
Appropriation, current	252	BA	**5,457**	**5,540**	**5,327**	**3,197**	**3,162**	**3,235**	**3,529**
Advance appropriation		BA	...	...	...	**2,109**	**1,915**	**1,597**	**1,147**
Spending authority from offsetting collections		BA	**70**	**82**	**70**	**70**	**70**	**70**	**70**
Outlays		O	5,530	5,502	5,674	5,316	5,159	4,946	4,803
Human space flight (gross)		BA	**5,527**	**5,622**	**5,397**	**5,376**	**5,147**	**4,902**	**4,746**
		O	5,530	5,502	5,674	5,316	5,159	4,946	4,803
Change in orders on hand from Federal sources		BA	**8**	...	...	...	...	...	...
Total, offsetting collections			–78	–82	–70	–70	–70	–70	–70
Total Human space flight (net)		BA	**5,457**	**5,540**	**5,327**	**5,306**	**5,077**	**4,832**	**4,676**
		O	5,452	5,420	5,604	5,246	5,089	4,876	4,733
Science, Aeronautics and Technology									
(Space flight, research, and supporting activities):									
(Appropriation, current)	252	BA	**5,032**	**4,746**	**4,722**	**4,284**	**4,693**	**4,985**	**5,146**
(Advance appropriation)		BA	...	...	...	**505**	**254**	**150**	**26**
(Spending authority from offsetting collections)		BA	**374**	**623**	**588**	**588**	**588**	**588**	**588**

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
(Outlays)		O	4,528	5,106	5,162	5,431	5,423	5,490	5,559
Science, Aeronautics and Technology (gross)		BA	**5,406**	**5,369**	**5,310**	**5,377**	**5,535**	**5,723**	**5,760**
		O	4,528	5,106	5,162	5,431	5,423	5,490	5,559
(Change in orders on hand from Federal sources)		BA	**–45**						
Total, offsetting collections			–329	–623	–588	–588	–588	–588	–588
Total (Space flight, research, and supporting activities) (net)		BA	**5,032**	**4,746**	**4,722**	**4,789**	**4,947**	**5,135**	**5,172**
		O	4,199	4,483	4,574	4,843	4,835	4,902	4,971
(Air transportation):									
(Appropriation, current)	402	BA	**897**	**844**	**920**	**837**	**803**	**817**	**817**
(Spending authority from offsetting collections)		BA	**47**	**69**	**64**	**64**	**64**	**64**	**64**
(Outlays)		O	866	976	896	945	996	1,021	1,048
Science, Aeronautics and Technology (gross)		BA	**5,976**	**5,659**	**5,706**	**5,690**	**5,814**	**6,016**	**6,053**
		O	5,065	5,459	5,470	5,788	5,831	5,923	6,019
(Change in orders on hand from Federal sources)		BA	**1**						
Total, offsetting collections			–48	–69	–64	–64	–64	–64	–64
Total (Air transportation) (net)		BA	**897**	**844**	**920**	**837**	**803**	**817**	**817**
		O	818	907	832	881	932	957	984
Total Science, Aeronautics and Technology		BA	**5,929**	**5,590**	**5,642**	**5,626**	**5,750**	**5,952**	**5,989**
		O	5,017	5,390	5,406	5,724	5,767	5,859	5,955
Mission support									
(Space flight, research, and supporting activities):									
(Appropriation, current)	252	BA	**2,065**	**2,123**	**2,064**	**1,886**	**1,831**	**1,858**	**1,933**
(Advance appropriation)		BA				**120**	**58**	**70**	**98**
(Spending authority from offsetting collections)		BA	**89**	**122**	**124**	**124**	**124**	**124**	**124**
(Outlays)		O	2,104	2,161	2,190	2,096	2,029	2,059	2,148
Mission support (gross)		BA	**2,154**	**2,245**	**2,188**	**2,130**	**2,013**	**2,052**	**2,155**
		O	2,104	2,161	2,190	2,096	2,029	2,059	2,148
(Change in orders on hand from Federal sources)		BA	**–20**						
Total, offsetting collections			–69	–122	–124	–124	–124	–124	–124
Total (Space flight, research, and supporting activities) (net)		BA	**2,065**	**2,123**	**2,064**	**2,006**	**1,889**	**1,928**	**2,031**
		O	2,035	2,039	2,066	1,972	1,905	1,935	2,024
(Air transportation):									
(Appropriation, current)	402	BA	**418**	**439**	**449**	**453**	**465**	**470**	**485**
(Spending authority from offsetting collections)		BA	**22**	**10**	**11**	**11**	**11**	**11**	**11**
(Outlays)		O	350	433	461	453	470	473	493
Mission support (gross)		BA	**2,505**	**2,572**	**2,524**	**2,470**	**2,365**	**2,409**	**2,527**
		O	2,385	2,472	2,527	2,425	2,375	2,408	2,517
(Change in orders on hand from Federal sources)		BA	**–10**						
Total, offsetting collections			–12	–10	–11	–11	–11	–11	–11
Total (Air transportation) (net)		BA	**418**	**439**	**449**	**453**	**465**	**470**	**485**
		O	338	423	450	442	459	462	482
Total Mission support		BA	**2,483**	**2,562**	**2,513**	**2,459**	**2,354**	**2,398**	**2,516**
		O	2,373	2,462	2,516	2,414	2,364	2,397	2,506
Research and development									
(Space flight, research, and supporting activities):									
(Outlays)	252	O	555	273					
Research and development (gross)		O	555	273					
(Change in orders on hand from Federal sources)		BA	**71**	**58**					
Total, offsetting collections			–71	–58					
Total (Space flight, research, and supporting activities) (net)		BA							
		O	484	215					

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
(Air transportation):									
(Outlays)	402	O	41	17					
Research and development (gross)		BA							
		O	525	232					
(Change in orders on hand from Federal sources)		BA	**15**	**2**					
Total, offsetting collections			–15	–2					
Total (Air transportation) (net)		BA							
		O	26	15					
Total Research and development		BA							
		O	510	230					
Space flight, control, and data communications:									
Outlays	252	O	248	132	10	10	10	10	
Space flight, control, and data communications (gross)		O	248	132	10	10	10	10	
Change in orders on hand from Federal sources		BA	**7**	**5**					
Total, offsetting collections			–7	–5					
Total Space flight, control, and data communications (net)		BA							
		O	241	127	10	10	10	10	
Construction of facilities									
(Space flight, research, and supporting activities):									
(Outlays)	252	O	260	37	37	37			
(Air transportation):									
(Outlays)	402	O	5	3	3	3			
Total Construction of facilities		O	265	40	40	40			
Research and program management									
(Space flight, research, and supporting activities):									
(Outlays)	252	O	6	10					
Total Research and program management		O	6	10					
Office of Inspector General:									
Appropriation, current	252	BA	**16**	**17**	**18**	**19**	**19**	**19**	**19**
Outlays		O	16	17	18	19	19	19	19
Trust funds									
Science, space, and technology education trust fund:									
Appropriation, permanent	503	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
Summary									
Federal funds:									
(As shown in detail above)		BA	**13,885**	**13,709**	**13,500**	**13,410**	**13,200**	**13,201**	**13,200**
		O	13,880	13,696	13,594	13,453	13,249	13,161	13,213
Trust funds:									
(As shown in detail above)		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
		O	1	1	1	1	1	1	1
Total National Aeronautics and Space Administration		BA	**13,886**	**13,710**	**13,501**	**13,411**	**13,201**	**13,202**	**13,201**
		O	13,881	13,697	13,595	13,454	13,250	13,162	13,214

OFFICE OF PERSONNEL MANAGEMENT

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	805	BA	**88**	**87**	**85**	**85**	**85**	**85**	**85**
Spending authority from offsetting collections		BA	**120**	**126**	**129**	**129**	**129**	**129**	**129**

OFFICE OF PERSONNEL MANAGEMENT—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Outlays		O	202	216	214	214	214	214	214
Salaries and expenses (gross)		BA	208	213	214	214	214	214	214
		O	202	216	214	214	214	214	214
Total, offsetting collections			–120	–126	–129	–129	–129	–129	–129
Total Salaries and expenses (net)		BA	88	87	85	85	85	85	85
		O	82	90	85	85	85	85	85
Office of Inspector General:									
Appropriation, current	805	BA	4	1	1	1	1	1	1
Spending authority from offsetting collections		BA	6	9	9	9	9	9	9
Outlays		O	10	10	10	10	10	10	10
Office of Inspector General (gross)		BA	10	10	10	10	10	10	10
		O	10	10	10	10	10	10	10
Total, offsetting collections			–6	–9	–9	–9	–9	–9	–9
Total Office of Inspector General (net)		BA	4	1	1	1	1	1	1
		O	4	1	1	1	1	1	1
Government payment for annuitants, employees health benefits:									
Appropriation, current	551	BA	3,746	3,087	4,338	4,454	4,671	5,038	5,438
Outlays		O	3,712	4,014	4,308	4,349	4,644	5,006	5,404
Government payment for annuitants, employee life insurance benefits:									
Appropriation, current	602	BA	21	29	32	36	39	42	45
Outlays		O	24	29	32	36	38	42	45
Payment to civil service retirement and disability fund:									
Appropriation, current	805	BA	7,752	8,052	8,336	8,902	9,459	10,021	10,588
Appropriation, permanent		BA	12,308	12,840	12,919	13,014	13,147	13,349	13,625
					[J]–23	[J]–22	[J]–23	[J]–25	[J]–29
Outlays		O	20,060	20,892	21,255	21,916	22,606	23,370	24,213
					[J]–23	[J]–22	[J]–23	[J]–25	[J]–29
Total Payment to civil service retirement and disability fund		BA	20,060	20,892	21,232	21,894	22,583	23,345	24,184
		O	20,060	20,892	21,232	21,894	22,583	23,345	24,184
Intragovernmental Funds:									
Revolving fund:									
Spending authority from offsetting collections	805	BA	144	159	175	175	175	175	175
Outlays		O	100	159	175	175	175	175	175
Revolving fund (gross)		BA	144	159	175	175	175	175	175
		O	100	159	175	175	175	175	175
Total, offsetting collections			–144	–159	–175	–175	–175	–175	–175
Total Revolving fund (net)		BA	....	....	....	....	....	....	....
		O	–44	....	....	....	....	....	....
Trust funds									
Civil service retirement and disability fund:									
Appropriation, current	602	BA	81	85	81	81	81	81	81
Appropriation, permanent		BA	39,902	41,569	43,568	45,709	47,697	49,719	51,960
					[B]–274	[B]–281	[B]–289	[B]–297	[B]–305
Outlays		O	39,778	41,501	43,500	45,509	47,501	49,508	51,721
					[B]–274	[B]–281	[B]–289	[B]–297	[B]–305
Total Civil service retirement and disability fund		BA	39,983	41,654	43,375	45,509	47,489	49,503	51,736
		O	39,778	41,501	43,226	45,228	47,212	49,211	51,416
Employees life insurance fund:									
Spending authority from offsetting collections	602	BA	2,719	2,788	2,851	2,949	3,013	3,097	3,168
Outlays		O	1,632	1,719	1,608	1,763	1,852	1,939	2,028
Employees life insurance fund (gross)		BA	2,719	2,788	2,851	2,949	3,013	3,097	3,168
		O	1,632	1,719	1,608	1,763	1,852	1,939	2,028
Change in orders on hand from Federal sources		BA	13	10	–12	–17	–8	–12	–9

OFFICE OF PERSONNEL MANAGEMENT—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Total, offsetting collections			–2,732	–2,798	–2,839	–2,932	–3,005	–3,085	–3,159
Total Employees life insurance fund (net)		BA	....	....	....	....	....	....	....
		O	–1,100	–1,079	–1,231	–1,169	–1,153	–1,146	–1,131
Employees and retired employees health benefits fund:									
Spending authority from offsetting collections	551	BA	**15,897**	**16,380**	**17,429**	**18,477**	**19,978**	**21,038**	**22,467**
Outlays		O	16,149	16,635	17,484	18,517	19,774	20,824	22,273
Employees and retired employees health benefits fund (gross)		BA	**15,897**	**16,380**	**17,429**	**18,477**	**19,978**	**21,038**	**22,467**
		O	16,149	16,635	17,484	18,517	19,774	20,824	22,273
Change in orders on hand from Federal sources		BA	**–190**	**–51**	**–72**	**–73**	**–102**	**–76**	**–98**
Total, offsetting collections			–15,707	–16,329	–17,357	–18,406	–19,878	–20,965	–22,373
Total Employees and retired employees health benefits fund (net)		BA	....	....	....	**–2**	**–2**	**–3**	**–4**
		O	442	306	127	111	–104	–141	–100
Summary									
Federal funds:									
(As shown in detail above)		BA	**23,919**	**24,096**	**25,688**	**26,470**	**27,379**	**28,511**	**29,753**
		O	23,838	25,026	25,658	26,365	27,351	28,479	29,719
Trust funds:									
(As shown in detail above)		BA	**39,983**	**41,654**	**43,375**	**45,507**	**47,487**	**49,500**	**51,732**
		O	39,120	40,728	42,122	44,170	45,955	47,924	50,185
Interfund transactions	602	BA/O	*–28*	*–24*	*–21*	*–18*	*–16*	*–14*	*–13*
	805	BA/O	*–20,060*	*–20,892*	*–21,255*	*–21,916*	*–22,606*	*–23,370*	*–24,213*
					23	*22*	*23*	*25*	*29*
Total Office of Personnel Management		BA	**43,814**	**44,834**	**47,810**	**50,065**	**52,267**	**54,652**	**57,288**
		O	42,870	44,838	46,527	48,623	50,707	53,044	55,707

SMALL BUSINESS ADMINISTRATION

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	376	BA	**219**	**235**	**246**	**245**	**245**	**245**	**245**
					B **1**	*B* **1**	*B* **1**	*B* **1**	*B* **1**
Spending authority from offsetting collections		BA	**268**	**273**	**271**	**271**	**271**	**271**	**271**
Outlays		O	477	508	514	516	516	516	516
					B 1	*B* 1	*B* 1	*B* 1	*B* 1
Salaries and expenses (gross)		BA	**487**	**508**	**518**	**517**	**517**	**517**	**517**
		O	477	508	515	517	517	517	517
Total, offsetting collections			–268	–273	–271	–271	–271	–271	–271
Total Salaries and expenses (net)		BA	**219**	**235**	**247**	**246**	**246**	**246**	**246**
		O	209	235	244	246	246	246	246
Office of Inspector General:									
Appropriation, current	376	BA	**9**	**9**	**11**	**11**	**11**	**11**	**11**
Outlays		O	10	10	11	11	11	11	11
Public Enterprise Funds:									
Surety bond guarantees revolving fund:									
Appropriation, current	376	BA	**3**	**4**	**4**	**3**	**3**	**3**	**4**
Spending authority from offsetting collections		BA	**13**	**17**	**17**	**18**	**18**	**18**	**18**
Outlays		O	15	18	18	20	20	20	20
Surety bond guarantees revolving fund (gross)		BA	**16**	**21**	**21**	**21**	**21**	**21**	**22**
		O	15	18	18	20	20	20	20

SMALL BUSINESS ADMINISTRATION—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Total, offsetting collections			–13	–17	–17	–18	–18	–18	–18
Total Surety bond guarantees revolving fund (net)		BA	**3**	**4**	**4**	**3**	**3**	**3**	**4**
		O	2	1	1	2	2	2	2
Credit Accounts:									
Business loan program account:									
Appropriation, current	376	BA	**253**	**279**	**267**	**267**	**267**	**267**	**267**
Appropriation, permanent		BA	**274**	**199**					
Outlays		O	522	458	272	267	267	267	267
Total Business loan program account		BA	**527**	**478**	**267**	**267**	**267**	**267**	**267**
		O	522	458	272	267	267	267	267
Business loan fund liquidating account:									
Spending authority from offsetting collections	376	BA	**566**	**551**	**610**	**610**	**509**	**496**	**483**
Outlays		O	463	450	348	427	416	405	395
Business loan fund liquidating account (gross)		BA	**566**	**551**	**610**	**610**	**509**	**496**	**483**
		O	463	450	348	427	416	405	395
Total, offsetting collections			–566	–551	–610	–610	–509	–496	–483
Total Business loan fund liquidating account (net)		BA							
		O	–103	–101	–262	–183	–93	–91	–88
Disaster loans program account:									
Appropriation, current	453	BA	**331**	**327**	**173**	**192**	**192**	**192**	**192**
Outlays		O	434	311	263	188	192	192	192
Disaster loan fund liquidating account:									
Spending authority from offsetting collections	453	BA	**307**	**269**	**345**	**245**	**156**	**1**	**1**
Outlays		O	105				–10	–1	–1
Disaster loan fund liquidating account (gross)		BA	**307**	**269**	**345**	**245**	**156**	**1**	**1**
		O	105				–10	–1	–1
Total, offsetting collections			–307	–269	–345	–245	–156	–1	–1
Total Disaster loan fund liquidating account (net)		BA							
		O	–202	–269	–345	–245	–166	–2	–2
Pollution control equipment fund liquidating account:									
Outlays	376	O	1	3	3	3	3	3	3
Summary									
Federal funds:									
(As shown in detail above)		BA	**1,089**	**1,053**	**702**	**719**	**719**	**719**	**720**
		O	873	648	187	289	462	628	631
Deductions for offsetting receipts:									
Proprietary receipts from the public	376	BA/O		*–188*	*–50*	*–50*			
Total Small Business Administration		BA	**1,089**	**865**	**652**	**669**	**719**	**719**	**720**
		O	873	460	137	239	462	628	631

SOCIAL SECURITY ADMINISTRATION

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Social Security Administration									
Federal funds									
General and Special Funds:									
Payments to social security trust funds:									
Appropriation, current	651	BA	**33**	**32**	**21**	**20**	**20**	**20**	**19**
Appropriation, permanent		BA	**6,115**	**6,905**	**7,595**	**8,082**	**8,640**	**9,246**	**9,896**

SOCIAL SECURITY ADMINISTRATION—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	6,135	6,937	7,616	8,102	8,660	9,266	9,915
Total Payments to social security trust funds		BA	**6,148**	**6,937**	**7,616**	**8,102**	**8,660**	**9,266**	**9,915**
		O	6,135	6,937	7,616	8,102	8,660	9,266	9,915
Special benefits for disabled coal miners:									
Appropriation, current	601	BA	**485**	**460**	**426**	**401**	**388**	**364**	**342**
Advance appropriation		BA	**180**	**170**	**160**	**160**	**140**	**130**	**120**
Outlays		O	671	634	599	565	531	498	465
Total Special benefits for disabled coal miners		BA	**665**	**630**	**586**	**561**	**528**	**494**	**462**
		O	671	634	599	565	531	498	465
Supplemental security income program:									
Appropriation, current	609	BA	**18,655**	**19,592**	**16,300**	**19,995**	**24,961**	**18,988**	**21,869**
				[B] **224**	[B] **1,703**	[B] **1,820**	[B] **2,092**	[B] **1,904**	[B] **2,181**
					[J] **40**	[J] **70**	[J] **80**	[J] **80**	[J] **90**
Advance appropriation		BA	**7,060**	**9,260**	**9,690**	**8,680**	**7,030**	**9,740**	**10,120**
Spending authority from offsetting collections		BA	**2,845**	**3,010**	**3,010**	**3,010**	**3,245**	**2,775**	**3,010**
Outlays		O	28,919	31,706	30,763	32,058	35,238	31,503	35,000
				[B] 224	[B] 1,703	[B] 1,820	[B] 2,092	[B] 1,904	[B] 2,181
					[J] 37	[J] 67	[J] 79	[J] 80	[J] 89
Supplemental security income program (gross)		BA	**28,560**	**32,086**	**30,743**	**33,575**	**37,408**	**33,487**	**37,270**
		O	28,919	31,930	32,503	33,945	37,409	33,487	37,270
Total, offsetting collections			–2,845	–3,010	–3,010	–3,010	–3,245	–2,775	–3,010
Total Supplemental security income program (net)		BA	**25,715**	**29,076**	**27,733**	**30,565**	**34,163**	**30,712**	**34,260**
		O	26,074	28,920	29,493	30,935	34,164	30,712	34,260
Office of the Inspector General:									
Appropriation, current	651	BA	**5**	**6**	**10**	**10**	**10**	**10**	**10**
Spending authority from offsetting collections		BA	**21**	**31**	**34**	**34**	**34**	**34**	**34**
Outlays		O	22	37	44	44	51	51	51
Office of the Inspector General (gross)		BA	**26**	**37**	**44**	**44**	**44**	**44**	**44**
		O	22	37	44	44	51	51	51
Change in orders on hand from Federal sources		BA	**–3**	**–1**	....	....	....	....	....
Total, offsetting collections			–18	–30	–34	–34	–34	–34	–34
Total Office of the Inspector General (net)		BA	**5**	**6**	**10**	**10**	**10**	**10**	**10**
		O	4	7	10	10	17	17	17
	Trust funds								
Federal old-age and survivors insurance trust fund:									
Appropriation, current	651	BA	**1,828**	**2,069**	**2,131**	**2,082**	**2,031**	**2,031**	**2,034**
Appropriation, permanent		BA	**305,800**	**317,826**	**331,813**	**345,970**	**360,961**	**377,402**	**393,966**
Spending authority from offsetting collections		BA	**1,952**	**2,152**	**2,272**	**2,278**	**2,295**	**2,293**	**2,287**
Outlays		O	307,413	321,652	334,956	348,970	363,865	380,178	396,680
Federal old-age and survivors insurance trust fund (gross)		BA	**309,580**	**322,047**	**336,216**	**350,330**	**365,287**	**381,726**	**398,287**
		O	307,413	321,652	334,956	348,970	363,865	380,178	396,680
Total, offsetting collections			–1,952	–2,152	–2,272	–2,278	–2,295	–2,293	–2,287
Total Federal old-age and survivors insurance trust fund (net)		BA	**307,628**	**319,895**	**333,944**	**348,052**	**362,992**	**379,433**	**396,000**
		O	305,461	319,500	332,684	346,692	361,570	377,885	394,393
Federal disability insurance trust fund:									
Appropriation, current	651	BA	**1,307**	**1,382**	**1,162**	**1,164**	**1,205**	**1,205**	**1,207**
Appropriation, permanent		BA	**43,530**	**46,006**	**50,724**	**54,442**	**58,634**	**63,057**	**67,740**
						[J] **–5**	[J] **1**	[J] **7**	[J] **13**

SOCIAL SECURITY ADMINISTRATION—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Outlays		O	44,558	48,215	51,663	55,311	59,492	63,886	68,553
						J –5	J 1	J 7	J 13
Total Federal disability insurance trust fund		BA	**44,837**	**47,388**	**51,886**	**55,601**	**59,840**	**64,269**	**68,960**
		O	44,558	48,215	51,663	55,306	59,493	63,893	68,566
Total Federal funds Social Security Administration		BA	**32,533**	**36,649**	**35,945**	**39,238**	**43,361**	**40,482**	**44,647**
		O	32,884	36,498	37,718	39,612	43,372	40,493	44,657
Total Trust funds Social Security Administration		BA	**352,465**	**367,283**	**385,830**	**403,653**	**422,832**	**443,702**	**464,960**
		O	350,019	367,715	384,347	401,998	421,063	441,778	462,959

Summary

On-Budget

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Federal funds:									
(As shown in detail above)		BA	**32,533**	**36,649**	**35,945**	**39,238**	**43,361**	**40,482**	**44,647**
		O	32,884	36,498	37,718	39,612	43,372	40,493	44,657
Deductions for offsetting receipts:									
Proprietary receipts from the public	609	BA/O	*–1,187*	*–1,324*	*–1,390*	*–1,452*	*–1,626*	*–1,474*	*–1,648*
					–40	*–70*	*–80*	*–80*	*–90*
Total Federal funds		BA	**31,346**	**35,325**	**34,515**	**37,716**	**41,655**	**38,928**	**42,909**
		O	31,697	35,174	36,288	38,090	41,666	38,939	42,919
Interfund transactions	651	BA/O	*–332*					*–553*	
Total Social Security Administration (on-budget)		BA	**31,014**	**35,325**	**34,515**	**37,716**	**41,655**	**38,375**	**42,909**
		O	31,365	35,174	36,288	38,090	41,666	38,386	42,919

Off-Budget

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Trust funds:									
(As shown in detail above)		BA	**352,465**	**367,283**	**385,830**	**403,653**	**422,832**	**443,702**	**464,960**
		O	350,019	367,715	384,347	401,998	421,063	441,778	462,959
Deductions for offsetting receipts:									
Proprietary receipts from the public	651	BA/O	*–17*	*–19*	*–19*	*–19*	*–19*	*–19*	*–19*
Total Trust funds		BA	**352,448**	**367,264**	**385,811**	**403,634**	**422,813**	**443,683**	**464,941**
		O	350,002	367,696	384,328	401,979	421,044	441,759	462,940
Interfund transactions	651	BA/O	*–6,133*	*–6,927*	*–7,616*	*–8,102*	*–8,660*	*–9,266*	*–9,915*
Total Social Security Administration (off-budget)		BA	**346,315**	**360,337**	**378,195**	**395,532**	**414,153**	**434,417**	**455,026**
		O	343,869	360,769	376,712	393,877	412,384	432,493	453,025
Total Social Security Administration		BA	**377,329**	**395,662**	**412,710**	**433,248**	**455,808**	**472,792**	**497,935**
		O	375,234	395,943	413,000	431,967	454,050	470,879	495,944

OTHER INDEPENDENT AGENCIES

(In millions of dollars)

Administrative Conference of the United States

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	751	BA	**1**						
Outlays		O	2						

Advisory Commission on Intergovernmental Relations

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	808	BA	**1**						
Outlays		O	1						

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Advisory Council on Historic Preservation									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	303	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	3	3	3	3	3	3	3
American Battle Monuments Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	705	BA	**22**	**22**	**24**	**24**	**24**	**24**	**24**
Outlays		O	21	22	24	24	24	24	24
Trust funds									
Contributions:									
Appropriation, permanent	705	BA	....	**6**	**12**	**12**	**50**	**34**	....
Outlays		O	2	8	12	12	50	34	....
Appalachian Regional Commission									
Federal funds									
General and Special Funds:									
Appalachian regional commission:									
Appropriation, current	452	BA	**170**	**160**	**165**	**70**	**70**	**70**	**70**
Outlays		O	236	197	188	183	145	106	100
Trust funds									
Miscellaneous trust funds:									
Appropriation, permanent	452	BA	**5**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	5	5	5	5	5	5	5
Summary									
Federal funds:									
(As shown in detail above)		BA	**170**	**160**	**165**	**70**	**70**	**70**	**70**
		O	236	197	188	183	145	106	100
Trust funds:									
(As shown in detail above)		BA	**5**	**5**	**5**	**5**	**5**	**5**	**5**
		O	5	5	5	5	5	5	5
Deductions for offsetting receipts:									
Proprietary receipts from the public	452	BA/O	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*
Total Trust funds		BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
		O	3	3	3	3	3	3	3
Interfund transactions	452	BA/O	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*
Total Appalachian Regional Commission		BA	**171**	**161**	**166**	**71**	**71**	**71**	**71**
		O	237	198	189	184	146	107	101
Architectural and Transportation Barriers Compliance Board									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	751	BA	**3**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	3	5	4	4	4	4	4
Arms Control and Disarmament Agency									
Federal funds									
General and Special Funds:									
Arms control and disarmament activities:									
Appropriation, current	153	BA	**39**	**42**	**46**	**46**	**46**	**46**	**46**
Outlays		O	39	42	45	46	46	46	46

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Barry Goldwater Scholarship and Excellence in Education Foundation									
Trust funds									
Barry Goldwater Scholarship and Excellence in Education Foundation:									
Appropriation, permanent	502	BA	**4**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	3	3	3	3	3	3	3
Central Intelligence Agency									
Federal funds									
General and Special Funds:									
Payment to Central Intelligence Agency retirement and disability system fund:									
Appropriation, current	054	BA	**214**	**196**	**197**	....	**223**	**237**	**251**
Advance appropriation		BA	....	....	....	**210**	....	....	....
Outlays		O	214	196	197	210	223	237	251
Total Payment to Central Intelligence Agency retirement and disability system fund		BA	**214**	**196**	**197**	**210**	**223**	**237**	**251**
		O	214	196	197	210	223	237	251
Christopher Columbus Fellowship Foundation									
Trust funds									
Christopher Columbus Fellowship Foundation:									
Appropriation, permanent	502	BA	**1**	....	....	....	....	....	....
Commission of Fine Arts									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	451	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
National capital arts and cultural affairs:									
Appropriation, current	503	BA	**6**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	6	6	6	6	6	6	6
Total Federal funds Commission of Fine Arts		BA	**7**	**7**	**7**	**7**	**7**	**7**	**7**
		O	7	7	7	7	7	7	7
Commission on Civil Rights									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	751	BA	**9**	**9**	**11**	**11**	**11**	**11**	**11**
Outlays		O	9	9	11	11	11	11	11
Commission on National and Community Service									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Outlays	808	O	6	....	....	....	....	....	....
Committee for Purchase from People who are Blind or Severly Disabled									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	505	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	2	3	2	2	2	2	2

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Commodity Futures Trading Commission									
Federal funds									
General and Special Funds:									
Commodity Futures Trading Commission:									
Appropriation, current	376	BA	**54**	**55**	**60**	**60**	**60**	**60**	**60**
Outlays		O	50	55	60	60	60	60	60
Consumer Product Safety Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	554	BA	**40**	**43**	**45**	**45**	**45**	**45**	**45**
Spending authority from offsetting collections		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	43	44	46	46	46	46	46
Salaries and expenses (gross)		BA	**41**	**44**	**46**	**46**	**46**	**46**	**46**
		O	43	44	46	46	46	46	46
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total Salaries and expenses (net)		BA	**40**	**43**	**45**	**45**	**45**	**45**	**45**
		O	42	43	45	45	45	45	45
Corporation for National and Community Service									
Federal funds									
General and Special Funds:									
National and community service programs, operating expenses:									
Appropriation, current	506	BA	**400**	**400**	**547**	**563**	**579**	**596**	**614**
Outlays		O	299	355	428	482	554	579	596
Domestic volunteer service programs, Operating expenses:									
Appropriation, current	506	BA	**198**	**214**	**260**	**268**	**276**	**284**	**293**
Spending authority from offsetting collections		BA	**6**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	186	213	246	271	278	286	295
Domestic volunteer service programs, Operating expenses (gross)		BA	**204**	**220**	**266**	**274**	**282**	**290**	**299**
		O	186	213	246	271	278	286	295
Total, offsetting collections			–6	–6	–6	–6	–6	–6	–6
Total Domestic volunteer service programs, Operating expenses (net)		BA	**198**	**214**	**260**	**268**	**276**	**284**	**293**
		O	180	207	240	265	272	280	289
Inspector general:									
Appropriation, current	506	BA	**2**	**2**	**2**	**3**	**3**	**3**	**3**
Outlays		O	2	2	2	3	3	3	3
Trust funds									
Gifts and contributions:									
Appropriation, permanent	506	BA	**35**	**111**	**120**	**127**	**133**	**140**	**147**
Outlays		O	20	35	42	53	72	72	75
Summary									
Federal funds:									
(As shown in detail above)		BA	**600**	**616**	**809**	**834**	**858**	**883**	**910**
		O	481	564	670	750	829	862	888
Trust funds:									
(As shown in detail above)		BA	**35**	**111**	**120**	**127**	**133**	**140**	**147**
		O	20	35	42	53	72	72	75
Interfund transactions	506	BA/O	*–23*	*–95*	*–100*	*–103*	*–106*	*–109*	*–113*
Total Corporation for National and Community Service		BA	**612**	**632**	**829**	**858**	**885**	**914**	**944**
		O	478	504	612	700	795	825	850

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Corporation for Public Broadcasting									
Federal funds									
General and Special Funds:									
Corporation for public broadcasting:									
Advance appropriation	503	BA	**275**	**260**	**250**	**250**	**325**	**325**	**325**
Outlays		O	275	260	250	250	325	325	325
Court of Veterans Appeals									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	705	BA	**9**	**9**	**9**	**9**	**9**	**9**	**9**
Outlays		O	9	9	9	9	9	9	9
Defense Nuclear Facilities Safety Board									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	053	BA	**17**	**16**	**18**	....	**18**	**18**	**18**
Advance appropriation		BA	....	....	....	**18**	....	....	....
Outlays		O	17	17	17	18	18	18	18
Total Salaries and expenses		BA	**17**	**16**	**18**	**18**	**18**	**18**	**18**
		O	17	17	17	18	18	18	18
District of Columbia									
Federal funds									
General and Special Funds:									
Federal payment to the District of Columbia:									
Appropriation, current	806	BA	**712**	**719**	**712**	**712**	**712**	**712**	**712**
					[J] **58**	[J] **–74**	[J] **–65**	[J] **–355**	[J] **–346**
Spending authority from offsetting collections		BA			[B] **422**	[B] **425**	[B] **451**	[B] **479**	[B] **506**
Outlays		O	712	719	712	712	712	712	712
					[B] 422	[B] 425	[B] 451	[B] 479	[B] 506
					[J] –180	[J] –259	[J] –113	[J] –90	[J] –197
Federal payment to the District of Columbia (gross)		BA	**712**	**719**	**1,192**	**1,063**	**1,098**	**836**	**872**
		O	712	719	954	878	1,050	1,101	1,021
Total, offsetting collections					[B] –422	[B] –425	[B] –451	[B] –479	[B] –506
Total Federal payment to the District of Columbia (net)		BA	**712**	**719**	**770**	**638**	**647**	**357**	**366**
		O	712	719	532	453	599	622	515
Federal payment for water and sewer services:									
Spending authority from offsetting collections	806	BA	**33**	**22**	**22**	**22**	**22**	**22**	**22**
Outlays		O	33	22	22	22	22	22	22
Federal payment for water and sewer services (gross)		BA	**33**	**22**	**22**	**22**	**22**	**22**	**22**
		O	33	22	22	22	22	22	22
Total, offsetting collections			–33	–22	–22	–22	–22	–22	–22
Total Federal payment for water and sewer services (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....
Summary									
Federal funds:									
(As shown in detail above)		BA	**712**	**719**	**770**	**638**	**647**	**357**	**366**
		O	712	719	532	453	599	622	515
Deductions for offsetting receipts:									
Proprietary receipts from the public	806	BA/O	*–12*	*–12*	*–12*	*–12*	*–12*	*–15*	....
Total District of Columbia		BA	**700**	**707**	**758**	**626**	**635**	**342**	**366**
		O	700	707	520	441	587	607	515

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Equal Employment Opportunity Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	751	BA	**233**	**240**	**246**	**246**	**246**	**246**	**246**
Outlays		O	225	256	245	246	246	246	246
Intragovernmental Funds:									
EEOC Education, technical assistance and training revolving fund:									
Spending authority from offsetting collections	751	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
EEOC Education, technical assistance and training revolving fund (gross)		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
		O	1	1	1	1	1	1	1
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total EEOC Education, technical assistance and training revolving fund (net)		BA	....	....	....	....	....	....	....
		O	....	....	....	....	....	....	....
Total Federal funds Equal Employment Opportunity Commission		BA	**233**	**240**	**246**	**246**	**246**	**246**	**246**
		O	225	256	245	246	246	246	246
Export-Import Bank of the United States									
Federal funds									
Credit Accounts:									
Export Import Bank loans program account:									
Appropriation, current	155	BA	**791**	**773**	**681**	**681**	**681**	**681**	**681**
Appropriation, permanent		BA	**244**	....	....	....	....	....	....
Outlays		O	707	550	575	577	582	583	579
Total Export Import Bank loans program account		BA	**1,035**	**773**	**681**	**681**	**681**	**681**	**681**
		O	707	550	575	577	582	583	579
Export-Import Bank of the United States liquidating account:									
Spending authority from offsetting collections	155	BA	**1,243**	**763**	**636**	**469**	**372**	**338**	**269**
Outlays		O	195	266	268	119	107	100	93
Export-Import Bank of the United States liquidating account (gross)		BA	**1,243**	**763**	**636**	**469**	**372**	**338**	**269**
		O	195	266	268	119	107	100	93
Total, offsetting collections			–1,243	–763	–636	–469	–372	–338	–269
Total Export-Import Bank of the United States liquidating account (net)		BA	....	....	....	....	....	....	....
		O	–1,048	–497	–368	–350	–265	–238	–176
Summary									
Federal funds:									
(As shown in detail above)		BA	**1,035**	**773**	**681**	**681**	**681**	**681**	**681**
		O	–341	53	207	227	317	345	403
Deductions for offsetting receipts:									
Proprietary receipts from the public	155	BA/O	*–220*	*–58*	*–51*	*–51*	*–51*	*–51*	*–51*
Total Export-Import Bank of the United States		BA	**815**	**715**	**630**	**630**	**630**	**630**	**630**
		O	–561	–5	156	176	266	294	352
Farm Credit Administration									
Federal funds									
Public Enterprise Funds:									
Revolving fund for administrative expenses:									
Spending authority from offsetting collections	351	BA	**38**	**38**	**35**	**36**	**37**	**38**	**39**
Outlays		O	40	38	35	36	37	38	39
Limitation on administrative expenses			....	(38)	(35)	(36)	(37)	(38)	(39)
Revolving fund for administrative expenses (gross)		BA	**38**	**38**	**35**	**36**	**37**	**38**	**39**
		O	40	38	35	36	37	38	39

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Total, offsetting collections			–38	–38	–35	–36	–37	–38	–39
Total Revolving fund for administrative expenses (net)		BA	....	....	....	....	....	....	....
		O	2	....	....	....	....	....	....
Farm Credit System Financial Assistance Corporation									
Federal funds									
Credit Accounts:									
Financial assistance corporation assistance fund, liquidating account:									
Spending authority from offsetting collections	351	BA	**160**	**194**	**199**	**204**	**211**	**216**	**223**
Outlays		O	117	117	117	117	117	117	117
Financial assistance corporation assistance fund, liquidating account (gross)		BA	**160**	**194**	**199**	**204**	**211**	**216**	**223**
		O	117	117	117	117	117	117	117
Total, offsetting collections			–160	–194	–199	–204	–211	–216	–223
Total Financial assistance corporation assistance fund, liquidating account (net)		BA	....	....	....	....	....	....	....
		O	–43	–77	–82	–87	–94	–99	–106
Trust funds									
Financial assistance corporation trust fund:									
Appropriation, permanent	351	BA	**5**	**6**	**6**	**7**	**7**	**7**	**8**
Farm Credit System Insurance Corporation									
Federal funds									
Public Enterprise Funds:									
Farm credit system insurance fund:									
Spending authority from offsetting collections	351	BA	**140**	**142**	**149**	**77**	**79**	**83**	**88**
Outlays		O	1	2	2	2	2	2	2
Farm credit system insurance fund (gross)		BA	**140**	**142**	**149**	**77**	**79**	**83**	**88**
		O	1	2	2	2	2	2	2
Total, offsetting collections			–140	–142	–149	–77	–79	–83	–88
Total Farm credit system insurance fund (net)		BA	....	....	....	....	....	....	....
		O	–139	–140	–147	–75	–77	–81	–86
Federal Communications Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	376	BA	**59**	**36**	**56**	**36**	**26**	**28**	**29**
Spending authority from offsetting collections		BA	**143**	**176**	**186**	**163**	**163**	**161**	**160**
Outlays		O	195	210	241	200	190	189	189
Salaries and expenses (gross)		BA	**202**	**212**	**242**	**199**	**189**	**189**	**189**
		O	195	210	241	200	190	189	189
Total, offsetting collections			–143	–176	–186	–163	–163	–161	–160
Total Salaries and expenses (net)		BA	**59**	**36**	**56**	**36**	**26**	**28**	**29**
		O	52	34	55	37	27	28	29
Universal service fund:									
Appropriation, permanent	376	BA	**944**	**1,400**	**2,240**	**6,350**	**11,325**	**12,194**	**12,838**
Outlays		O	957	1,400	2,240	6,350	11,325	12,194	12,838
Credit Accounts:									
Spectrum auction program account:									
Appropriation, permanent	376	BA	**1**	**838**	**388**	....	....	....	....
Outlays		O	1	838	388	....	....	....	....
Summary									
Federal funds:									
(As shown in detail above)		BA	**1,004**	**2,274**	**2,684**	**6,386**	**11,351**	**12,222**	**12,867**
		O	1,010	2,272	2,683	6,387	11,352	12,222	12,867

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Deductions for offsetting receipts:									
Proprietary receipts from the public	376	BA/O	*–43*	*–40*	*–40*	*–40*	*–40*	*–40*	*–40*
Total Federal Communications Commission		BA	**961**	**2,234**	**2,644**	**6,346**	**11,311**	**12,182**	**12,827**
		O	967	2,232	2,643	6,347	11,312	12,182	12,827

Federal Deposit Insurance Corporation

Bank Insurance

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
Public Enterprise Funds:									
Bank insurance fund:									
Spending authority from offsetting collections	373	BA	**2,189**	**4,851**	**3,019**	**2,748**	**3,912**	**4,471**	**4,516**
					B **2**	*B* **5**	*B* **–254**	*B* **–89**	*B* **–93**
Outlays		O	1,100	1,323	1,919	2,904	3,619	3,637	3,652
Bank insurance fund (gross)		BA	**2,189**	**4,851**	**3,021**	**2,753**	**3,658**	**4,382**	**4,423**
		O	1,100	1,323	1,919	2,904	3,619	3,637	3,652
Total, offsetting collections			–2,189	–4,851	–3,019	–2,748	–3,912	–4,471	–4,516
					B –81	*B* –87	*B* 168		
Total Bank insurance fund (net)		BA	....	....	**–79**	**–82**	**–86**	**–89**	**–93**
		O	–1,089	–3,528	–1,181	69	–125	–834	–864

Savings Association Insurance

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
Public Enterprise Funds:									
Savings association insurance fund:									
Spending authority from offsetting collections	373	BA	**1,163**	**4,781**	**656**	**789**	**978**	**1,288**	**1,520**
Outlays		O	103	246	250	724	1,034	1,642	1,644
Savings association insurance fund (gross)		BA	**1,163**	**4,781**	**656**	**789**	**978**	**1,288**	**1,520**
		O	103	246	250	724	1,034	1,642	1,644
Total, offsetting collections			–1,163	–4,781	–656	–789	–978	–1,288	–1,520
Total Savings association insurance fund (net)		BA	....	....	....	....	....	....	....
		O	–1,060	–4,535	–406	–65	56	354	124

FSLIC Resolution

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
Public Enterprise Funds:									
FSLIC resolution fund:									
Appropriation, current	373	BA	....	**–26**	**–34**	....	....	....	....
Spending authority from offsetting collections		BA	**5,312**	**4,563**	**2,595**	**1,887**	**934**	**937**	**574**
Outlays		O	1,706	729	354	53	32	31	31
FSLIC resolution fund (gross)		BA	**5,312**	**4,537**	**2,561**	**1,887**	**934**	**937**	**574**
		O	1,706	729	354	53	32	31	31
Total, offsetting collections			–5,312	–4,563	–2,595	–1,887	–934	–937	–574
Total FSLIC resolution fund (net)		BA	....	**–26**	**–34**	....	....	....	....
		O	–3,606	–3,834	–2,241	–1,834	–902	–906	–543

FDIC-Office of Inspector General

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
Intragovernmental Funds:									
FDIC-Office of inspector general:									
Spending authority from offsetting collections	373	BA	**44**	**46**	**34**	**34**	**34**	**35**	**35**
Outlays		O	44	46	34	34	34	35	35
FDIC-Office of inspector general (gross)		BA	**44**	**46**	**34**	**34**	**34**	**35**	**35**
		O	44	46	34	34	34	35	35

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Total, offsetting collections			–44	–46	–34	–34	–34	–35	–35
Total FDIC-Office of inspector general (net)		BA							
		O							

Affordable Housing and Bank Enterprise (FDIC)

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Affordable Housing Program:									
Appropriation, current	604	BA	**1**						
Outlays		O	1	1					
Total Federal funds Federal Deposit Insurance Corporation		BA	**1**	**–26**	**–113**	**–82**	**–86**	**–89**	**–93**
		O	–5,754	–11,896	–3,828	–1,830	–971	–1,386	–1,283

Federal Election Commission

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	808	BA	**26**	**28**	**29**	**29**	**29**	**29**	**29**
Outlays		O	26	28	29	29	29	29	29

Federal Emergency Management Agency

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Disaster relief:									
Appropriation, current	453	BA	**3,393**	**1,320**	**2,708**	**320**	**320**	**320**	**320**
					[J]50	**[J]50**	**[J]50**	**[J]50**	**[J]50**
Outlays		O	2,232	3,593	3,323	2,999	1,453	320	320
					[J]5	[J]25	[J]45	[J]50	[J]50
Total Disaster relief		BA	**3,393**	**1,320**	**2,758**	**370**	**370**	**370**	**370**
		O	2,232	3,593	3,328	3,024	1,498	370	370
Salaries and expenses									
(Defense-related activities):									
(Appropriation, current)	054	BA	**44**	**23**	**26**		**26**	**26**	**26**
(Advance appropriation)		BA				**26**			
(Spending authority from offsetting collections)		BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
(Outlays)		O	45	29	29	29	29	29	29
Salaries and expenses (gross)		BA	**47**	**26**	**29**	**29**	**29**	**29**	**29**
		O	45	29	29	29	29	29	29
Total, offsetting collections			–3	–3	–3	–3	–3	–3	–3
Total (Defense-related activities) (net)		BA	**44**	**23**	**26**	**26**	**26**	**26**	**26**
		O	42	26	26	26	26	26	26
(Disaster relief and insurance):									
(Appropriation, current)	453	BA	**125**	**148**	**146**	**146**	**146**	**146**	**146**
(Spending authority from offsetting collections)		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
(Outlays)		O	130	149	151	148	147	147	147
Salaries and expenses (gross)		BA	**170**	**172**	**173**	**173**	**173**	**173**	**173**
		O	172	175	177	174	173	173	173
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total (Disaster relief and insurance) (net)		BA	**125**	**148**	**146**	**146**	**146**	**146**	**146**
		O	129	148	150	147	146	146	146
Total Salaries and expenses		BA	**169**	**171**	**172**	**172**	**172**	**172**	**172**
		O	171	174	176	173	172	172	172
Emergency management planning and assistance									
(Defense-related activities):									
(Appropriation, current)	054	BA	**24**	**19**	**16**		**16**	**16**	**16**

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
(Advance appropriation)		BA				**16**			
(Spending authority from offsetting collections)		BA	**35**	**53**	**60**	**60**	**60**	**60**	**60**
(Outlays)		O	92	74	78	76	76	76	76
Emergency management planning and assistance (gross)		BA	**59**	**72**	**76**	**76**	**76**	**76**	**76**
		O	92	74	78	76	76	76	76
Total, offsetting collections			–35	–53	–60	–60	–60	–60	–60
Total (Defense-related activities) (net)		BA	**24**	**19**	**16**	**16**	**16**	**16**	**16**
		O	57	21	18	16	16	16	16
(Disaster relief and insurance):									
(Appropriation, current)	453	BA	**179**	**200**	**186**	**186**	**186**	**186**	**186**
(Spending authority from offsetting collections)		BA		**3**	**3**	**3**	**3**	**3**	**3**
(Outlays)		O	190	194	195	191	189	189	189
Emergency management planning and assistance (gross)		BA	**203**	**222**	**205**	**205**	**205**	**205**	**205**
		O	247	215	213	207	205	205	205
Total, offsetting collections				–3	–3	–3	–3	–3	–3
Total (Disaster relief and insurance) (net)		BA	**179**	**200**	**186**	**186**	**186**	**186**	**186**
		O	190	191	192	188	186	186	186
Total Emergency management planning and assistance		BA	**203**	**219**	**202**	**202**	**202**	**202**	**202**
		O	247	212	210	204	202	202	202
Office of the Inspector General:									
Appropriation, current	453	BA	**5**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	4	5	5	5	5	5	5
Emergency food and shelter program:									
Appropriation, current	605	BA	**100**	**100**	**100**	**100**	**100**	**100**	**100**
Outlays		O	100	100	100	100	100	100	100
Public Enterprise Funds:									
National insurance development fund:									
Spending authority from offsetting collections	451	BA	**2**						
Outlays		O	4	4	3				
National insurance development fund (gross)		BA	**2**						
		O	4	4	3				
Total, offsetting collections			–2						
Total National insurance development fund (net)		BA							
		O	2	4	3				
National flood insurance fund:									
Appropriation, current	453	BA	**–2**						
Authority to borrow, permanent		BA	**529**	**114**					
Spending authority from offsetting collections		BA	**981**	**1,107**	**1,259**	**1,365**	**1,437**	**1,514**	**1,591**
Outlays		O	1,291	1,184	1,221	1,324	1,394	1,468	1,544
National flood insurance fund (gross)		BA	**1,508**	**1,221**	**1,259**	**1,365**	**1,437**	**1,514**	**1,591**
		O	1,291	1,184	1,221	1,324	1,394	1,468	1,544
Total, offsetting collections			–981	–1,107	–1,290	–1,417	–1,508	–1,607	–1,704
Total National flood insurance fund (net)		BA	**527**	**114**	**–31**	**–52**	**–71**	**–93**	**–113**
		O	310	77	–69	–93	–114	–139	–160
Intragovernmental Funds:									
Working capital fund:									
Spending authority from offsetting collections	803	BA		**17**	**17**	**17**	**17**	**17**	**17**
Outlays		O		15	17	17	17	17	17
Working capital fund (gross)		BA		**17**	**17**	**17**	**17**	**17**	**17**
		O		15	17	17	17	17	17
Total, offsetting collections				–17	–17	–17	–17	–17	–17
Total Working capital fund (net)		BA							
		O		–2					

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Credit Accounts:									
Disaster assistance direct loan program account:									
Appropriation, current	453	BA	**114**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	47	72	2	2	2	2	2
Limitation on direct loan acitivity			(153)	(25)	(25)	(25)	(25)	(25)	(25)
Disaster assistance direct loan liquidating account:									
Spending authority from offsetting collections	453	BA							
Disaster assistance direct loan liquidating account (gross)		BA							
Total, offsetting collections				–1	–1				
Total disaster assistance direct loan liquidating account (net)		BA		**–1**	**–1**				
		O		–1	–1				

Summary

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Federal funds:									
(As shown in detail above)		BA	**4,511**	**1,930**	**3,207**	**799**	**780**	**758**	**738**
		O	3,113	4,234	3,754	3,415	1,865	712	691
Deductions for offsetting receipts:									
Offsetting governmental receipts	453	BA/O	*–11*	*–12*	*–12*	*–12*	*–12*	*–12*	*–12*
Total Federal Emergency Management Agency		BA	**4,500**	**1,918**	**3,195**	**787**	**768**	**746**	**726**
		O	3,102	4,222	3,742	3,403	1,853	700	679

Federal Financial Institutions Examination Council Appraisal Subcommittee

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Registry fees:									
Appropriation, permanent	376	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	2	2	2	2	2	2	2

Federal Housing Finance Board

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Public Enterprise Funds:									
Federal housing finance board:									
Spending authority from offsetting collections	371	BA	**14**	**14**	**15**	**15**	**16**	**16**	**17**
Outlays		O	14	15	16	16	16	16	17
Federal housing finance board (gross)		BA	**14**	**14**	**15**	**15**	**16**	**16**	**17**
		O	14	15	16	16	16	16	17
Total, offsetting collections			–14	–14	–15	–15	–16	–16	–17
Total Federal housing finance board (net)		BA							
		O		1	1	1			

Federal Labor Relations Authority

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	805	BA	**21**	**22**	**22**	**22**	**22**	**22**	**22**
Outlays		O	20	22	22	22	22	22	22

Federal Maritime Commission

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	403	BA	**15**	**14**	**14**	**14**	**14**	**14**	**14**
Outlays		O	16	14	14	14	14	14	14

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Federal Mediation and Conciliation Service									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	505	BA	**33**	**33**	**33**	**33**	**33**	**33**	**33**
Spending authority from offsetting collections		BA	**1**	**1**	**2**	**2**	**2**	**2**	**2**
Outlays		O	31	34	35	35	35	35	35
Salaries and expenses (gross)		BA	**34**	**34**	**35**	**35**	**35**	**35**	**35**
		O	31	34	35	35	35	35	35
Total, offsetting collections			–1	–1	–2	–2	–2	–2	–2
Total Salaries and expenses (net)		BA	**33**	**33**	**33**	**33**	**33**	**33**	**33**
		O	30	33	33	33	33	33	33
Federal Mine Safety and Health Review Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	554	BA	**6**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	6	6	6	6	6	6	6
Federal Retirement Thrift Investment Board									
Federal funds									
General and Special Funds:									
Program expenses:									
Appropriation, permanent	803	BA	**41**	**51**	**50**	**51**	**53**	**54**	**55**
Outlays		O	19	74	50	51	53	54	55
Summary									
Federal funds:									
(As shown in detail above)		BA	**41**	**51**	**50**	**51**	**53**	**54**	**55**
		O	19	74	50	51	53	54	55
Deductions for offsetting receipts:									
Proprietary receipts from the public	803	BA/O	*–41*	*–51*	*–50*	*–51*	*–53*	*–54*	*–55*
Total Federal Retirement Thrift Investment Board		BA	....	....	....	....	....	....	....
		O	–22	23	....	....	....	....	....
Federal Trade Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	376	BA	**31**	**27**	**28**	**28**	**28**	**28**	**28**
Spending authority from offsetting collections		BA	**69**	**76**	**80**	**70**	**70**	**70**	**70**
Outlays		O	100	104	108	98	98	98	98
Salaries and expenses (gross)		BA	**100**	**103**	**108**	**98**	**98**	**98**	**98**
		O	100	104	108	98	98	98	98
Total, offsetting collections			–65	–70	–70	–70	–70	–70	–70
Total Salaries and expenses (net)		BA	**35**	**33**	**38**	**28**	**28**	**28**	**28**
		O	35	34	38	28	28	28	28
Summary									
Federal funds:									
(As shown in detail above)		BA	**35**	**33**	**38**	**28**	**28**	**28**	**28**
		O	35	34	38	28	28	28	28
Deductions for offsetting receipts:									
Offsetting governmental receipts	376	BA/O			*B –70*	*B –70*	*B –70*	*B –70*	*B –70*
Total Federal Trade Commission		BA	**35**	**33**	**–32**	**–42**	**–42**	**–42**	**–42**
		O	35	34	–32	–42	–42	–42	–42

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Harry S. Truman Scholarship Foundation									
Trust funds									
Harry S. Truman memorial scholarship trust fund:									
Appropriation, permanent	502	BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	3	3	3	3	3	3	3
Institute of American Indian and Alaska Native Culture and Arts Development									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	502	BA	**6**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	6	6	6	6	6	6	6
Intelligence community management account									
Federal funds									
General and Special Funds:									
Intelligence community management account:									
Appropriation, current	054	BA	**91**	**102**	**96**	**95**	**93**	**89**	**91**
Outlays		O	95	85	87	93	94	91	91
International Trade Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	153	BA	**40**	**41**	**42**	**44**	**45**	**47**	**48**
Outlays		O	39	41	42	43	45	47	48
Interstate Commerce Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	401	BA	**6**						
Spending authority from offsetting collections		BA	**3**						
Outlays		O	11						
Salaries and expenses (gross)		BA	**9**						
		O	11						
Total, offsetting collections			–3						
Total Salaries and expenses (net)		BA	**6**						
		O	8						
James Madison Memorial Fellowship Foundation									
Trust funds									
James Madison Memorial Fellowship Trust Fund:									
Appropriation, permanent	502	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	2	2	2	2	2	2	2
Japan-United States Friendship Commission									
Trust funds									
Japan-United States friendship trust fund:									
Appropriation, current	154	BA	**1**						
Appropriation, permanent		BA		**1**	**1**	**1**	**1**	**1**	**1**
					B **46**				
Outlays		O	2	2	1	1			
					B 37				
Total Japan-United States friendship trust fund		BA	**1**	**1**	**47**	**1**	**1**	**1**	**1**
		O	2	2	38	1			

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
JFK Assassination Records Review Board									
Federal funds									
General and Special Funds:									
John F. Kennedy assassination records review board:									
Appropriation, current	808	BA	**2**	**2**	....	....	....	....	....
Outlays		O	2	3	....	....	....	....	....
Legal Services Corporation									
Federal funds									
General and Special Funds:									
Payment to the Legal Services Corporation:									
Appropriation, current	752	BA	**278**	**283**	**340**	**349**	**359**	**368**	**378**
Outlays		O	282	257	330	347	357	366	376
Marine Mammal Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	302	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
Merit Systems Protection Board									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	805	BA	**25**	**24**	**24**	**24**	**24**	**24**	**24**
Spending authority from offsetting collections		BA	**3**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	28	26	26	26	26	26	26
Salaries and expenses (gross)		BA	**28**	**26**	**26**	**26**	**26**	**26**	**26**
		O	28	26	26	26	26	26	26
Total, offsetting collections			–3	–2	–2	–2	–2	–2	–2
Total Salaries and expenses (net)		BA	**25**	**24**	**24**	**24**	**24**	**24**	**24**
		O	25	24	24	24	24	24	24
Morris K. Udall Scholarship and Excellence in National Environmental Policy Foundation									
Federal funds									
General and Special Funds:									
Payment to the Morris K Udall scholarship and excellence in national environment:									
Appropriation, current	502	BA	....	....	**2**	**2**	**2**	**2**	**2**
Outlays		O	....	....	2	2	2	2	2
Trust funds									
Morris K. Udall Scholarship and Excellence in National Environmental Policy Foundation:									
Appropriation, permanent	502	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
Summary									
Federal funds:									
(As shown in detail above)		BA	....	....	**2**	**2**	**2**	**2**	**2**
		O	....	....	2	2	2	2	2
Trust funds:									
(As shown in detail above)		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
		O	1	1	1	1	1	1	1
Interfund transactions	502	BA/O	....	....	*–2*	*–2*	*–2*	*–2*	*–2*
Total Morris K. Udall Scholarship and Excellence in National Environmental Policy Foundation		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
		O	1	1	1	1	1	1	1

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
National Archives and Records Administration									
Federal funds									
General and Special Funds:									
Operating expenses:									
Appropriation, current	804	BA	**196**	**193**	**202**	**202**	**202**	**202**	**202**
Spending authority from offsetting collections		BA	**34**	**29**	**29**	**29**	**29**	**29**	**29**
Outlays		O	227	217	229	233	231	231	231
Operating expenses (gross)		BA	**230**	**222**	**231**	**231**	**231**	**231**	**231**
		O	227	217	229	233	231	231	231
Total, offsetting collections			–34	–29	–29	–29	–29	–29	–29
Total Operating expenses (net)		BA	**196**	**193**	**202**	**202**	**202**	**202**	**202**
		O	193	188	200	204	202	202	202
Repairs and restoration:									
Appropriation, current	804	BA	**2**	**16**	**7**	**7**	**7**	**7**	**7**
Outlays		O	....	7	12	7	7	7	7
National historical publications and records commission:									
Appropriation, current	804	BA	**5**	**5**	**4**	**4**	**4**	**4**	**4**
Outlays		O	5	5	4	4	4	4	4
Trust funds									
National archives trust fund:									
Spending authority from offsetting collections	804	BA	**12**	**13**	**13**	**13**	**13**	**13**	**15**
Outlays		O	13	12	12	12	–1	–1	–1
National archives trust fund (gross)		BA	**12**	**13**	**13**	**13**	**13**	**13**	**15**
		O	13	12	12	12	–1	–1	–1
Total, offsetting collections			–12	–13	–13	–13	–13	–13	–15
Total National archives trust fund (net)		BA	....	....	....	....	....	....	....
		O	1	–1	–1	–1	–14	–14	–16
Total Federal funds National Archives and Records Administration		BA	**203**	**214**	**213**	**213**	**213**	**213**	**213**
		O	198	200	216	215	213	213	213
Total Trust funds National Archives and Records Administration		BA	....	....	....	....	....	....	....
		O	1	–1	–1	–1	–14	–14	–16
National Bankruptcy Review Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Outlays	752	O	....	1	....	....	....	....	....
National Capital Planning Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	451	BA	**5**	**5**	**6**	**5**	**5**	**5**	**5**
Outlays		O	5	4	6	6	5	5	5
National Commission on Libraries and Information Science									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	503	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
National Commission on Restructuring IRS									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	803	BA	**1**						
Outlays		O		1					
National Council on Disability									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	506	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	2	2	2	2	2	2	2
National Credit Union Administration									
Federal funds									
Public Enterprise Funds:									
Operating fund:									
Spending authority from offsetting collections	373	BA	**93**	**103**	**104**	**104**	**104**	**104**	**104**
Outlays		O	72	99	100	104	104	104	104
Operating fund (gross)		BA	**93**	**103**	**104**	**104**	**104**	**104**	**104**
		O	72	99	100	104	104	104	104
Total, offsetting collections			–93	–103	–104	–104	–104	–104	–104
Total Operating fund (net)		BA							
		O	–21	–4	–4				
Credit union share insurance fund:									
Spending authority from offsetting collections	373	BA	**312**	**320**	**331**	**331**	**331**	**331**	**331**
Outlays		O	154	155	163	163	163	163	163
Credit union share insurance fund (gross)		BA	**312**	**320**	**331**	**331**	**331**	**331**	**331**
		O	154	155	163	163	163	163	163
Total, offsetting collections			–312	–320	–331	–331	–331	–331	–331
Total Credit union share insurance fund (net)		BA							
		O	–158	–165	–168	–168	–168	–168	–168
Central liquidity facility:									
Spending authority from offsetting collections	373	BA	**69**	**71**	**75**	**75**	**75**	**75**	**75**
Outlays		O	69	71	75	75	75	75	75
Limitation on administrative expenses			(1)	(1)	(1)	(1)	(1)	(1)	(1)
Limitation on direct loan obligations			(600)	(600)	(600)	(600)	(600)	(600)	(600)
Central liquidity facility (gross)		BA	**69**	**71**	**75**	**75**	**75**	**75**	**75**
		O	69	71	75	75	75	75	75
Total, offsetting collections			–69	–71	–75	–75	–75	–75	–75
Total Central liquidity facility (net)		BA							
		O							
Community development credit union revolving loan fund:									
Appropriation, current	373	BA		**1**					
Spending authority from offsetting collections		BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	2	3	2	2	2	2	2
Community development credit union revolving loan fund (gross)		BA	**2**	**3**	**2**	**2**	**2**	**2**	**2**
		O	2	3	2	2	2	2	2

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Total, offsetting collections			–2	–2	–2	–2	–2	–2	–2
Total Community development credit union revolving loan fund (net)		BA	....	**1**	....	....	....	....	....
		O	....	1	....	....	....	....	....
Total Federal funds National Credit Union Administration		BA	....	**1**	....	....	....	....	....
		O	–179	–168	–172	–168	–168	–168	–168

National Education Goals Panel

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
National education goals panel:									
Appropriation, current	503	BA	**1**	**1**	**2**	**2**	**2**	**2**	**2**
Outlays		O	1	2	1	1	2	2	2

National Endowment for the Arts

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
National endowment for the arts: Grants and administration:									
Appropriation, current	503	BA	**99**	**99**	**136**	**139**	**143**	**147**	**151**
Appropriation, permanent		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Spending authority from offsetting collections		BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	138	129	123	136	139	145	149
National endowment for the arts (gross)		BA	**101**	**101**	**138**	**141**	**145**	**149**	**153**
		O	138	129	123	136	139	145	149
Total, offsetting collections			–1	–1	–1	–1	–1	–1	–1
Total National endowment for the arts (net)		BA	**100**	**100**	**137**	**140**	**144**	**148**	**152**
		O	137	128	122	135	138	144	148

National Endowment for the Humanities

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
National endowment for the humanities: Grants and administration:									
Appropriation, current	503	BA	**110**	**110**	**136**	**140**	**143**	**147**	**151**
Spending authority from offsetting collections		BA	**1**	....	....	....	....	....	....
Outlays		O	148	130	127	130	139	144	148
National endowment for the humanities (gross)		BA	**111**	**110**	**136**	**140**	**143**	**147**	**151**
		O	148	130	127	130	139	144	148
Total, offsetting collections			–1	....	....	....	....	....	....
Total National endowment for the humanities (net)		BA	**110**	**110**	**136**	**140**	**143**	**147**	**151**
		O	147	130	127	130	139	144	148

Institute of Museum and Library Services

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Office of Museum Services: Grants and administration:									
Appropriation, current	503	BA	**21**	**22**	**26**	**27**	**27**	**28**	**29**
Outlays		O	22	37	23	26	27	27	28
Office of Libraries: Grants and administration:									
Appropriation, current	503	BA	**132**	**136**	**136**	**140**	**143**	**148**	**152**
Outlays		O	168	168	142	150	140	144	149
Total Federal funds Institute of Museum and Library Services		BA	**153**	**158**	**162**	**167**	**170**	**176**	**181**
		O	190	205	165	176	167	171	177

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
National Labor Relations Board									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	505	BA	**170**	**175**	**186**	**186**	**186**	**186**	**186**
Outlays		O	166	177	186	186	186	186	186
National Mediation Board									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	505	BA	**8**	**8**	**8**	**8**	**8**	**8**	**8**
Outlays		O	8	8	8	8	8	8	8
National Science Foundation									
Federal funds									
General and Special Funds:									
Research and related activities									
(Defense-related activities):									
(Appropriation, current)	054	BA	**63**	**63**	**63**	**63**	**63**	**63**	**63**
(Outlays)		O	50	62	61	62	62	62	63
(General science and basic research):									
(Appropriation, current)	251	BA	**2,250**	**2,369**	**2,452**	**2,463**	**2,470**	**2,477**	**2,484**
(Spending authority from offsetting collections)		BA	**86**	**100**	**100**	**100**	**100**	**100**	**100**
(Outlays)		O	2,212	2,379	2,375	2,450	2,516	2,526	2,574
Research and related activities (gross)		BA	**2,399**	**2,532**	**2,615**	**2,626**	**2,633**	**2,640**	**2,647**
		O	2,262	2,441	2,436	2,512	2,578	2,588	2,637
Total, offsetting collections			–86	–100	–100	–100	–100	–100	–100
Total (General science and basic research) (net)		BA	**2,250**	**2,369**	**2,452**	**2,463**	**2,470**	**2,477**	**2,484**
		O	2,126	2,279	2,275	2,350	2,416	2,426	2,474
Total Research and related activities		BA	**2,313**	**2,432**	**2,515**	**2,526**	**2,533**	**2,540**	**2,547**
		O	2,176	2,341	2,336	2,412	2,478	2,488	2,537
Academic research infrastructure:									
Appropriation, current	251	BA	**100**						
Outlays		O	83	82	59	51	24	17	
Major research equipment:									
Appropriation, current	251	BA	**70**	**80**	**85**	**85**	**85**	**85**	**85**
Outlays		O	30	74	94	98	98	92	85
Salaries and expenses:									
Appropriation, current	251	BA	**133**	**134**	**137**	**132**	**132**	**132**	**132**
Spending authority from offsetting collections		BA	**3**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	135	147	141	138	137	137	137
Salaries and expenses (gross)		BA	**136**	**139**	**142**	**137**	**137**	**137**	**137**
		O	135	147	141	138	137	137	137
Total, offsetting collections			–3	–5	–5	–5	–5	–5	–5
Total Salaries and expenses (net)		BA	**133**	**134**	**137**	**132**	**132**	**132**	**132**
		O	132	142	136	133	132	132	132
Office of the Inspector General:									
Appropriation, current	251	BA	**4**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	4	5	5	5	5	5	5
Education and human resources:									
Appropriation, current	251	BA	**599**	**619**	**626**	**626**	**626**	**626**	**626**
Spending authority from offsetting collections		BA	**3**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	562	599	589	631	629	646	631
Education and human resources (gross)		BA	**602**	**624**	**631**	**631**	**631**	**631**	**631**
		O	562	599	589	631	629	646	631

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Total, offsetting collections			–3	–5	–5	–5	–5	–5	–5
Total Education and human resources (net)		BA	**599**	**619**	**626**	**626**	**626**	**626**	**626**
		O	559	594	584	626	624	641	626
Trust funds									
Donations:									
Appropriation, permanent	251	BA	**24**	**38**	**38**	**31**	**31**	**31**	**31**
Outlays		O	28	38	38	31	31	31	31
Total Federal funds National Science Foundation		BA	**3,219**	**3,270**	**3,368**	**3,374**	**3,381**	**3,388**	**3,395**
		O	2,984	3,238	3,214	3,325	3,361	3,375	3,385
Total Trust funds National Science Foundation		BA	**24**	**38**	**38**	**31**	**31**	**31**	**31**
		O	28	38	38	31	31	31	31
National Transportation Safety Board									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	407	BA	**39**	**48**	**40**	**40**	**40**	**40**	**40**
				[A] **20**					
					[B] **5**	[B] **5**	[B] **5**	[B] **5**	[B] **5**
					[J] **1**	[J] **1**	[J] **1**	[J] **1**	[J] **1**
Outlays		O	38	46	41	40	40	40	40
				[A] 18	[A] 2				
					[B] 5	[B] 6	[B] 5	[B] 5	[B] 5
					[J] 1	[J] 1	[J] 1	[J] 1	[J] 1
Total Salaries and expenses		BA	**39**	**68**	**46**	**46**	**46**	**46**	**46**
		O	38	64	49	47	46	46	46
Emergency fund:									
Appropriation, current	407	BA	**1**	**1**	**1**	....	....	....	....
Outlays		O	1	....	....	....	....	....	....
Total Federal funds National Transportation Safety Board		BA	**40**	**69**	**47**	**46**	**46**	**46**	**46**
		O	39	64	49	47	46	46	46
Neighborhood Reinvestment Corporation									
Federal funds									
General and Special Funds:									
Payment to the Neighborhood Reinvestment Corporation:									
Appropriation, current	451	BA	**39**	**50**	**50**	**50**	**50**	**50**	**50**
Outlays		O	39	50	50	50	50	50	50
Nuclear Regulatory Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	276	BA	**467**	**472**	**476**	**476**	**476**	**476**	**476**
Spending authority from offsetting collections		BA	**5**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	512	482	480	481	481	481	481
Salaries and expenses (gross)		BA	**472**	**477**	**481**	**481**	**481**	**481**	**481**
		O	512	482	480	481	481	481	481
Total, offsetting collections			–5	–5	–5	–5	–5	–5	–5
Total Salaries and expenses (net)		BA	**467**	**472**	**476**	**476**	**476**	**476**	**476**
		O	507	477	475	476	476	476	476
Office of Inspector General:									
Appropriation, current	276	BA	**5**	**5**	**5**	**5**	**5**	**5**	**5**
Outlays		O	4	5	5	5	5	5	5

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Summary									
Federal funds:									
(As shown in detail above)		BA	**472**	**477**	**481**	**481**	**481**	**481**	**481**
		O	511	482	480	481	481	481	481
Deductions for offsetting receipts:									
Offsetting governmental receipts	276	BA/O	*–454*	*–462*	*–462*	*–462*	*–462*	*–462*	*–462*
Total Nuclear Regulatory Commission		BA	**18**	**15**	**19**	**19**	**19**	**19**	**19**
		O	57	20	18	19	19	19	19
Nuclear Waste Technical Review Board									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	271	BA	**3**	**3**	**3**	**3**	**3**	**3**	**3**
Outlays		O	3	4	3	3	3	3	3
Occupational Safety and Health Review Commission									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	554	BA	**8**	**8**	**8**	**8**	**8**	**8**	**8**
Outlays		O	7	8	8	8	8	8	8
Office of Government Ethics									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	805	BA	**8**	**8**	**8**	**8**	**8**	**8**	**8**
Outlays		O	8	8	8	8	8	8	8
Office of Navajo and Hopi Indian Relocation									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	808	BA	**20**	**19**	**19**	**19**	**19**	**19**	**19**
Outlays		O	22	16	15	19	19	19	19
Office of Special Counsel									
Federal funds									
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	805	BA	**8**	**8**	**8**	**8**	**8**	**8**	**8**
Outlays		O	8	8	8	8	8	8	8
Other Commissions and Boards									
Federal funds									
General and Special Funds:									
Other commissions and boards:									
Appropriation, current	808	BA	**1**	**1**	....	....	....	....	....
Outlays		O	1	1	....	....	....	....	....
Ounce of Prevention Council									
Federal funds									
General and Special Funds:									
Ounce of prevention council:									
Appropriation, current	754	BA	**2**	**2**	**9**	**9**	**9**	**9**	**9**
Outlays		O	....	1	4	7	9	9	9

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate

Panama Canal Commission

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
Public Enterprise Funds:									
Panama Canal revolving fund:									
Spending authority from offsetting collections	403	BA	**652**	**698**	**748**	**760**	**250**	....	....
Outlays		O	618	672	716	759	289	19	....
Limitation on administrative expenses			(53)	....	....	....	....	....	....
Panama Canal revolving fund (gross)		BA	**652**	**698**	**748**	**760**	**250**	....	....
		O	618	672	716	759	289	19	....
Total, offsetting collections			–652	–698	–748	–760	–250	....	....
Total Panama Canal revolving fund (net)		BA	....	....	....	....	....	....	....
		O	–34	–26	–32	–1	39	19	....
Panama Canal Commission Dissolution Fund:									
Total, offsetting collections	403		–2	–2	–2	....	....	....	....
Total Federal funds Panama Canal Commission		BA	**–2**	**–2**	**–2**	....	....	....	....
		O	–36	–28	–34	–1	39	19	....

Postal Service-Payments to the Postal Service

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Payment to the Postal Service fund:									
Appropriation, current	372	BA	**85**	**85**	**86**	**85**	**87**	**88**	**88**
Outlays		O	85	85	86	85	87	88	88
Payment to the Postal Service fund for nonfunded liabilities:									
Appropriation, current	372	BA	**37**	**36**	**35**	**33**	**32**	**30**	**29**
					[B] **–35**	[B] **–33**	[B] **–32**	[B] **–30**	[B] **–29**
Outlays		O	37	36	35	33	32	30	29
					[B] –35	[B] –33	[B] –32	[B] –30	[B] –29
Total Payment to the Postal Service fund for nonfunded liabilities		BA	**37**	**36**	....	....	....	....	....
		O	37	36	....	....	....	....	....
Total Federal funds Postal Service-Payments to the Postal Service		BA	**122**	**121**	**86**	**85**	**87**	**88**	**88**
		O	122	121	86	85	87	88	88

Postal Service

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
Public Enterprise Funds:									
Postal Service fund:									
Authority to borrow, permanent	372	BA	**3,441**	**8,000**	**4,932**	**1,442**	**1,157**	**2,411**	**3,326**
					[J] **35**	[J] **8**			
Spending authority from offsetting collections		BA	**56,838**	**58,171**	**59,871**	**62,400**	**64,300**	**65,600**	**67,100**
					[J] **–35**	[J] **–8**			
Outlays		O	56,212	60,147	63,930	63,244	64,129	63,840	65,757
Postal Service fund (gross)		BA	**60,279**	**66,171**	**64,803**	**63,842**	**65,457**	**68,011**	**70,426**
		O	56,212	60,147	63,930	63,244	64,129	63,840	65,757
Total, offsetting collections			–56,838	–58,171	–59,871	–62,400	–64,300	–65,600	–67,100
					[J] 35	[J] 8			
Total Postal Service fund (net)		BA	**3,441**	**8,000**	**4,967**	**1,450**	**1,157**	**2,411**	**3,326**
		O	–626	1,976	4,094	852	–171	–1,760	–1,343

Railroad Retirement Board

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Federal windfall subsidy:									
Appropriation, current	601	BA	**239**	**223**	**206**	**191**	**175**	**160**	**146**
Outlays		O	233	223	206	191	175	160	146

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Federal payments to the railroad retirement accounts:									
Appropriation, permanent	601	BA	**227**	**246**	**256**	**260**	**265**	**269**	**274**
Outlays		O	227	246	256	260	265	269	274
Special management improvement fund:									
Appropriation, current	601	BA	**1**						
Outlays		O	1						
	Trust funds								
Railroad unemployment insurance trust fund:									
Appropriation, current	603	BA	**17**	**16**	**16**	**15**	**15**	**15**	**15**
Appropriation, permanent		BA	**63**	**79**	**80**	**80**	**80**	**81**	**81**
Outlays		O	82	95	96	95	95	96	96
Total Railroad unemployment insurance trust fund		BA	**80**	**95**	**96**	**95**	**95**	**96**	**96**
		O	82	95	96	95	95	96	96
Rail Industry Pension Fund:									
Appropriation, current	601	BA	**79**	**77**	**78**	**73**	**73**	**73**	**73**
Appropriation, permanent		BA	**2,975**	**2,913**	**2,924**	**2,954**	**3,030**	**3,059**	**3,093**
					[B] **–5**	[B] **–8**	[B] **–8**	[B] **–8**	[B] **–8**
Spending authority from offsetting collections		BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
Outlays		O	2,946	2,992	3,004	3,029	3,191	3,224	3,260
					[B] –5	[B] –8	[B] –8	[B] –8	[B] –8
Rail Industry Pension Fund (gross)		BA	**3,058**	**2,994**	**3,001**	**3,023**	**3,099**	**3,128**	**3,162**
		O	2,946	2,992	2,999	3,021	3,183	3,216	3,252
Total, offsetting collections			–4	–4	–4	–4	–4	–4	–4
Total Rail Industry Pension Fund (net)		BA	**3,054**	**2,990**	**2,997**	**3,019**	**3,095**	**3,124**	**3,158**
		O	2,942	2,988	2,995	3,017	3,179	3,212	3,248
Supplemental Annuity Pension Fund:									
Appropriation, permanent	601	BA	**109**	**84**	**80**	**76**	**73**	**70**	**67**
Outlays		O	109	84	80	76	73	70	67
Railroad social security equivalent benefit account:									
Appropriation, permanent	601	BA	**2,029**	**2,075**	**2,060**	**2,049**	**2,031**	**2,025**	**2,020**
					[B] **36**	[B] **54**	[B] **54**	[B] **55**	[B] **55**
Authority to borrow, permanent		BA	**3,150**	**3,229**	**3,309**	**3,365**	**3,381**	**3,422**	**3,469**
Outlays		O	5,196	5,301	5,366	5,415	5,409	5,446	5,484
					[B] 36	[B] 54	[B] 54	[B] 55	[B] 55
Total Railroad social security equivalent benefit account		BA	**5,179**	**5,304**	**5,405**	**5,468**	**5,466**	**5,502**	**5,544**
		O	5,196	5,301	5,402	5,469	5,463	5,501	5,539
Summary									
Federal funds:									
(As shown in detail above)		BA	**467**	**469**	**462**	**451**	**440**	**429**	**420**
		O	461	469	462	451	440	429	420
Trust funds:									
(As shown in detail above)		BA	**8,422**	**8,473**	**8,578**	**8,658**	**8,729**	**8,792**	**8,865**
		O	8,329	8,468	8,573	8,657	8,810	8,879	8,950
Deductions for offsetting receipts:									
Intrafund transactions	601	BA/O	*–3,556*	*–3,817*	*–3,887*	*–3,964*	*–4,003*	*–3,903*	*–4,042*
Total Trust funds		BA	**4,866**	**4,656**	**4,691**	**4,694**	**4,726**	**4,889**	**4,823**
		O	4,773	4,651	4,686	4,693	4,807	4,976	4,908
Interfund transactions	601	BA/O	*–227*	*–246*	*–256*	*–260*	*–265*	*–269*	*–274*
Total Railroad Retirement Board		BA	**5,106**	**4,879**	**4,897**	**4,885**	**4,901**	**5,049**	**4,969**
		O	5,007	4,874	4,892	4,884	4,982	5,136	5,054

Resolution Trust Corporation

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Office of Inspector General:									
Appropriation, current	373	BA	**11**						
Outlays		O	7						

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
Public Enterprise Funds:									
RTC revolving fund:									
Spending authority from offsetting collections	373	BA	3,036						
Outlays		O	608						
RTC revolving fund (gross)		BA	3,036						
		O	608						
Total, offsetting collections			–3,036						
Total RTC revolving fund (net)		BA							
		O	–2,428						
Total Federal funds Resolution Trust Corporation		BA	11						
		O	–2,421						

River Basin Commissions

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
River basin commissions:									
Appropriation, current	301	BA	2						
Outlays		O	2						

Securities and Exchange Commission

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	376	BA	103	38	36	36	36	36	36
Spending authority from offsetting collections		BA	243	224	272	298	291	285	280
Outlays		O	284	296	306	327	325	319	313
Salaries and expenses (gross)		BA	346	262	308	334	327	321	316
		O	284	296	306	327	325	319	313
Total, offsetting collections			–243	–246	–307	–298	–291	–285	–280
Total Salaries and expenses (net)		BA	103	16	1	36	36	36	36
		O	41	50	–1	29	34	34	33

Selective Service System

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	054	BA	23	23	24	24	24	24	24
Outlays		O	20	22	23	24	24	24	24

Smithsonian Institution

Federal funds

Account			1996 actual	1997 estimate	1998 estimate	1999 estimate	2000 estimate	2001 estimate	2002 estimate
General and Special Funds:									
Salaries and expenses:									
Appropriation, current	503	BA	311	318	335	321	321	321	321
Outlays		O	304	315	328	325	321	321	321
Museum programs and related research (special foreign currency program):									
Outlays	503	O		1	1				
Construction and improvements, National Zoological Park:									
Appropriation, current	503	BA	3	4	4	6	6	6	6
Outlays		O	6	3	5	7	8	8	8
Repair and restoration of buildings:									
Appropriation, current	503	BA	34	39	32	39	39	39	39
Outlays		O	28	24	39	41	45	46	46
Construction:									
Appropriation, current	503	BA	28	10	58	5	5	5	5
Outlays		O	11	31	8	35	28	24	13
Operations and maintenance, JFK center for the performing arts:									
Appropriation, current	503	BA	10	12	11	11	11	11	11

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	8	10	11	11	11	11	11
Construction, JFK center for the performing arts:									
Appropriation, current	503	BA	**9**	**12**	**9**	**9**	**9**	**9**	**9**
Outlays		O	11	18	11	10	9	9	9
Salaries and expenses, National Gallery of Art:									
Appropriation, current	503	BA	**52**	**54**	**54**	**54**	**54**	**54**	**54**
Outlays		O	51	55	54	54	54	54	54
Repair, restoration, and renovation of buildings:									
Appropriation, current	503	BA	**6**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	4	6	7	6	6	6	6
Salaries and expenses, Woodrow Wilson International Center for Scholars:									
Appropriation, current	503	BA	**6**	**6**	**6**	**6**	**6**	**6**	**6**
Outlays		O	8	6	6	6	6	6	6
Total Federal funds Smithsonian Institution		BA	**459**	**461**	**515**	**457**	**457**	**457**	**457**
		O	431	469	470	495	488	485	474

State Justice Institute

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
State Justice Institute: Salaries and expenses:									
Appropriation, current	752	BA	**5**	**6**	**5**	**4**	**3**	**2**	**1**
Outlays		O	10	5	6	6	4	3	2

Tennessee Valley Authority

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
Public Enterprise Funds:									
Tennessee Valley Authority fund									
(Energy supply):									
(Authority to borrow, permanent)	271	BA	**8**						
(Spending authority from offsetting collections)		BA	**6,247**	**5,676**	**5,716**	**6,161**	**6,307**	**6,434**	**6,573**
(Outlays)		O	6,850	5,747	5,716	5,858	5,873	5,998	6,130
Tennessee Valley Authority fund (gross)		BA	**6,255**	**5,676**	**5,716**	**6,161**	**6,307**	**6,434**	**6,573**
		O	6,850	5,747	5,716	5,858	5,873	5,998	6,130
Total, offsetting collections			–6,200	–5,858	–6,001	–6,161	–6,307	–6,434	–6,573
Total (Energy supply) (net)		BA	**55**	**–182**	**–285**				
		O	650	–111	–285	–303	–434	–436	–443
(Area and regional development):									
(Appropriation, current)	452	BA	**109**	**106**	**106**				
(Spending authority from offsetting collections)		BA	**24**	**8**	**8**				
(Outlays)		O	131	117	115	70	17	12	
Tennessee Valley Authority fund (gross)		BA	**188**	**–68**	**–171**				
		O	781	6	–170	–233	–417	–424	–443
Total, offsetting collections			–24	–8	–8				
Total (Area and regional development) (net)		BA	**109**	**106**	**106**				
		O	107	109	107	70	17	12	
Total Tennessee Valley Authority fund		BA	**164**	**–76**	**–179**				
		O	757	–2	–178	–233	–417	–424	–443
Total Federal funds Tennessee Valley Authority		BA	**164**	**–76**	**–179**				
		O	757	–2	–178	–233	–417	–424	–443

United Mine Workers of America Benefit Funds

Trust funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
United mine workers of America combined benefit fund:									
Appropriation, permanent	551	BA	**334**	**325**	**318**	**310**	**302**	**295**	**288**
Outlays		O	334	325	318	310	302	295	288
United mine workers of America 1992 benefit plan:									
Appropriation, permanent	551	BA	**17**	**17**	**18**	**18**	**18**	**19**	**19**

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Outlays		O	17	17	18	18	18	19	19
Summary									
Trust funds:									
(As shown in detail above)		BA	**351**	**342**	**336**	**328**	**320**	**314**	**307**
		O	351	342	336	328	320	314	307
Interfund transactions	551	BA/O	*–47*	*–31*	*–56*	*–70*	*–70*	*–70*	*–70*
Total United Mine Workers of America Benefit Funds		BA	**304**	**311**	**280**	**258**	**250**	**244**	**237**
		O	304	311	280	258	250	244	237
United States Enrichment Corporation Fund									
Federal funds									
Public Enterprise Funds:									
United States Enrichment Corporation Fund:									
Spending authority from offsetting collections	271	BA	**1,532**	**1,626**					
Outlays		O	1,254	1,655					
United States Enrichment Corporation Fund (gross)		BA	**1,532**	**1,626**					
		O	1,254	1,655					
Total, offsetting collections			–1,532	–1,626					
Total United States Enrichment Corporation Fund (net)		BA							
		O	–278	29					
United States Holocaust Memorial Council									
Federal funds									
General and Special Funds:									
Holocaust Memorial Council:									
Appropriation, current	808	BA	**29**	**32**	**32**	**32**	**32**	**32**	**32**
Outlays		O	26	33	33	32	32	32	32
United States Information Agency									
Federal funds									
General and Special Funds:									
International information programs:									
Appropriation, current	154	BA	**451**	**441**	**434**	**434**	**434**	**434**	**434**
Spending authority from offsetting collections		BA	**9**	**9**	**9**	**9**	**9**	**9**	**9**
Outlays		O	431	482	444	444	443	443	443
International information programs (gross)		BA	**460**	**450**	**443**	**443**	**443**	**443**	**443**
		O	431	482	444	444	443	443	443
Total, offsetting collections			–9	–9	–9	–9	–9	–9	–9
Total International information programs (net)		BA	**451**	**441**	**434**	**434**	**434**	**434**	**434**
		O	422	473	435	435	434	434	434
Buying power maintenance:									
Reappropriation	154	BA	**5**						
Technology fund:									
Appropriation, current	154	BA	**5**	**5**	**7**	**7**	**7**	**7**	**7**
Outlays		O	1	8	7	7	7	7	7
Radio Free Asia:									
Outlays	154	O	5						
Educational and cultural exchange programs:									
Appropriation, current	154	BA	**235**	**217**	**198**	**198**	**198**	**198**	**198**
Spending authority from offsetting collections		BA	**12**	**12**	**12**	**12**	**12**	**12**	**12**
Outlays		O	290	244	221	212	210	210	210
Educational and cultural exchange programs (gross)		BA	**247**	**229**	**210**	**210**	**210**	**210**	**210**
		O	290	244	221	212	210	210	210

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Total, offsetting collections			–12	–12	–12	–12	–12	–12	–12
Total Educational and cultural exchange programs (net)		BA	**235**	**217**	**198**	**198**	**198**	**198**	**198**
		O	278	232	209	200	198	198	198
National Endowment for Democracy:									
Appropriation, current	154	BA	**30**	**30**	**30**	**30**	**30**	**30**	**30**
Outlays		O	30	30	30	30	30	30	30
Broadcasting to Cuba:									
Appropriation, current	154	BA	**25**	**25**					
Outlays		O	25	25	5				
East West Center:									
Appropriation, current	154	BA	**12**	**10**	**7**	**4**	**1**		
Outlays		O	13	10	7	4	1		
North/South Center:									
Appropriation, current	154	BA	**2**	**1**	**2**	**1**			
Outlays		O	5	2	2	2	1		
Radio construction:									
Appropriation, current	154	BA	**29**	**35**	**33**	**33**	**33**	**33**	**33**
Outlays		O	69	46	35	34	33	33	33
International broadcasting operations:									
Appropriation, current	154	BA	**329**	**325**	**367**	**367**	**367**	**367**	**367**
Outlays		O	327	327	360	366	367	367	367
Trust funds									
American studies endowment fund:									
Outlays	154	O	1						
Israeli Arab and Eisenhower exchange fellowship program:									
Appropriation, current	154	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
Foreign service national separation liability trust fund:									
Appropriation, permanent	602	BA	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Outlays		O	–1	3	2	2	2	2	2
Miscellaneous trust funds:									
Appropriation, permanent	154	BA	**1**	**1**	**1**	**1**	**1**	**1**	**1**
Outlays		O	1	1	1	1	1	1	1
Summary									
Federal funds:									
(As shown in detail above)		BA	**1,123**	**1,089**	**1,078**	**1,074**	**1,070**	**1,069**	**1,069**
		O	1,175	1,153	1,090	1,078	1,071	1,069	1,069
Trust funds:									
(As shown in detail above)		BA	**4**	**4**	**4**	**4**	**4**	**4**	**4**
		O	2	5	4	4	4	4	4
Interfund transactions	602	BA/O	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*
Total United States Information Agency		BA	**1,125**	**1,091**	**1,080**	**1,076**	**1,072**	**1,071**	**1,071**
		O	1,175	1,156	1,092	1,080	1,073	1,071	1,071

United States Institute of Peace

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Operating expenses:									
Appropriation, current	153	BA	**11**	**11**	**11**	**11**	**11**	**11**	**11**
Outlays		O	11	12	11	11	11	11	11

Washington Metropolitan Area Transit Authority

Federal funds

Account			1996 actual	1997	1998	1999	2000	2001	2002
General and Special Funds:									
Interest payments:									
Outlays	401	O	1						

OTHER INDEPENDENT AGENCIES—Continued

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Summary									
On-Budget									
Federal funds:									
(As shown in detail above)		BA	**16,681**	**14,842**	**16,717**	**18,011**	**23,088**	**23,700**	**24,395**
		O	5,434	4,388	12,052	17,685	22,203	21,550	22,226
Deductions for offsetting receipts:									
Proprietary receipts from the public	155	BA/O	*–220*	*–58*	*–51*	*–51*	*–51*	*–51*	*–51*
	376	BA/O	*–43*	*–40*	*–40*	*–40*	*–40*	*–40*	*–40*
	803	BA/O	*–41*	*–51*	*–50*	*–51*	*–53*	*–54*	*–55*
	806	BA/O	*–12*	*–12*	*–12*	*–12*	*–12*	*–15*	....
Offsetting governmental receipts	276	BA/O	*–454*	*–462*	*–462*	*–462*	*–462*	*–462*	*–462*
	376	BA/O			*–70*	*–70*	*–70*	*–70*	*–70*
	453	BA/O	*–11*	*–12*	*–12*	*–12*	*–12*	*–12*	*–12*
Total Federal funds		BA	**15,900**	**14,207**	**16,020**	**17,313**	**22,388**	**22,996**	**23,705**
		O	4,653	3,753	11,355	16,987	21,503	20,846	21,536
Trust funds:									
(As shown in detail above)		BA	**8,860**	**8,999**	**9,159**	**9,186**	**9,293**	**9,341**	**9,381**
		O	8,749	8,911	9,056	9,099	9,287	9,334	9,365
Deductions for offsetting receipts:									
Intrafund transactions	601	BA/O	*–3,556*	*–3,817*	*–3,887*	*–3,964*	*–4,003*	*–3,903*	*–4,042*
Proprietary receipts from the public	452	BA/O	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*
Total Trust funds		BA	**5,302**	**5,180**	**5,270**	**5,220**	**5,288**	**5,436**	**5,337**
		O	5,191	5,092	5,167	5,133	5,282	5,429	5,321
Interfund transactions	452	BA/O	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*
	502	BA/O	....	....	*–2*	*–2*	*–2*	*–2*	*–2*
	506	BA/O	*–23*	*–95*	*–100*	*–103*	*–106*	*–109*	*–113*
	551	BA/O	*–47*	*–31*	*–56*	*–70*	*–70*	*–70*	*–70*
	601	BA/O	*–227*	*–246*	*–256*	*–260*	*–265*	*–269*	*–274*
	602	BA/O	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*	*–2*
Total Other Independent Agencies (on-budget)		BA	**20,901**	**19,011**	**20,872**	**22,094**	**27,229**	**27,978**	**28,579**
		O	9,543	8,469	16,104	21,681	26,338	25,821	26,394
Off-Budget									
Federal funds:									
(As shown in detail above)		BA	**3,441**	**8,000**	**4,967**	**1,450**	**1,157**	**2,411**	**3,326**
		O	–626	1,976	4,094	852	–171	–1,760	–1,343
Total Other Independent Agencies (off-budget)		BA	**3,441**	**8,000**	**4,967**	**1,450**	**1,157**	**2,411**	**3,326**
		O	–626	1,976	4,094	852	–171	–1,760	–1,343
Total Other Independent Agencies		BA	**24,342**	**27,011**	**25,839**	**23,544**	**28,386**	**30,389**	**31,905**
		O	8,917	10,445	20,198	22,533	26,167	24,061	25,051

Allowances

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Allowances for: *Federal funds*									
General and Special Funds:									
Contingencies for:									
Relatively uncontrollable programs:									
Appropriation, current	....	BA	....	....	0	....	....	....	....
Outlays	....	O	....	....	0	....	....	....	....
Other requirements:									
Appropriation, current	....	BA	....	....	0	....	....	....	....
Outlays	....	O	....	....	0	....	....	....	....

Totals

(In millions of dollars)

Account			1996 actual	estimate 1997	1998	1999	2000	2001	2002
Budget Totals									
Federal funds:									
(As shown in detail above)		BA	**1,182,809**	**1,229,897**	**1,287,764**	**1,332,792**	**1,371,663**	**1,397,636**	**1,435,237**
		O	1,172,044	1,219,871	1,277,327	1,322,806	1,361,284	1,372,825	1,404,530
Deductions for offsetting receipts:									
(As shown in detail above):									
Intrafund transactions		BA/O	–9,530	–7,144	–6,969	–6,507	–6,137	–5,804	–5,464
				[J] –157					
Proprietary receipts from the public		BA/O	–15,936	–19,173	–19,972	–21,064	–22,396	–23,662	–26,203
					[B] –1,226	[B] –369	[B] –438	[B] –387	[B] –3,127
					[J] –683	[J] –837	[J] –966	[J] –1,085	[J] –1,221
Offsetting governmental receipts		BA/O	–2,807	–2,891	–2,939	–2,948	–3,035	–3,103	–3,183
					[B] –70	[B] –132	[B] –132	[B] –132	[B] –132
					[J] –67	[J] –74	[J] –74	[J] –74	[J] –74
(Undistributed by agency):									
Offsetting governmental receipts:									
Other undistributed offsetting receipts	959	BA/O	–342	–7,961	–9,359	–1,304	–264	–132	...
		BA/O			[B] –2,100	[B] –1,800	[B] –3,800	[B] –6,300	[B] –22,100
Interfund transactions:									
Other interest	908	BA/O	–1	...	–1,142	...	...	...	...
Rents and royalties on the Outer Continental Shelf	953	BA/O	–3,741	–4,152	–4,375	–4,036	–3,885	–4,050	–4,254
Sale of major assets	954	BA/O	...	...	–4,300	...	...	...	...
Total deductions		BA/O	–32,357	–41,478	–53,202	–39,071	–41,127	–44,729	–65,758
Federal fund totals		BA	**1,150,452**	**1,188,419**	**1,234,562**	**1,293,721**	**1,330,536**	**1,352,907**	**1,369,479**
		O	1,139,687	1,178,393	1,224,125	1,283,735	1,320,157	1,328,096	1,338,772
Trust funds:									
(As shown in detail above)		BA	**354,264**	**377,327**	**399,592**	**409,458**	**423,594**	**446,834**	**471,821**
		O	350,809	371,080	390,313	404,996	419,792	442,238	466,583
Deductions for offsetting receipts:									
(As shown in detail above):									
Intrafund transactions		BA/O	–3,557	–3,818	–3,888	–3,965	–4,004	–3,904	–4,043
Proprietary receipts from the public		BA/O	–36,164	–35,371	–36,601	–37,127	–37,417	–38,141	–39,091
					[B] 211	[B] –498	[B] –1,439	[B] –2,658	[B] –4,277
Total deductions		BA/O	–39,721	–39,189	–40,278	–41,590	–42,860	–44,703	–47,411
Trust fund totals		BA	**314,543**	**338,138**	**359,314**	**367,868**	**380,734**	**402,131**	**424,410**
		O	311,088	331,891	350,035	363,406	376,932	397,535	419,172
Interfund transactions (–):									
Interest received by on-budget trust funds	902	BA/O	**–60,869**	**–62,812**	**–63,002**	**–62,604**	**–61,191**	**–59,454**	**–58,437**
					[J] **–744**	[J] **–2,012**	[J] **–4,223**	[J] **–6,981**	[J] **–9,010**
Employer share, employee retirement (on-budget)	951	BA/O	**–27,259**	**–27,869**	**–27,807**	**–28,154**	**–29,105**	**–30,050**	**–31,248**
					[J] **–621**	[J] **–604**	[J] **–588**	[J] **–577**	[J] **–567**
Applied by agency above		BA/O	**–102,775**	**–103,589**	**–123,090**	**–130,935**	**–138,231**	**–148,600**	**–159,312**
Total interfund transactions		BA/O	**–190,903**	**–194,270**	**–215,264**	**–224,309**	**–233,338**	**–245,662**	**–258,574**
Budget totals∆		BA	**1,274,092**	**1,332,287**	**1,378,612**	**1,437,280**	**1,477,932**	**1,509,376**	**1,535,315**
		O	1,259,872	1,316,014	1,358,896	1,422,832	1,463,751	1,479,969	1,499,370
Off-Budget Totals									
Federal funds:									
(As shown in detail above)		BA	**3,441**	**8,000**	**4,967**	**1,450**	**1,157**	**2,411**	**3,326**
		O	–626	1,976	4,094	852	–171	–1,760	–1,343
Trust funds:									
(As shown in detail above)		BA	**352,465**	**367,283**	**385,830**	**403,653**	**422,832**	**443,702**	**464,960**
		O	350,019	367,715	384,347	401,998	421,063	441,778	462,959
Deductions for offsetting receipts:									
(As shown in detail above):									
Proprietary receipts from the public		BA/O	–17	–19	–19	–19	–19	–19	–19
Trust fund totals		BA	**352,448**	**367,264**	**385,811**	**403,634**	**422,813**	**443,683**	**464,941**
		O	350,002	367,696	384,328	401,979	421,044	441,759	462,940
Interfund transactions (–):									
Interest received by off-budget trust funds	903	BA/O	**–36,507**	**–41,238**	**–45,199**	**–49,228**	**–53,181**	**–57,272**	**–61,554**
Employer share, employee retirement (off-budget)	952	BA/O	**–6,278**	**–6,505**	**–7,028**	**–7,633**	**–8,356**	**–8,942**	**–9,781**

Totals—Continued

(In millions of dollars)

Account		1996 actual	estimate 1997	1998	1999	2000	2001	2002
Applied by agency above	BA/O	**–6,133**	**–6,927**	**–7,616**	**–8,102**	**–8,660**	**–9,266**	**–9,915**
Total interfund transactions	BA/O	**–48,918**	**–54,670**	**–59,843**	**–64,963**	**–70,197**	**–75,480**	**–81,250**
Off-Budget totals∆	BA	**306,971**	**320,594**	**330,935**	**340,121**	**353,773**	**370,614**	**387,017**
	O	300,458	315,002	328,579	337,868	350,676	364,519	380,347
Federal Government totals∆	BA	**1,581,063**	**1,652,881**	**1,709,547**	**1,777,401**	**1,831,705**	**1,879,990**	**1,922,332**
	O	1,560,330	1,631,016	1,687,475	1,760,700	1,814,427	1,844,488	1,879,717

Federal Government Totals
(In millions of dollars)

	1997		1998		1999	
	BA	Outlays	BA	Outlays	BA	Outlays
Federal funds:						
Enacted, pending and initial requests:						
Appropriations	1,239,732	1,221,400	1,256,947	1,255,387	1,292,215	1,287,055
Proposed in this budget:						
Supplemental proposal (A)	–1,869	75		–895	921	192
Rescission proposal (H)	–372	–70		–61		–54
To be proposed separately:						
Legislative Proposals:						
Subject to PAYGO (B)	249	285	13,001	8,626	13,895	12,596
Not subject to PAYGO (J)	157	157	22,783	18,364	27,211	23,869
Deductions for offsetting receipts	–41,321	–41,321	–49,056	–49,056	–35,859	–35,859
Subject to PAYGO (B)			–3,396	–3,396	–2,301	–2,301
Not subject to PAYGO (J)	–157	–157	–750	–750	–911	–911
Total Federal funds	1,196,419	1,180,369	1,239,529	1,228,219	1,295,171	1,284,587
Trust funds:						
Enacted, pending and initial requests:						
Appropriations	744,610	738,748	789,708	778,993	823,939	817,777
Proposed in this budget:						
Supplemental proposal (A)		47		168		52
To be proposed separately:						
Legislative Proposals:						
Subject to PAYGO (B)			–4,339	–4,554	–10,878	–10,885
Not subject to PAYGO (J)			53	53	50	50
Deductions for offsetting receipts	–39,208	–39,208	–40,508	–40,508	–41,111	–41,111
Subject to PAYGO (B)			211	211	–498	–498
Total Trust funds	705,402	699,587	745,125	734,363	771,502	765,385
Interfund transactions (–)	–248,940	–248,940	–275,107	–275,107	–289,272	–289,272
Federal Government totals	1,652,881	1,631,016	1,709,547	1,687,475	1,777,401	1,760,700

Federal Government Totals—Continued

(In millions of dollars)

	2000		2001		2002	
	BA	Outlays	BA	Outlays	BA	Outlays
Federal funds:						
Enacted, pending and initial requests:						
Appropriations	1,331,935	1,322,069	1,361,208	1,333,228	1,401,789	1,368,735
Proposed in this budget:						
Supplemental proposal (A)	....	15	....	–4	....	....
Rescission proposal (H)	....	–34	....	–33	....	–33
To be proposed separately:						
Legislative Proposals:						
Subject to PAYGO (B)	13,027	13,256	9,584	10,622	5,634	5,237
Not subject to PAYGO (J)	27,858	25,807	29,255	27,252	31,140	29,248
Deductions for offsetting receipts	–35,717	–35,717	–36,751	–36,751	–39,104	–39,104
Subject to PAYGO (B)	–4,370	–4,370	–6,819	–6,819	–25,359	–25,359
Not subject to PAYGO (J)	–1,040	–1,040	–1,159	–1,159	–1,295	–1,295
Total Federal funds	1,331,693	1,319,986	1,355,318	1,326,336	1,372,805	1,337,429
Trust funds:						
Enacted, pending and initial requests:						
Appropriations	867,428	861,738	916,060	909,405	967,452	960,095
Proposed in this budget:						
Supplemental proposal (A)	....	15	....	9	....	8
To be proposed separately:						
Legislative Proposals:						
Subject to PAYGO (B)	–21,010	–20,906	–25,539	–25,413	–30,694	–30,584
Not subject to PAYGO (J)	8	8	15	15	23	23
Deductions for offsetting receipts	–41,440	–41,440	–42,064	–42,064	–43,153	–43,153
Subject to PAYGO (B)	–1,439	–1,439	–2,658	–2,658	–4,277	–4,277
Total Trust funds	803,547	797,976	845,814	839,294	889,351	882,112
Interfund transactions (–)	–303,535	–303,535	–321,142	–321,142	–339,824	–339,824
Federal Government totals	1,831,705	1,814,427	1,879,990	1,844,488	1,922,332	1,879,717

A Supplemental proposal.
B Legislative proposal, subject to PAYGO.
H Rescission proposal.
J Legislative proposal, not subject to PAYGO.

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